

# Agenda – Economy, Infrastructure and Skills Committee

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Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: 9 January 2020

Meeting time: 09.45

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

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**Private pre-meeting (09.45–10.00)**

Budget Scrutiny discussion with Research Team

## **1 Introductions, apologies, substitutions and declarations of interest**

## **2 Paper(s) to note**

### **2.1 Further information from the Minister for Economy and Transport re WLGA discussions regarding Taxi's and PHV licencing**

(Pages 1 – 2)

Attached Documents:

EIS(5)–01–20(P1) Letter from the Minister for Economy and Transport

### **2.2 Letter from the PSR re Access to Banking report**

(Pages 3 – 4)

Attached Documents:

EIS(5)–01–20(P2) Letter from the PSR



## **2.3 Correspondence from the Future Generations Commissioner re Welsh Government draft budget 2020–21**

(Pages 5 – 23)

Attached Documents:

EIS(5)–01–20(P3) Correspondence from the Future Generations Commissioner

## **3 Budget scrutiny with the Minister for Economy and Transport**

(10.00–11.30)

(Pages 24 – 79)

Ken Skates AM, Minister for Economy and Transport

Lee Waters AM, Deputy Minister for Economy and Transport

Simon Jones, Director Economic Infrastructure

Huw Morris, Group Director, SHELL

Dean Medcraft, Director Finance & Operations

Attached Documents:

EIS(5)–01–20(P4) Research briefing

EIS(5)–01–20(P5) Evidence from Minister for Economy and Transport

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

**Break**

(11.30–11.40)

## **5 Budget Report Drafting**

(11.40–11.55)

## **6 Draft Report: Public procurement in the foundational economy**

(11.55-12.10)

(Pages 80 – 122)

Attached Documents:

EIS(5)-01-20(P6) Draft report



Russell George AM  
Chair of Economy, Infrastructure and Skills Committee

[SeneddEIS@assembly.wales](mailto:SeneddEIS@assembly.wales)

17 December 2019

Dear Russell,

During my committee appearance on 27<sup>th</sup> November 2019, I agreed to provide the Committee with further details on discussions the Welsh Government is having with the Welsh Local Government Association (WLGA) and the industry in respect of taxis and Private Hire Vehicle licensing (PHV).

This is a devolved matter under the Wales Act 2017. The current licensing legislation applies to both England and Wales and dates back to 1847 and 1976. The advent of the internet, smartphones and other technological advances has meant that the legislation and the licensing regime no longer reflects the way in which the taxi and PHV trade operate, nor the way in which the public interact with other modern day services.

In December 2018, Welsh Government published the White Paper 'Improving Public Transport'. The consultation focused on four proposals;

1. the creation of National Standards to address the variation in taxi and PHV standards across Wales' 22 local authorities
2. the extension of enforcement powers to allow local authority officers to take effective enforcement against any taxi/PHV operating in their area
3. the establishment of effective information sharing protocols for the purposes of safeguarding
4. the possible redirection of taxi and PHV licensing functions away from local authorities and towards a Joint Transport Authority (JTA)

Responses to the consultation indicated strong agreement to proposals 1-3, but there was also some consensus that the proposals did not go far enough in reforming the taxi and PHV licensing regime and addressing the challenges faced by the industry and regulators.

As a result, the Welsh Government is working with the WLGA on proposals to ensure that Wales's Taxi and PHV licensing regime is fit for purpose.

In addition to proposals for legislative reform, consideration is being given to non-legislative measures that can be introduced relatively quickly, to address some of the existing problems.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Relevant stakeholders, including service users and representatives of the taxi and PHV industry, will be engaged throughout the development of these proposals.

Areas of work to be considered include:

- the development of national standards for drivers, vehicles and operators centered around safety
- driver training provision
- the accessibility of vehicles to passengers with disabilities
- the impact of licensed vehicles on the environment
- problems of cross border hire
- improved enforcement powers and information sharing
- improving the customer experience.

Our aim is to update the taxi and PHV licensing regime to create one, consistent standard across Wales which promotes safety, contributes to a cleaner environment, improves the customer experience and is accessible by all.

To ensure our changes do not result in unintended difficulties for cross-border services (England and Wales), we will continue to work closely with the Department for Transport to ensure alignment wherever possible.

I trust the Committee will find this information useful.

Yours sincerely



**Ken Skates AC/AM**

Gweinidog yr Economi a Thrafnidiaeth  
Minister for Economy and Transport

Russell George AM  
Chair of the Economy Infrastructure and Skills Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

11 December 2019

Dear Chair

I am writing to you in response to the Committee's Access to Banking report published in October. I would like to take this opportunity to thank the Committee for the opportunity to present both written and oral evidence during the inquiry.

The report rightly recognises the complexities involved in maintaining appropriate access to cash, and provides helpful and additional insight, and a clearer picture of the situation in Wales.

As I said to the Committee on the 27 June, we are committed to ensuring that everyone has a good choice of how to make payments in ways that work for them, and we see cash continuing to play an important role for the foreseeable future. I have set out a summary of our work in line the Committee recommendations.

## Joint Authorities Cash Strategy (JACS) Group<sup>1</sup>

Finding long-term solutions requires government and other regulators to work together with industry. We are very pleased to be working collaboratively with other authorities as a member of the Treasury established Joint Authorities Cash Strategy (JACS) Group to help ensure a coordinated and aligned approach to our initiatives, to deliver a sustainable end-to-end cash infrastructure. The JACS Group is also supporting coordination between our work and industry initiatives in this area. The Group's members continue to meet with key stakeholders and plan to publish an update in due course. We note that the Welsh Government has accepted the Committee's recommendation and plans to engage with JACS Group members. We have written to the Minister offering to help with anything specifically relating to our work in this area.

## ATM network<sup>2</sup>

There are lots of ways people can access cash, but most people today prefer to use ATMs. As people use cash less and less, we expect the number of free-to-use (FTU) ATMs to decrease over time. However, it is important that, as this happens, people's ability to access cash is protected where it is needed.

As the regulator of LINK, the operator of the UK's largest ATM network, the PSR has been working hard to make sure that the ATM network continues to meet people's cash access needs. Last year we issued Specific Direction 8, which holds LINK to account for the public commitments it made in January 2018 to ensure that there is a broad geographic spread of FTU ATMs.

This direction required LINK to put a range of policies and measures in place to meet that commitment. LINK subsequently published the Protected ATM policy, which includes measures to maintain free ATMs more than 1km from their nearest free ATM and to replace these where they have closed and no adequate alternative is

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<sup>1</sup> Relevant to recommendations 1 and 6

<sup>2</sup> Relevant to recommendations 2 and 7

available. LINK's current policy considers a Post Office branch that is open five days a week to be a suitable alternative.

To ensure that it is working as well as it can, we are currently reviewing this direction. We plan to publish the outcome of our review in early 2020.

