

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: 17 July 2019

Meeting time: 09.25

For further information contact:

Gareth Price

Committee Clerk

0300 200 6565

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Private pre-meeting

(09.25–09.30)

1 Introductions, apologies, substitutions and declarations of interest

2 Paper(s) to note

2.1 Letter from Chair to Minister for Economy and Transport re Common Frameworks

(Pages 1 – 2)

Attached Documents:

EIS(5)–21–19(P1) Letter from Chair to Minister for Economy and Transport



2.2 Letter from the Minister for Economy and Transport to Chair re the Williams Rail Review

(Pages 3 – 4)

Attached Documents:

EIS(5)–21–19(P2) Letter from the Minister for Economy and Transport to Chair

2.3 Further information from the National Federation of SubPostmasters re Access to Banking

(Pages 5 – 7)

Attached Documents:

EIS(5)–21–19(P3) Further information from the National Federation of SubPostmasters

3 In-Year Financial Scrutiny with the Minister for Economy and Transport

(09.30–10.30)

(Pages 8 – 29)

Ken Skates AM, Minister for Economy and Transport

Dean Medcraft, Director, Finance and Operations

Simon Jones, Director, Economic Infrastructure

Attached Documents:

EIS(5)–21–19(P4) Research Briefing

EIS(5)–21–19(P5) Evidence from the Minister for Economy and Transport

**4 Consideration of Legislative Consent Memorandum for the
Birmingham Commonwealth Games Bill**

(10.30–10.35)

(Pages 30 – 33)

Attached Documents:

EIS(5)–21–19(P6) Legal Advice

**5 Motion under Standing Order 17.42 (vi) to resolve to exclude the
public from the remainder of the meeting**

6 Discussion of In–Year Financial Scrutiny Evidence

(10.35–10.45)

**7 Draft Report: Legislative Consent Memorandum for the
Birmingham Commonwealth Games Bill**

(10.45–10.55)

(Pages 34 – 38)

Attached Documents:

EIS(5)–21–19(P7) Draft Report

Break

(10.55–11.10)

8 Key Themes Paper: Access to Banking

(11.10–11.25)

(Pages 39 – 44)

Attached Documents:

EIS(5)–21–19(P8) Key Issues Paper

9 Key Themes Paper: Regional Skills Partnerships

(11.25–11.40)

(Pages 45 – 49)

Attached Documents:

EIS(5)–21–19(P9) Key Themes Paper

Cynulliad Cenedlaethol Cymru
Pwyllgor yr Economi, Seilwaith a Sgiliau

National Assembly for Wales
Economy, Infrastructure and Skills Committee

Ken Skates AM
Minister for Economy and Transport

10 July 2019

Dear Ken,

Common UK Policy Frameworks

Assembly Committee Chairs met last week and discussed the development of UK-wide common policy frameworks emerging from the Brexit process. Chairs agreed to write to the relevant ministers to seek further information to assist with important scrutiny of steps being taken.

I would therefore be grateful if you could provide the Committee with details of:

- what steps have been taken to develop frameworks within your portfolio areas, and at what stage of development those frameworks are;
- the evidence base to support decisions on frameworks;
- intergovernmental structures that have been or are being established, e.g. Ministerial forums etc;
- what end output(s) are anticipated from the frameworks, both legislative and non-legislative;
- how the frameworks link with existing or proposed Welsh Government action, both legislative and non-legislative (including where frameworks cross-over with other portfolios); and
- how each framework area will be managed in the event of the UK leaving the EU without a deal.

/2...



In order to assist the Committee with planning its scrutiny work early in the autumn term it would be helpful to receive your response by 1 September.

Kind regards,

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by the name 'Russell' and a flourish.