### Community engagement and new initiatives<sup>3</sup>

The payments landscape is rapidly changing, as is people's need for cash. It is also affected by a wide range of factors including social deprivation, geographic location, and digital inclusion. We have been actively considering how these needs can best be understood and tracked over time so we can design solutions that work for everyone.

Strong community engagement must be at the heart of reforms to the cash system. We were therefore pleased to see that LINK has acknowledged this and launched a scheme allowing local communities to apply for an ATM in their area<sup>4</sup>. We understand that LINK has already received a large number of requests and is reaching out to these communities to better understand their access issues and how they can be resolved.

Alongside this, UK Finance will launch the payment industry's Community Access to Cash Initiative in Spring 2020. This will provide grants to local communities for non-ATM access solutions<sup>5</sup>.

These are encouraging first steps, but we would like to see them go further. A comprehensive community engagement scheme allowing local communities to raise problems with cash, applied throughout the UK, could deliver real benefits in understanding changing needs and finding local solutions to meet them.

We are actively monitoring these new local community initiatives to learn how people's cash access needs are changing, and whether these initiatives are finding ways to ensure those needs are met. In particular we want to see whether innovative alternatives to ATMs may meet local community needs. That may include Post Offices, but could also include schemes like cashback at retailers, as well as new services that link consumers with merchants who can provide cashback. As we work towards a longer term sustainable model for cash access, the role of communities, active engagement with local consumers and a targeted approach to meeting their needs will remain critical.

I hope you and the Committee find this update on our work useful. We look forward to continuing to engage with the Committee and the Welsh Government, and I would be happy to keep the Committee updated on the work in this vital area.

Yours sincerely



Chris Hemsley  
Managing Director

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<sup>3</sup> Relevant to recommendations 3, 4, 7, 8, 11 and 14

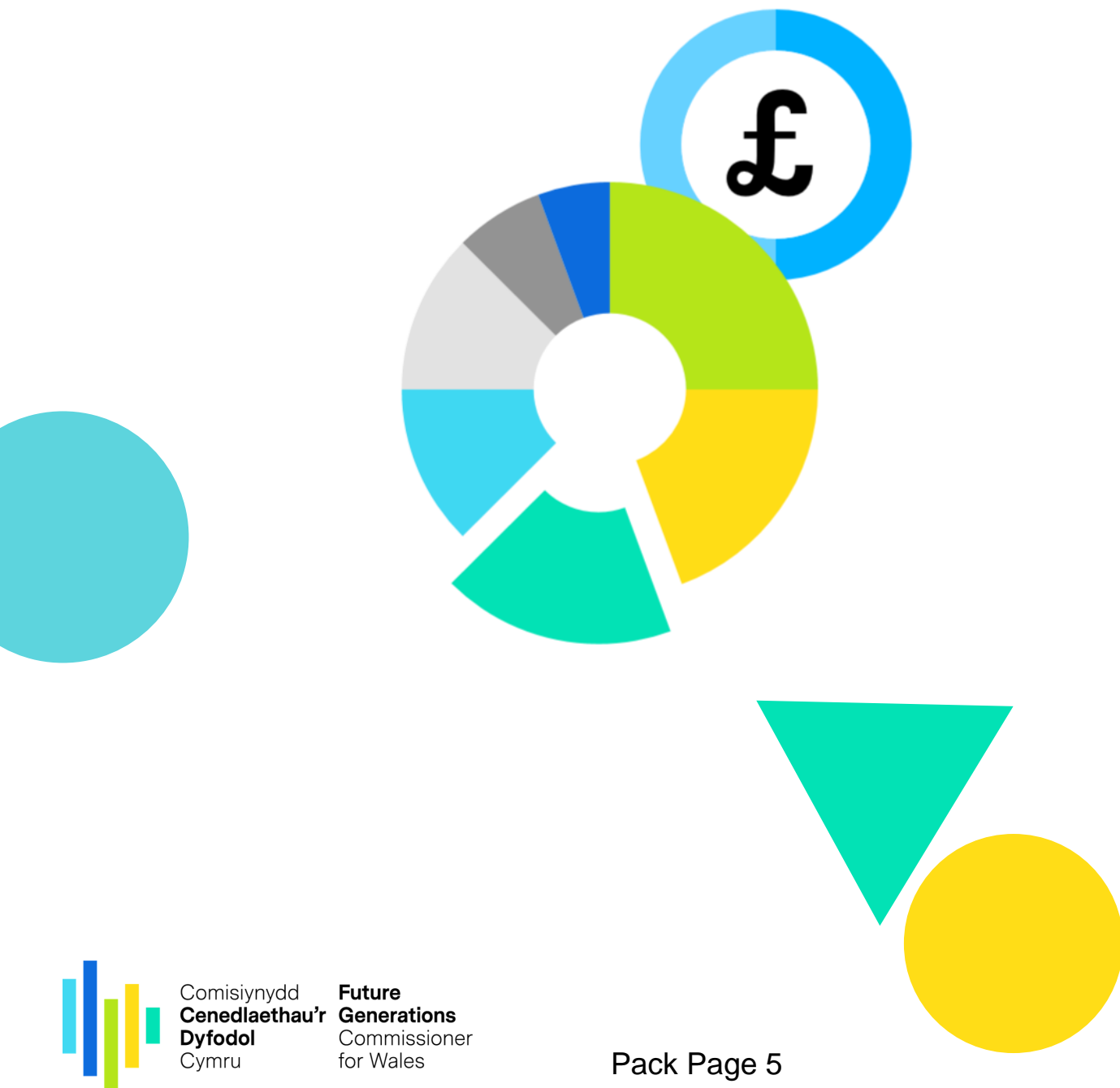
<sup>4</sup> <https://www.link.co.uk/consumers/request-access-to-cash/>

<sup>5</sup> <https://www.ukfinance.org.uk/press/press-releases/uk-banking-and-finance-industry-update-local-access-cash>

A Briefing for Assembly Members

# How the Welsh Government draft budget 2020-21 is taking account of the Well-being of Future Generations Act

December 2019





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# Summary

The Welsh Government budget is the single biggest decision (or set of decisions) that is taken by a public body in Wales each year. As well as determining how public services are funded, the budget process and specific decisions send important signals about priorities across our public services and whether those priorities are shifting in line with the aspirations set out in the Well-being of Future Generations Act (WFG Act).

As the budget is such an important set of decisions for the future of Wales, I monitor and assess the draft budget each year and provide evidence to the National Assembly for Wales Finance Committee.

This year my focus is on:

**DECARBONISATION** - How is the Welsh Government meeting the declaration of a Climate Emergency through budget decisions and allocations?

**PREVENTION** - How is the Welsh Government using the definition of prevention to embed preventative approaches through budget decisions and allocations?

Through engagement with National Assembly for Wales Committee staff, it is clear that these topics are of interest to Members across different Committees. This briefing therefore provides an overview of:

- My expectations of how the budget should be changing in relation to decarbonisation and prevention;
- My views on the progress from Welsh Government, including a high level assessment of commitments in the draft budget narrative published on 16 December;
- Questions that Members could consider exploring further in relation to decarbonisation and prevention, as part of budget scrutiny.

 SOPHIE HOWE  
**Future Generations  
Commissioner for Wales**



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14	4) Taking further steps to a longer term approach

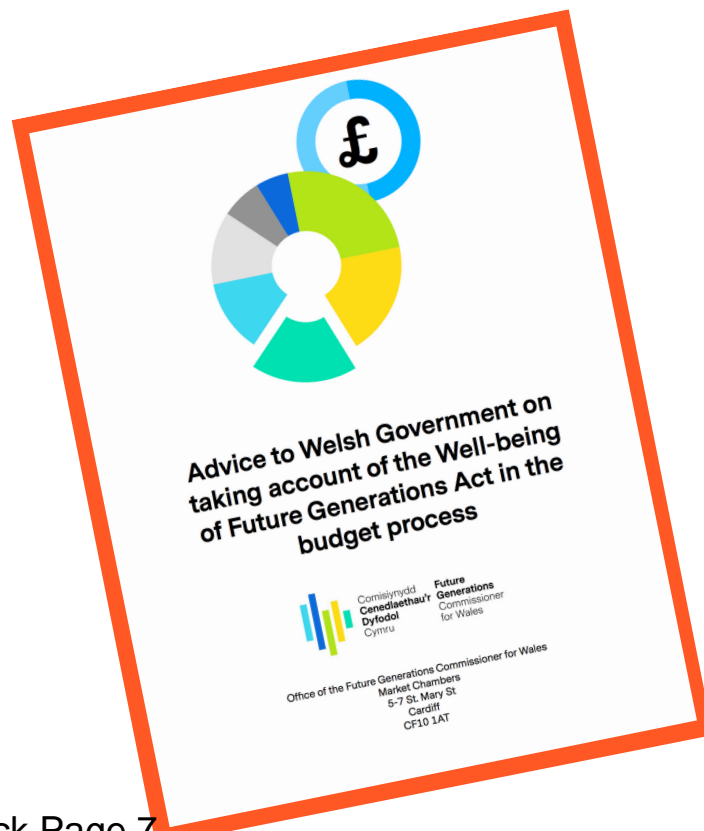
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These sections are based upon the recommendations included in the advice *Advice to Welsh Government on taking account of the Well-being of Future Generations Act in the budget process*, which I published in December 2018.

▶ This can be accessed at <https://futuregenerations.wales/wp-content/uploads/2018/12/2018-11-29-FGC-Budget-Recommendations-ENG.pdf>

**Within this briefing you will find references to recommendations:**

- Recommendations issued by the Future Generations Commissioner for Wales are highlighted in **orange**.
- Recommendations issued by Assembly Committees, which support our recommendations can be found in **blue**.



# Section 1

## Investing in the Climate Emergency

Based on my scrutiny of the budget last year, my advice included two recommendations for Welsh Government to ensure that investment in decarbonisation reflects ambition:

**Recommendation:** Welsh Government clearly articulate how the actions set out in the Low Carbon Delivery Plan will be funded in order for us to meet our statutory emission reduction targets.

**Recommendation:** Welsh Government considers and sets out the level of cross Government investment needed to meet our targets, particularly in relation to: i. Transport; ii. Housing / buildings; iii. The transition to a low carbon Wales.

On the 21 March 2019 Welsh Government published its first Low Carbon Plan - “Prosperity for All: A Low Carbon Wales”.

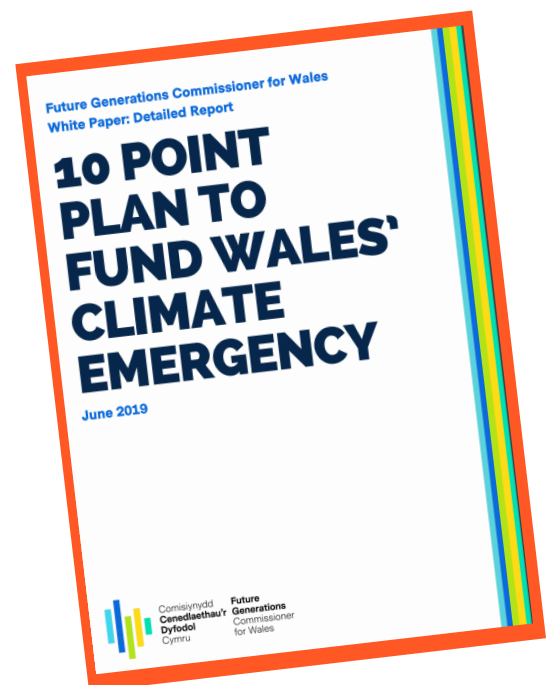
On the 29 April Welsh Government and the National Assembly for Wales declared a Climate Emergency, and in May the UK Committee on Climate Change published its advice to UK Governments on achieving Net Zero by 2050.

▶ This can be accessed at:  
<https://futuregenerations.wales/wp-content/uploads/2019/06/10-Point-Plan-to-Fund-Wales-Climate-Emergency-Detailed-Report.pdf>

In June I published a Ten Point Plan to fund Wales’ Climate Emergency which includes proposals for increasing investment in key areas including sustainable transport, low/zero carbon buildings and homes, renewable energy, land and nature-based solutions.

Although it’s difficult to calculate the exact amount of funding needed, we know that responding to the climate emergency will require a much greater level of investment across the board.

My Plan recommends a total allocation of £991 million to support decarbonisation in the Welsh Government budget for 2020-21 which is in line with the UK Committee on Climate Change (UKCCC) estimates of around £30 billion over the period to 2050 (or 1-2% of GDP).



# My view on progress from Welsh Government

“For a more structural and longer-term approach, the Ten Point Plan issued by the [...] Future Generations Commissioner sets out an approach to be considered and used as guidance...”

► Extinction Rebellion Cymru  
- Response to Finance Committee  
consultation, September 2019

Over the last 3 months I have requested information from Ministers, and detailed responses to the following questions:

1. Building on the actions set out in the Low Carbon Delivery Plan, what are the key opportunities for decarbonising investment in relation to your portfolio and how do these relate to revenue and capital spend?
2. What is your assessment of the allocations identified in my 10 Point Plan, and if you disagree with the suggestions what are your proposals?
3. How are you assessing how much you are spending overall on decarbonisation actions, and do you have a method for classifying decarbonisation spend?
4. On the basis of the points above, what specific changes will there be in the 2020-21 draft budget?

I have had several conversations with Government Ministers and officials: whilst engagement has been positive, and they have been broadly supportive, discussions and responses to date have lacked detail referring to pockets of funding for activities but no evidence of systemic or transformational change.