Russell George AM
Chair
Economy, Infrastructure and Skills Committee



Ken Skates AC/AM
Gweinidog dros yr Economi a Thrafnidiaeth
Minister for Economy and Transport



Llywodraeth Cymru
Welsh Government

Russell George AM
Chair
Economy, Infrastructure and Skills Committee

SeneddEIS@assembly.wales

11 July 2019

Dear Russell

I would like to thank you and the Committee for the letter you sent to Keith Williams offering your support for the Welsh Government's position on rail devolution. Your insightful and thoughtful consideration of the issues you identify, together with previous inquiries and publications, certainly complement the already compelling case for full rail devolution and a fair funding settlement in our submission to the Williams Rail Review

There is one important point of detail that is perhaps worth highlighting. The values in Table 1 in your letter on the level of expenditure on rail enhancements since the creation of Network Rail's Wales Route may be worth thinking about in a broader context.

It is clear that infrastructure enhancement expenditure in recent years by Network Rail in the Wales Route has increased as a result of the Great Western electrification scheme eventually reaching Cardiff. However, these values must now be considered in the context of the significant sums now being spent on HS2, which are not included in Network Rail's enhancement budget. This year, expected expenditure on HS2 is forecast to be significantly higher than the entire Network Rail enhancement budget, and predicted to increase rapidly. The situation in Table 1 is therefore worse than portrayed.

Despite Department for Transport forecasting of a negative impact of £150m per annum on the Welsh economy, the Barnett formula comparability factor for the UK Government's HS2 budget for Wales is currently 0%, compared with 100% for Scotland, who will also be benefitting from three direct HS2 services every hour.

The work of your committee over the years has now resulted in unprecedented cross-party support across the National Assembly for Wales for full rail devolution. This opportunity for change must now be seized by the UK Government and delivered through their White Paper on rail this autumn. It is important that we continue to develop and to make a positive case for the changes needed to the current devolution settlement, and I would welcome any future support that the Committee can offer.

I have copied this letter to Keith Williams, the Secretary of State for Transport and the Secretary of State for Wales.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken', with a long, sweeping horizontal stroke above the letters.

Ken Skates AC/AM

Gweinidog dros yr Economi a Thrafnidiaeth
Minister for Economy and Transport



Welsh Assembly Committee Inquiry: Access to Banking Further written evidence submitted by the National Federation of SubPostmasters (NFSP)

The NFSP is grateful to the committee for launching the Inquiry and for giving us the opportunity to contribute to discussions.

This document provides further information in relation to or in response to issues raised during the Committee Hearing on 13 June 2019.

The National Federation of SubPostmasters (NFSP) is a professional trade association representing independent business people who act as agents for Post Office Ltd (PO). Our 8,000 members own and operate around 9,300 sub post offices. Privately-owned post offices comprise 98% of the national post office network and are, collectively, a major employer nationally.

The NFSP exists to support subpostmasters to maximise profit from their post office and retail business. We are a member-focused organisation.

There are 922 sub post offices in Wales (as of April 2019) – 748 are members of the NFSP.

Bank closures and access to cash

The NFSP's response to the Inquiry addressed the current high levels of bank closures across Wales. This is an ongoing trend, and we currently see towns such as Llandovery and Rhos-on-Sea without any bank branches at all.

We stress once again that a significant number of people still rely on bank branches and use cash as their primary means of payment. These tend to be the most vulnerable members of society: older people, disabled people, people on low incomes, and residents of remote rural areas.

The absence of these services can lead to problems with money management, budgeting, independence, loneliness and isolation – i.e. social and financial inclusion. It is therefore vital that there exists an alternative to prevent community members from being left behind.

The post office network

In the post office network, consumers and small businesses in Wales have access to basic banking services such as withdrawing cash, paying in cash and cheques, and obtaining balances. This is delivered in a branch setting, with face-to-face support, providing a sense of community that is increasingly under threat.

With a network of 11,500 branches, the post office network is unrivalled in its geographic spread. It is the largest financial services chain in the UK, with 99.4% of people in Wales living within 3 miles of their nearest branch. At a time of widespread uncertainty concerning the presence of bank branches, post offices represent a lifeline for those at risk of financial exclusion.