Other findings include:

- There appears to be a disconnect between policy commitments that have been made (for example in Low Carbon Wales) and budget allocations.
- The declaration of a climate emergency doesn't appear to be reflected in discussions about budget process and allocations, often referring to challenges and constraints.
- There appears to be no evidence that Welsh Government has a clear process to classify or assess how much they are currently spending (or need to spend) on decarbonisation actions to deliver the statutory carbon budgets or targets.
- There is no consistent approach to undertaking Carbon impact assessments (CIAs) for major infrastructure projects, it is not clear how the carbon impact is informing decisions (on projects or funding) and there is no central collation of the CIAs across Government.
- For example although the recent Wales Infrastructure Investment Plan (WIIP) pipeline update 2019 mentions additional investment of £14.5 million for active travel, it isn't clear how overall the WIIP update is prioritising measures to address the climate emergency with 64% of Welsh Government's transport budget currently allocated to building roads.

# My view on progress from Welsh Government

I have challenged Government about how they understand the extent to which decisions are 'decarbonising' – i.e. understanding the current carbon impact of investment decisions and the decarbonisation impact and potential of future decisions. It is clear that Government have no consistent approach to do this at the moment, and they have asked me to resource this work.

I have focused on transport as a key area that Welsh Government can make progress, particularly as progress in reducing transport sector emissions are behind our target. During discussions with Government we identified several challenges and constraints in this area, mainly due to the majority of capital funding already being committed for 2020/21, responsibility for rail infrastructure not devolved to Wales, and there being limited scope for current funding allocations to change significantly. It seems clear that the Government's current focus is on decarbonising road transport and not on the potential for public transport and active travel to achieve significant modal shift.

Our findings are supported by the Climate Change, Environment and Rural Affairs Committee ['Annual Report on the Welsh Government's progress on climate change, 2019-20'](#) recommendations (published 18 December 2019) which include:

**Recommendation 6.** The Welsh Government's draft Budget should explain and demonstrate clearly how funding allocations will support the decarbonisation priority.

**Recommendation 10.** The Welsh Government should include an assessment of the costs, benefits and impact on decarbonisation of each policy and proposal included in the next iteration of its decarbonisation plan.

**Recommendation 11.** The Welsh Government should introduce a mechanism, such as a carbon impact assessment, to report to the Assembly any policy decisions that will result in a significant increase in carbon output.

▶ The full report can be seen at <https://www.assembly.wales/laid%20documents/cr-ld12934/cr-ld12934%20-e.pdf>

# My view on progress from Welsh Government

### Feedback on Draft Budget

Within the Draft Budget, I welcome the £59 million (37%) increase in total spending on sustainable travel with an allocation of £219 million in 2020/21 for concessionary fares, bus support, smart cards, youth discounted travel schemes, local transport priorities and sustainable and active travel. This will encourage decarbonisation of transport and greater levels of physical activity.

I also welcome the announcement of £140 million in new capital funding for climate and environment – this takes the total capital spending specifically on climate and environment over the 5% threshold. Alongside investments of £30 million in electric vehicle infrastructure, low emission vehicles and in new metro systems (for North Wales), and continued funding in the new rail franchise this demonstrates the Government’s dedication to investing in proactive solutions to the climate crisis.

Whilst I welcome the rise in capital investment in active travel, public transport, and electric vehicle infrastructure by £80 million, this appears to have been met by a similarly significant rise in capital investment in new roads. As such the proportion of capital spent on active and public transport is still slightly below the 60% level recommended in my 10 Point Plan. The £140 million package also includes £25 million capital funding to extend the Innovative Housing Programme, £8.2 million for a carbon neutral house project within Coleg Y Cymoedd and funding to address our nature crisis, although these allocations fall short of what I recommended in my Plan.

However whilst the budget has targeted investment at measures “which current evidence supports as being the areas where Welsh Government can have the greatest impact to deliver our first carbon budget” it remains the case that there is no holistic impact assessment of the net carbon impact of the budget and there is no detailed evidence to show how they have prioritised spending decisions accordingly. This means the Government cannot tell us whether the way in which they are spending their money is leading to an increase or decrease in carbon emissions. As a result, despite efforts to invest in sustainable travel, we are concerned that the Government’s other capital investments, such as in roads, may be undermining its carbon reduction progress.

**I call on the Government, from now on, to forensically analyse every aspect of its expenditure, especially capital spend, in terms of carbon impact and publish details on the overall carbon impact of their budget.**

# Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

### 1) Overall approach to investing in the Climate Emergency

- What key changes will there be in the 2020-21 draft budget to reflect the declaration of a climate emergency?
- What are the key budget allocations that demonstrate Welsh Government is serious about taking action on the climate emergency?

### 2) Understanding the carbon impact of budget allocations

- How are you assessing current spend on decarbonisation and what allocations are required over the next 5, 10, 20 years to achieve our statutory targets?
- How are you assessing the carbon impact of major investment decisions to ensure capital spend is line with emission reduction targets?

### 3) Decarbonising transport

- Will current budget allocations ensure we reach the target\* for transport sector emissions when we're currently not on target?
- How are you assessing the carbon impact of major investment decisions to ensure capital spend is line with emission reduction targets?
- Is spending 63% of the transport capital budget on roads compatible with the climate emergency declaration?

### 4) Decarbonising housing

- Since the publication of the “Decarbonising Homes” report in July what progress has been made to secure funding for retrofitting Wales’ homes and what commitments are there in the 2020-21 budget?

\* Transport sector emissions have reduced by 3% since 1990; the targets are a 14% reduction by 2020 and a 43% reduction by 2030 compared to the 1990 baseline.

# Section 2

## Investing in preventative approaches

Prevention is one of the five ways of working set out in the Well-being of Future Generations Act, and it is important that there is a shift in investment from reactive to preventative approaches, to stop problems from occurring as well as stopping them from getting worse.

Last year I welcomed the definition of prevention included in the budget narrative.

Prevention is working in partnership to co-produce the best outcomes possible, utilising the strengths and assets people and places have to contribute. Breaking down into four levels, each level can reduce demand for the next:

- Primary prevention (PP) – Building resilience – creating the conditions in which problems do not arise in the future. A universal approach.
- Secondary prevention (SP) – Targeting action towards areas where there is a high risk of a problem occurring. A targeted approach, which cements the principles of progressive universalism\*.
- Tertiary prevention (TP) – Intervening once there is a problem, to stop it getting worse and prevent it reoccurring in the future. An intervention approach.
- Acute spending (AS) – Spending, which acts to manage the impact of a strongly negative situation but does little or nothing to prevent problems occurring in the future. A remedial approach.

\*progressive universalism is a determination to provide support for all, giving everyone and everything a voice and vested interest, but recognises more support will be required by those people or areas with greater needs.

*Source: Welsh Government Draft Budget 2019-20 Detailed proposals*



# Section 2

## Investing in preventative approaches

However, I felt that the application of the definition last year was very limited, so I included four recommendations about prevention in the advice I published for Government in December 2018.

**Recommendation:** Welsh Government should apply the prevention definition across all spend in a systematic and robust manner, clearly defining what they are trying to prevent and showing a clear line of sight through spending on evidence-based actions across Government. They should consider working with organisations with expertise in this field to ensure their approach is effective.

**Recommendation:** Welsh Government should consider what a better balance of spend is in relation to primary, secondary and tertiary prevention.

**Recommendation:** Welsh Government should ask other public services (particularly local government and health boards) to apply the definition of prevention to their spend, to identify the key opportunities for investment in primary and secondary prevention.

**Recommendation:** Taking on board the recommendations of the Children, Young People and Education Committee, the Welsh Government should consider applying the actions set out in the Mental Health Policy Commission report 'Investing in a Resilient Generation: Keys to a Mentally Prosperous Nation' internally, particularly in relation to which part of Government takes a strategic lead in ensuring there is a whole system approach to prevention.

Finance Committee also made relevant recommendations in their report on last year's budget:

**Recommendation 6:** The Committee recommends that the Welsh Government considers how any future additional funding for health services can be targeted toward prevention and should also consider establishing partnership arrangements around any such funding.

**Recommendation 14:** The Committee recommends that the Welsh Government keeps the definition of preventative spend under close and constant review, including active engagement with both stakeholders and this Committee.

**Recommendation 15:** The Committee recommends that the Welsh Government prioritises an integrated approach across Government with respect to preventative spending, both cross-department, and multi-year

# My view on progress from Welsh Government

I have seen limited evidence that Government have tried to apply the prevention definition across spend in systematic and robust manner.

The draft budget narrative includes more references to prevention than previous budgets, particularly in relation to investing in programmes that increase opportunities and tackle poverty.

However the narrative includes very few references to the types of prevention that are being funded – I think this is a missed opportunity for Government departments to collectively understand what they are trying to prevent and the best balance of spend to achieve this.

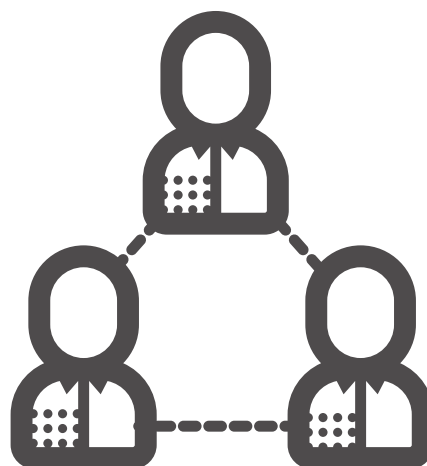
In recognition of the scale of the challenge of embedding preventative approaches, I advised Government to work with organisations with expertise in this field – they have not done so. I have resourced Social Finance to work with Government, particularly in relation to exploring a pilot Social Impact Bond to reduce entry into care for Looked After Children (as set out on p.26 of the budget).

“NHS Wales organisations support an approach to further protect funding for preventative measures that recognise the importance of improving population health outcomes and sustainability of services in the longer term.”

▶ NHS Confederation  
- Response to Finance Committee consultation, September 2019

There is little evidence that Government is considering what a better balance of spend is in relation to primary, secondary and tertiary prevention, clearly defining what they are trying to prevent and showing a clear line of sight through spending on evidence-based actions.

I have written twice to Ministers, and met with several Ministers, asking a number of specific questions about how they have applied the prevention definition to their portfolios and the answers I have received have been general examples of how policy areas reflect the WFG Act.



# My view on progress from Welsh Government

“...it is difficult to disaggregate preventative expenditure (because there is not yet a common service level definition and early intervention can be exercised across a spectrum of need); but we agree that additional costs/austerity has very probably led to a real terms cut in preventative spending including those areas listed in the Committee’s document.”

▶ Neath Port Talbot Council  
Response to Finance Committee consultation, September 2019

There is some evidence that WG is asking other public services to apply definition to their spend – I have seen examples in relation to the NHS and Housing.

However, there is far greater scope for the definition to be meaningfully considered across services, with Local Government being a particular gap.

There is no evidence that WG are considering a ‘whole government’ approach to prevention, which is what I recommended. The section of their ‘budget improvement plan’ on prevention is positive but relies on the Treasury to drive progress – this is not a whole Government approach to embedding preventative approaches.

## Prevention of Homelessness

In order to better understand the extent to which conversations are happening across Government in relation to prevention I have focused on the prevention of homelessness.

Whilst I have found that conversations are happening across Government this is not clear in the budget narrative, and these conversations are largely focused in the space of tertiary prevention with little consideration given to collaborative opportunities for primary and secondary prevention. I believe there are further opportunities to align funding and consider whether it is achieving the best outcomes in terms of preventing homelessness. I am working closely with the Homelessness Action Group, chaired by Jon Sparkes from Crisis, on this.

▶ Information about the work of the Homelessness Action Group can be seen at <https://gov.wales/homelessness-action-group>

# Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

“It was disappointing that when we asked the Cabinet Secretary for specific examples of primary, secondary or tertiary prevention within his budget, he was unable to provide a single example.”

► Equality, Communities and Local Government Committee, draft budget scrutiny 2019-20

### 1) Overall commitment to embedding prevention (focus on outcomes)

- What role does your department play in delivering the overall vision of shifting to preventative approaches, and what contribution are you currently making?
- How do you know you are investing in the programmes that will make the most difference?

### 2) Understanding the balance of spend in relation to prevention

- How have you used the prevention definition: what assessment have you made of the proportion of your investment that is in primary/secondary/tertiary prevention, or in the acute space?
- Have you made changes to how you invest in prevention for the 2020-21 budget?

### 3) Encouraging other bodies to use prevention definition

- How are you encouraging other public bodies to use the definition of prevention?

### 4) Whole Government approach to prevention

- How are you ensuring that a whole Government approach to prevention can be taken with clear leadership and accountability for progress?

# Section 3

## Assessing year on year progress in the budget

In my advice to Government I emphasised that it needed to be easier for stakeholders to understand what is changing in relation to the budget, and understand what simple changes and more transformational change looks like.

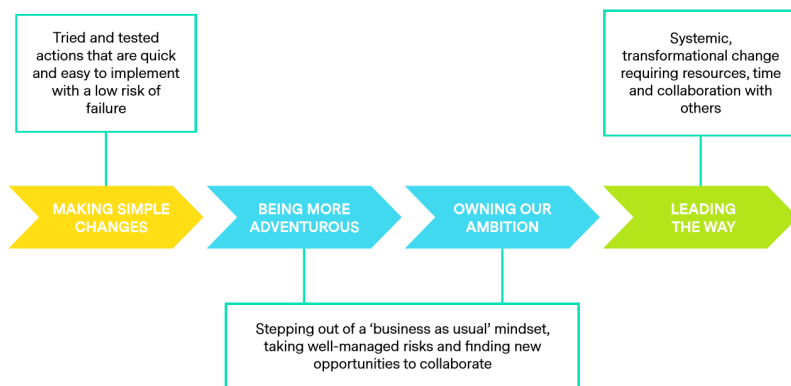
Finance Committee also made similar recommendations:

**Recommendation:** Welsh Government should work with my office to develop a 'Journey Checker' to set out what good should look like in how the budget process evolves over at least the next 10 years.