Issues to be addressed

In order to maximise the potential of the post office network and benefit the most consumers, it is crucial that people are aware that there are already solutions in place to the problems mentioned above.

Two in five people still don't know about the availability of banking services at post offices. The NFSP Member Survey, referenced throughout our response, found that 55% of subpostmasters in Wales feel that only a minority of people in their local area are aware of the personal banking services they offer, while 61% feel that only a minority of businesses are aware of their business banking services. This is unacceptable given the scale of bank closures.

These low levels of awareness show that Post Office Ltd's five-point plan - put in place in 2018 to promote awareness of banking services in post offices - is not sufficient in its current form. It is essential that consumers are aware of the existing alternatives they have to carry out banking services, which includes their local post office.

Post Office Ltd must work with the UK government to increase awareness of the network's services. The NFSP would like to see both a national-level campaign (TV, radio, print media

etc) and resources allocated to enable post offices to carry out their own local-level campaign.

Whether post offices can ever act as direct and complete replacement for banks is debateable – indeed, perhaps doubtful – but there is scope for post offices to offer more services than they currently do.

Post office customers frequently wish to pay credit card/tax bills, print statements and set up direct debits and standing orders, but are currently unable to do so. We encourage Post Office Ltd to work with financial institutions to explore these possibilities.

The Committee has heard the different issues that result from bank branch closures, but by far the most fundamental and urgent are those relating to access to basic banking services and cash. These problems are affecting the greatest number of people, and the post office network is already in place as a solution to ensure financial inclusion across Wales.

For further information, please contact Peter Hall, NFSP Head of Policy and Research at peter.hall@nfsp.org.uk or on 01273 452 324

Agenda Item 3

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Memorandum on the Economy and Transport

In-year Financial Scrutiny Session

Economy, Infrastructure and Skills Committee – 17 July 2019

Purpose

The purpose of this paper is to provide Written Evidence to the Economy, Infrastructure and Skills Committee for their In-Year Financial Scrutiny Session.

2019-20 In Year Budget

The changes to budgets, between the 2019-20 Final Budget and the 2019-20 First Supplementary Budget for the Economy and Transport MEG, result in an increase in the overall MEG budget of £43,129k from £1,310,245k to £1,353,374k. Further information can be found on our website at: <https://gov.wales/1st-supplementary-budget-2019-2020>

M4

In his oral statement on 4 June the First Minister set out that he would not be making the statutory Orders for the M4 Project due to the capital spending demands for the coming years across all portfolio's and the adverse environmental impacts of the scheme when balanced against the expected benefits.

On 5 June I set out implementation of a suite of measures to provide modest but immediate benefits including; additional traffic officers, dedicated on call recovery vehicles, live journey time information, exploring the operation of junctions and a driver behaviour campaign. I also provided details of a South East Wales Transport Commission to consider congestion on the M4 in south east Wales, and make recommendations to the Welsh Government on a suite of alternative solutions in the light of the First Minister's decision.

The Terms of Reference of the Commission were published on 5 June and I announced that Lord Terry Burns will Chair it. My statement is available here: <https://gov.wales/m4-newport-next-steps>

As a Government we have always been committed to relieving the significant congestion that exists around the Brynglas Tunnels. As the First Minister and I have stated in our recent statements, that has not changed and is something we are still fully committed to.

As members will have seen from the Public Inquiry we have done everything in our power to explore and advance the specific proposal we put forward in the manifesto of 2016, but as has been made clear, the costs and the environmental impact were, in the end, simply too high and would have impaired our ability to deliver some of the other important things in our manifesto.

The work of the Commission will now look at these issues afresh and help us develop a way to sustainably address the congestion issues that exist for commuters, passengers and residents in the region. We will not set a budget for the Commission, instead, we will await the outcome of their work and will consider affordability at that time.