**Recommendation:** Welsh Government should make it clearer how the six priority areas are driving different decisions through considering future trends and scenarios, holistically applying the prevention definition and using opportunities to make system-wide collaborative investments.

**Recommendation 8:** The Committee is keen to understand how the "journey tracker" will be used by the Welsh Government to accelerate its implementation and integration of the objectives of the Well-being of Future Generations Act and recommends that its use is reflected in the draft Budget 2020-21

**Recommendation 9:** The Committee recommends that the Welsh Government continues to demonstrate how it embeds the Well-being of Future Generations Act in decision making throughout its organisation, engaging as fully as possible Scrutiny of the Welsh Government Draft Budget 2019-2020 with the Future Generations Commissioner to deliver the cultural change necessary within the Welsh Government.



▶ This diagram is the basis of my 'Journey Checker' - for examples please see my website <https://futuregenerations.wales/the-art-of-the-possible/>

# My view on progress from Welsh Government

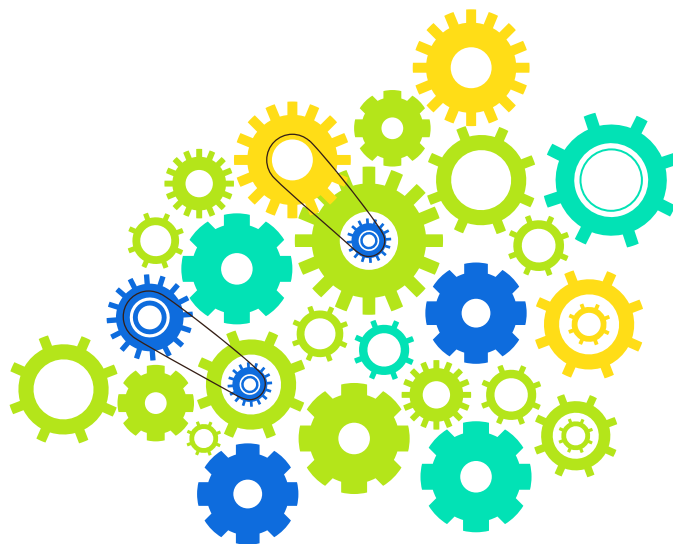
Welsh Government chose to do this work themselves, with a focus on an approach that will be useful to them - they framed this as a 'Budget Improvement Plan'. I am pleased that they have published a draft of this Plan as part of the draft budget 2020-21.

The Plan is a helpful start to understanding what progress in relation to the budget process could look like, and I welcome the fact that it takes a broad view across the Welsh Treasury. I understand that officials have engaged internally within Government on this Plan, and I look forward to seeing how they take on board comments as they engage externally.

Whilst the Plan is a good start, I think there are a number of areas in which it could be strengthened to better reflect the aspirations of the WFG Act and to enable stakeholders to better understand progress – these include:

### 1) Raise the level of ambition and vision

To reflect the aspirational nature of the WFG Act, the Plan should include more ambitious and transformational actions within a longer-term timeframe, including consideration of what a budget that fully embeds the Act might look like.



▶ The Welsh Government Budget Improvement Plan can be seen at <https://gov.wales/sites/default/files/publications/2019-12/budget-improvement-plan.pdf>

# My view on progress from Welsh Government

## 2) Enable stakeholders to hold spending outcomes to account and track how transformational the change is

The Plan should enable stakeholders to track how spending decisions are changing as well as tracking how the budget process is changing. Welsh Government could learn from the New Zealand Well-being Budget in this regard: wellbeing objectives are first selected, and then cross-government groups make spending proposals against these objectives (with impact assessments alongside). The New Zealand Government selects proposals and then publishes the spending decision shifts that took place as a result of this process.

Links to the New Zealand Well-being Budget:

- ▶ (May 2019 budget)  
[https://treasury.govt.nz/sites/default/files/2019-06/b19-wellbeing-budget\\_1.pdf](https://treasury.govt.nz/sites/default/files/2019-06/b19-wellbeing-budget_1.pdf)
- ▶ (Guidance)  
<https://treasury.govt.nz/sites/default/files/2018-12/budget19-guidance.pdf>

## 3) Further embed the key elements of the WFG Act, particularly in relation to the 5 ways of working

Whilst the Plan is a helpful way to understand progress, it could go further in reflecting the key elements of the WFG Act, particularly in framing how the budget is enabling focus on Government's well-being objectives, and taking greater account of the five ways of working (particularly 'long term' and 'prevention').

# Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

1. What is your level of vision and ambition with this work? Do you have a clear idea of what a budget that fully embeds the Well-being of Future Generations Act would look like?
2. How is this Plan going to enable stakeholders to understand what is changing year on year, both in terms of process and in terms of spend?

# Section 4

14

## Taking further steps to a longer term approach

In the advice I published for Government in December 2018, I included two recommendations that related to Government taking a longer-term approach, which would in turn enable other public services and organisations to plan for the long term.

**Recommendation:** Welsh Government must demonstrate how they are applying the principles of the WFG Act in responding to the UK Government Spending Review in 2019.

**Recommendation:** Welsh Government should use the Spending Review as an opportunity to explore options for multi-year spending commitments to public bodies.

Welsh Government have faced significant challenges in budget planning this year, due to the uncertainty around the UK's exit from the European Union, the UK political context and the announcement of a one-year Spending Round rather than a full Spending Review.

I appreciate that these challenges have made taking a longer-term approach more difficult for Government over the past year. For that reason I will not focus on this area of work in my scrutiny of the draft budget for 2020-21.

**However I do expect that some progress has been made on the internal preparations required. I will continue to monitor this area with a particular focus on how Welsh Government responds to the UK Government Spending Review that is due to take place next year.**



# CONTACTS

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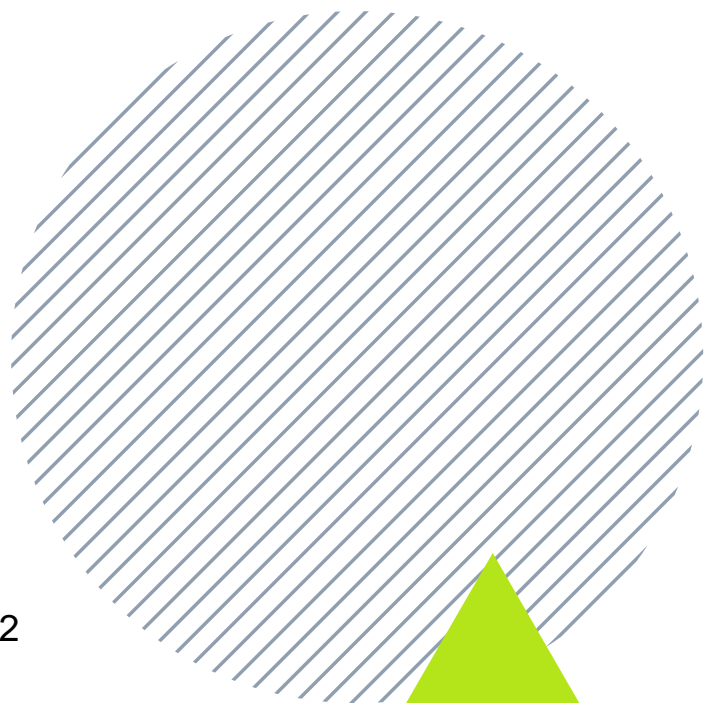
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More information about our work can be found on the website...