M4 Project Development Costs

The total expenditure on specifically taking forward the M4 Project since 2014 has been £114m (inc VAT). This covers from the Judicial Review of the strategic decision to proceed through to design development, the extensive public engagement and full inquiry process. Please see below table.

| M4 Project Development Expenditure Summary Totals | | | | | | | |
|--|---|--|--|---|--|--|--------------------------------|
| | Costain Vinci Joint Venture 'Early Contractor Involvement' Team Technical and Procedural Work £m | Statutory Undertakers (Utilities) Design and Preparation Costs £m | Employers Agent Technical, Commercial and Contractual Work £m | Stakeholder Expenditure and Public Inquiry/ Legal costs £m | Land Expenditure on Successful Blight Applications £m | Early development costs in 2013 | Total amount Inc Vat £m |
| 2013 – Mar 2016 (Welsh Gov. Key Stage 3 i.e. decision to proceed with project up to publication of draft Orders) | 26.422 | 0 | 2.031 | 1.883 | 4.113 | 1.7 | 36.149 |
| Apr 2016 – Mar 2019 (Welsh Gov Key Stage 4 i.e. publication of draft Orders through to statutory decision by FM) | 53.590 | 1.202 | 3.408 | 13.150 | 6.610 | 0 | 77.96 |
| Totals | 80.012 | 1.202 | 5.439 | 15.033 | 10.723 | 1.7 | £114.109m |

These are of course large sums, but the work carried out has been appropriate for the stages of decision making we have been through. Expenditure has been proportionate to other infrastructure projects, in fact as a % actually lower than some. Spend has been subject to annual approvals, so all work has been scrutinised in advance and monitored to ensure adherence to budgets.

Not proceeding

Not proceeding with the M4 Project will instead firstly mean that we have less risk against other spending priorities across areas like transport, education and health.

I want to make clear though that value for money and a proper assessment of how we resolve the challenges of the congestion and its impact in the Newport area is my focus, and will be that of the Commission. The decision not to pursue the Black Route does not give me or anyone else a blank cheque to pursue otherwise unaffordable pet transport projects in south east Wales or elsewhere using the imagined windfall..

The bulk of the expenditure for the Black Route would have fallen in years for which we do not yet have a budget. Last year we published the Wales Infrastructure Investment Plan mid-point review which sets out our ambitions for infrastructure investment across Wales, including a range of high priority long term investment commitments which will extend beyond the period for which we have set budgets. These include the next phase of the 21st Century Schools Programme, the Velindre Cancer Centre, major road schemes (e.g. the enhancement of the A55) and public transport infrastructure, such as the South Wales Integrated Transport Metro.

How we use the available capital to support our investment priorities will be subject to the overall budget settlement we get in future years. As I have rehearsed many times in the chamber, we will always use the least expensive forms of capital first when investing in infrastructure.

'Winding Up' Costs

At the point of ministerial decision not to proceed up to £9.2m was approved for 'winding up' activities to; conclude the current statutory process for the M4 Project i.e. to cover activities including stakeholder liaison, handling of lands and compensation matters and also to ensure that all data compiled as part of this process (such as traffic models and environmental survey data) is appropriately logged and handed over to the newly forming South East Wales Transport Commission. This will ensure retained value of development expenditure to date is maximised.

New Operating Model

In our Economic Action Plan, we set ourselves a clear policy objective – to raise levels of wealth and well-being across Wales, whilst reducing inequalities in both. The Welsh Government has a range of policy levers at its disposal to help achieve that objective. This is why the Plan is so broad in its scope.

However, we recognise that our ability to provide financial support to business is amongst our most critical and influential levers in driving change. Through managing our financial support judiciously, we are able to influence the behaviours of firms who receive it, recognising of course that our financial support to business will only directly touch a proportion of Wales's business base.

At the heart of our Economic Action Plan is a new policy approach to delivering and managing our direct financial, predominantly grant, support to business. This new approach is what we refer to as our new operating model, comprised of the Economic Contract, the Calls to Action and the Economy Futures Fund.

Each part of the model has a specific policy driver that collectively helps support our overarching wealth and well-being policy objective. For example, the Economic Contract is underpinned by the objective of inclusive growth, requiring businesses seeking our support to act responsibly.

We expect businesses to commit to growth, fair work, reducing carbon footprints, health, skills, and learning in the workplace. These are the behaviours already exhibited in successful and responsible businesses. The Economic Contract allows us to recognise where good practice exists and through engagement enables us to encourage others to take a similar path.

Whereas the Economic Contract focusses on the values and ethos of a business, the policy driver for the Calls to Action reflects the importance of business investment in activities that drive productivity and future proof the economy. The Calls to Action are clear in providing the lens through which we will support responsible businesses with their investment activity, focussing on some of the key strategic challenges business and the economy faces.

The policy driver for the Economy Futures Fund reflects the need for simplification of our financial support. There is no doubt that businesses value the financial support we provide and it plays a big role in helping some businesses to fulfil their aspirations to sustain and grow. However, we know that in the past the range of schemes, programmes and funds that we offer can be confusing and complex to businesses.

Without losing the need for funding to hit multiple objectives, we have responded to those concerns and as part of the model, we have taken the step of consolidating a number of current schemes within a new Economy Futures Fund so that the direct financial support we offer to business is clear, easily understood, and responsive.

Economic Contract

The Economic Contract is the framework for a new relationship with business. Through it we require businesses to demonstrate their commitment to growth, fair work, employee health (including mental health) and skills and reducing carbon footprint.

The Economic Contract is effectively a pre-qualification stage to funding and satisfying it does not automatically lead to a business accessing finance.

The Economic Contract operates through engagement, incentive and good practice rather than legal force. It is part of a reciprocal and “something for something” approach aimed at delivering public investment with a social purpose.

To date over 200 Economic Contracts have been discussed and agreed with business since its launch in May 2018.

Calls to Action

Businesses seeking financial support from the Welsh Government via the Economy Futures Fund will be expected to contribute to at least one of the five Calls to Action which are designed to overcome the challenges of the future.

The five Calls to Action are:

- Decarbonisation
- Innovation, Entrepreneurship and Headquarters
- Exports and Trade
- High quality employment , skills development and fair work
- R&D Automation and digitalisation

All new funding proposals that come forward for direct financial support will be subject to the new prism provided by the Calls to Action.

The approach to each funding request will be proportionate to the size, location, type of business, the place it operates in and the prevailing macro and micro economic factors to ensure it is inclusive of the wide breadth of businesses operating in Wales.

Economy Futures Fund

The Economy Futures Fund is the simplification and rationalisation of a number of existing schemes, and has been achieved by linking the application, appraisal and monitoring process with the Calls to Action criteria. The fund has been designed to be flexible enough to ensure future priority schemes can be delivered using this mechanism.

Each of the schemes that sit within the Economy Futures has its own guidance; this provides information on a number of key areas including eligibility criteria, State Aid legal routes, value for money assessment and assessment of risk. This will ensure we can recognise the different challenges of for example an R&D investment in an early stage business versus an expansion project in a mature business.

The appraisal of projects is undertaken using standardised templates to ensure consistency of approach.

To date, 96 projects have been approved under the Economy Futures Fund with a value of £44m. For each approval the Call to Action has been identified as part of the appraisal and monitoring process.

Regional Economic Development

The Plan is a plan for all of Wales and I want to enable all parts of Wales to develop their strengths and opportunities, so that they not only make a bigger contribution to wealth and well-being, but also benefit more from it. That is why developing our approach to Regional Economic Development is at the front and centre of this next phase of delivering the Economic Action Plan (EAP).

The new regionally-focused model of economic development is founded on a whole government approach. This is being deployed in a number of ways across departments, recognising the importance of using all our levers to support inclusive and sustainable growth.

CROs and their Regional Units have a clear role to engage extensively with internal and external stakeholders, including local authorities, other public sector bodies and the private sector to communicate priorities, understand partners' plans and aspirations for their regions, build relationships and align activity.

An early focus of Regional Units is the development of regional economic development plans with partners in the regions. The Units are working with each other to develop a common structure to the plans, so that they will have a similar look and feel, though the specific content and priorities will differ. The aim of these plans is not to duplicate existing strategies and documents, but to provide a clear and transparent framework for pulling together the various strands of action underway in their respective areas.

Work is also underway to explore options to scope out and implement Regional Indicative Budgets, to achieve a greater degree of transparency on how Welsh Government funding and investment is deployed across the three EAP regions (this work is currently focused on Economy and Transport budgets). This work is examining how Regional Indicative Budgets might play into future decision-making, in support of the regional economic development plans.

Recent manufacturing job losses

The recent job losses are bitterly disappointing and our sympathies go out to all those that have been affected. The Welsh Government has, where it has been able, put into action immediate support for those impacted by the losses.

ReAct is a well-established programme, which aims to address the needs of people who have been made redundant, or are under formal notice of redundancy, through a series of measures designed to remove barriers to obtaining new employment. ReAct support is delivered through close collaborative working between the Welsh Government and major support agencies in Wales, such as Careers Wales, Jobcentre Plus and Wales TUC. This joint approach provides a seamless intervention for the individual and ensures that all support agencies can respond swiftly to provide the best possible support to those who need it. Recent examples of the joint approach to redundancy support for the manufacturing sector include Ford Bridgend and Quinn Radiators Ltd of Newport.

Apprenticeship funding

We are currently experiencing unprecedented demand for Apprenticeships in Wales as a result of the Apprenticeship levy and changes to the Health and Social Care sector. Last year we saw a 30% increase in starts on the mainstream Apprenticeship programme. The current target committed to supporting a minimum of 100,000 quality starts during this current term of office is affordable within existing budgets. However this budget is insufficient to meet all of the demand and officials are placing restrictions on the amount of non-priority provision that can be supported. Going forward, the move to supporting increased degree and higher level Apprenticeships, in addition to promoting higher cost STEM subjects will mean that the budget is stretched even further.

Health and Social Care Apprenticeships

In 2017/18, circa 24% of all apprenticeship starts were within the Health and Social Care Sector. This percentage is expected to increase as a result of the new employee registration requirements introduced by Social Care Wales.

Ongoing activity to provide support to companies paying the Apprenticeship levy

The Apprenticeship Levy continues to undermine Welsh policy priorities, cutting across the devolution settlement and impacting on employer relations in Wales. We have established a team of Apprenticeship advisors to support levy-paying employers and published factual guides for levy payers and other employers on how they can access the programme in the short term that has proven to be an effective intervention.

In order to manage demand, we have restricted the number of entrants into non-priority occupational sectors (for learners aged 20+) which are 'Business Administration', 'Retail & Customer Service' and 'Hair & Beauty'. However, we reserve the right to extend this list during the contract year.

Changes have also been made to the eligibility requirements to target support to those areas with the greatest expected benefit. As such, from 1 October 2019, the apprenticeship eligibility criteria will be amended to exclude any learners who:

- Have been employed for more than 12 months in their current job role **and** are seeking to undertake a level 2 apprenticeship.

Exceptions to this rule will apply where:

1. the potential learner is seeking to progress to a level 3 framework and the level 2 framework is a pre-requisite for the level 3;

or

2. the learner has a declared disability.

Programme for Government Commitment

Welsh Government are committed to supporting a minimum of 100,000 quality starts during this current term of office. We are currently well on track to meet this commitment, with provisional data indicating there were more than 64,000 starts between 1 August 2016 and 31 October 2018.

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