[www.futuregenerations.wales](http://www.futuregenerations.wales)





# Agenda Item 3

Document is Restricted

# Memorandum on the Economy and Transport Draft Budget Proposals for 2020-21

## Economy, Infrastructure and Skills Committee – 9 January 2020

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### 1.0 Introduction

This paper provides information on the Economy & Transport (E&T) budget proposals as outlined in the 2020-21 Draft Budget published on 16 December 2019. It also provides an update on specific areas of interest to the Committee.

### 2.0 Strategic Context

Aligned to Prosperity for All and the Well Being and Future Generations Act, the [Economic Action Plan](#), is the guiding policy and strategy document for all of Welsh Government's activities. The 2020-21 plan builds on the considerable progress in implementing and embedding key elements of the plan, involving engagement with a range of stakeholders, particularly the business community and social partners.

The new Wales Transport strategy, which will replace [One Wales: Connecting the Nation](#), will set out the vision to empower people in Wales to move around affordably and conveniently and in ways that impacts positively on their health and their environment, by providing a transport network fit for the future. In 2020-21 the funding decisions will progress Welsh Government's ambitions for a more equal Wales, a more prosperous Wales and a greener Wales. The 100 policies and proposals set out in [Prosperity for All: A Low Carbon Wales](#) have also shaped the additional investment. Our longer term plan will deliver a truly sustainable transport system that protects and improves health and well-being.

Our [Employability Delivery Plan](#) for Wales will continue to reshape employability support both for people who are job-ready and those who are furthest from the labour market. Working, whether paid or unpaid, is good for our health and wellbeing. We will continue our investment in our flagship Apprenticeship programme to deliver a minimum of 100,000 high quality all aged apprenticeships over this Assembly term.

In line with the Well-being and Future Generations Act, the 2020-21 plan has also focussed on the eight cross-cutting priority areas of early years, social care, housing, skills and employability, better mental health, decarbonisation, poverty and biodiversity as the areas where resources can achieve the greatest impact.

### 3.0 Summary of Budget Changes

The 2020-21 Draft Budget provides a one year spending plan for both revenue and capital.

The tables below provide an overview of the planned revenue and capital expenditure for E&T activities. The total revenue budget for 2020-21 is £540.06m (excluding Non Cash and Annually Managed Expenditure (AME)). In overall terms, the revenue budget has increased by £27.681m when compared to the revised baseline, in addition, there has been a change of £2.4m to the non-cash budget and a change of £32.912m to the AME budget as shown in Table 1 below:

<b>TABLE 1: Overview of the Revenue Budget</b>					
	<b>2019-20 First Supp Budget £'000</b>	<b>Baseline Adjustments £'000</b>	<b>2020-21 Revised Baseline £'000</b>	<b>Change £'000</b>	<b>2020-21 New Plans Draft Budget £'000</b>
<b>Revenue</b>					
Economy	38,946	(1,018)	37,928	755	38,683
Transport	314,909	(3,223)	311,686	16,150	327,836
Skills	165,915	(3,150)	162,765	10,776	173,541
<b>Sub Total</b>	<b>519,770</b>	<b>(7,391)</b>	<b>512,379</b>	<b>27,681</b>	<b>540,060</b>
<b>Non Cash</b>					
Economy	1,309	0	1,309	1,000	2,309
Transport	188,691	0	188,691	0	188,691
Skills	0	0	0	1,400	1,400
<b>Sub Total</b>	<b>190,000</b>	<b>0</b>	<b>190,000</b>	<b>2,400</b>	<b>192,400</b>
<b>TOTAL</b>	<b>709,770</b>	<b>(7,391)</b>	<b>702,379</b>	<b>30,081</b>	<b>732,460</b>
<b>AME</b>					
AME	62,437	0	62,437	(32,912)	29,525

Over the period 2020-21 the total capital budget is £785.726m. The summary budgets are shown in Table 2 below:

<b>TABLE 2: Overview of the Capital Budget</b>				
	<b>2019-20 First Supp Budget £'000</b>	<b>2020-21 Plans as per 2019-20 Final Budget £'000</b>	<b>Change £'000</b>	<b>2020-21 New Plans Draft Budget £'000</b>
<b>Traditional Capital</b>				
Economy	97,134	81,652	20,862	102,514
Transport	450,683	516,452	81,500	597,952
<b>Sub Total</b>	<b>547,817</b>	<b>598,104</b>	<b>102,362</b>	<b>700,466</b>
<b>Financial Transactions (FT)</b>				
Economy	32,150	10,900	62,060	72,960
Transport	1,200	0	12,300	12,300
<b>Sub Total</b>	<b>33,350</b>	<b>10,900</b>	<b>74,360</b>	<b>85,260</b>
<b>Total Traditional Capital &amp; FT</b>				
Economy	129,284	92,552	82,922	175,474
Transport	451,883	516,452	93,800	610,252
<b>TOTAL</b>	<b>581,167</b>	<b>609,004</b>	<b>176,722</b>	<b>785,726</b>

### 3.1 Revenue

There is a movement in revenue of £30.081m, including £2.4m non cash as summarised in Table 3 below:

<b>TABLE 3: Revenue Budget Movements</b>				
<b>Project</b>	<b>Economy £'000</b>	<b>Transport £'000</b>	<b>Skills £'000</b>	<b>Total £'000</b>
<b>Additional Allocations</b>				
<b>EU Transition Funding</b>				
Brexit Resilience Fund - Collective Capacity Building	150			150
Brexit Resilience Fund - Grants	830			830
Airbus & regionally important automotive manufacturers			1,600	1,600
<b>Sub total</b>	<b>980</b>		<b>1,600</b>	<b>2,580</b>
Innovative Finance - A465		650		650
Disability Champions	275			275
Rail Franchise		15,000		15,000
Apprenticeships			9,000	9,000
<b>Total</b>	<b>1,255</b>	<b>15,650</b>	<b>10,600</b>	<b>27,505</b>
<b>Reprioritisation &amp; Realignment</b>				
Regional Economic Development	(2,763)			(2,763)
Consolidate Business & Regional Economic Development	513			513
Tech Valleys	2,250			2,250
Transfer from ICT Infrastructure Operations to Smartcards to consolidate Smart Ticketing within Public Transport Delivery	(500)	500		500
Transfer from Transport for Wales to Rail Ancillary for services outside the Tfw contract.		(850)		(850)
		850		850
<b>Total</b>	<b>(500)</b>	<b>500</b>	<b>0</b>	<b>0</b>
<b>Other Movements</b>				
Transfer from Education MEG to ensure alignment of budgets			176	176
<b>Total</b>	<b>0</b>	<b>0</b>	<b>176</b>	<b>176</b>
<b>Non Cash</b>				
Fibrespeed depreciation	1,000			1,000
Careers Wales depreciation			1,400	1,400
<b>Total Non Cash</b>	<b>1,000</b>	<b>0</b>	<b>1,400</b>	<b>2,400</b>
<b>Total Revenue</b>	<b>1,755</b>	<b>16,150</b>	<b>12,176</b>	<b>30,081</b>

### 3.2 Capital

The total additional traditional capital and financial transactions allocations of £176.722m are summarised in Table 4 below, along with changes as a result of reprioritisation and realignment:

<b>TABLE 4: Capital Budget – Additional Allocations/Changes</b>			
<b>Project</b>	<b>Economy £'000</b>	<b>Transport £'000</b>	<b>Total £'000</b>
<b>Traditional Capital</b>			
Economic Action Plan Delivery	20,862		20,862
Roads Maintenance		15,000	15,000
North Wales Metro		20,000	20,000
Roads Resilience		25,000	25,000
Electric Vehicle Transformation		21,500	21,500
<b>Sub total</b>	<b>20,862</b>	<b>81,500</b>	<b>102,362</b>

<b>FT</b>			
Repayable Fund for SMEs	5,000		<b>5,000</b>
Development Bank of Wales - Micro Business Loan Fund	6,000		<b>6,000</b>
Development Bank of Wales – SME Development Capital	20,000		<b>20,000</b>
Commercial Property Fund	14,000		<b>14,000</b>
Tirion Homes Residential	18,400		<b>18,400</b>
Repayment of FT Capital	(1,340)		<b>(1,340)</b>
Cardiff International Airport		4,800	<b>4,800</b>
Electric Vehicle Transformation		7,500	<b>7,500</b>
<b>Sub total</b>	<b>62,060</b>	<b>12,300</b>	<b>74,360</b>
<b>Reprioritisation &amp; Realignment</b>			
Facilitated a revenue/capital swap in relation to the National Digital Exploitation Centre from Tech Valleys to Business & Regional Economic Development	(2,250)		<b>(2,250)</b>
	2,250		<b>2,250</b>
Prioritising investment in capital maintenance to address backlog - transfer from National Transport Infrastructure to Network Operations		(14,966)	<b>(14,966)</b>
		14,966	<b>14,966</b>
Prioritising investment to maintain concessionary fares envelope transfer from National Transport Infrastructure to Concessionary Fares		(9,651)	<b>(9,651)</b>
		9,651	<b>9,651</b>
<b>Sub total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>82,922</b>	<b>93,800</b>	<b>176,722</b>

The BELS that provide a full breakdown of the portfolio's revenue and capital budgets are detailed by Action in sections 5, 7 and 9.

The E&T MEG also includes a budget allocation for AME, which provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, joint ventures, investments and the roads network. There is a decrease in the provision of £32.912m for the roads network and property impairments.

#### **4.0 Equality, Sustainability, Welsh Language and Demographic Considerations**

In formulating our plans, the following key demographics trends from the recent report, produced by the Office for National Statistics (ONS), on [national population projections 2018](#) have been considered which suggest that:

- The population of Wales is projected to increase by 0.6% to 3.16 million by 2028, but decrease by 0.9% to 3.11 million by 2043. This is the first time a longer-term population decrease has been projected for Wales in recent times.
- The number of children aged under 16 is projected to decrease by 6.8% to 524,300 between 2018 and 2028.
- The number of people aged 16-64 is projected to decrease by 1.7% to 1,890,400 between 2018 and 2028.
- The number of people aged 65 and over and 75 and over is projected to increase by 13.8% to 742,200 and by 29.0% to 377,300 respectively between 2018 and 2028.

According to the [Relative Income Poverty](#) for year ended 2018:

- 24% of all people in Wales were living in relative income poverty between 2015-16 and 2017-18. This figure has remained relatively stable (between 22 and 24%) for the past 15 time periods. At 24%, the figure is the same as last year's.
- Children were the age group most likely to be in relative income poverty between 2015-16 and 2017-18 (at 29%) and this has been true for some time. This is an increase from the 28% reported last year and is only the third time this figure has been below 30% since the period ending 2005-06.
- 23% of working-age adults were in relative income poverty between 2015-16 and 2017-18. This is down from the 24% reported last year. The figure has been around 21 to 23% for most of the time periods since the late 1990s.
- 19% of pensioners in Wales were living in relative income poverty between 2015-16 and 2017-18. This represents a drop from the 20% reported last year and it remains below what it was throughout the mid to late 1990s.
- Living in a workless household increased the chances of being in relative income poverty for working-age adults and children.
- Children living in lone parent families were more likely to be in relative income poverty than those living in households with a couple.
- People who were living in households where the head of the household was from a non-white ethnic group were more likely to be in relative income poverty compared with those where the head of the household was from a white ethnic group.
- Living in a household where there was someone with a disability increased the likelihood of living in relative income poverty for working-age adults and children but not for pensioners.

Our plans have been prepared with an integrated approach to the decisions taken in line with [Prosperity for All: the national strategy](#). As part of the budget setting process, our key budget decisions have been considered to better understand the overall impact on different groups of people. Socio-economic disadvantage is an underpinning consideration when assessing the impact of decisions.

Our budgets support the EAP which sets out policy, delivery, and behavioural changes to support and reflect our Well-Being objectives. EAP aims to support improved levels of wealth and well-being in the aggregate, whilst reducing inequalities experienced by individuals and communities across Wales. It also sets out a vision for inclusive growth, built on strong foundations, supercharged industries of the future and productive regions. The EAP drives the twin goals of growing the economy and reducing inequality.



## 5.0 ECONOMY – FUNDING OF ACTIONS

Compared to the 2020-21 indicative budget, there is a net increase in the revenue allocation of £0.755m amounting to £38.683m and there is an increase in non cash of £1m. The total capital allocation for 2020-21 is £175.474m, which is an increase of £82.922m compared with the 2019-20 final budget.

Economy	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Revenue	38,946	(1,018)	37,928	755	38,683
Non Cash	1,309	0	1,309	1,000	2,309
<b>Total Resource</b>	<b>40,255</b>	<b>(1,018)</b>	<b>39,237</b>	<b>1,755</b>	<b>40,992</b>

Economy	2019-20 First Supp Budget £'000	2020-21 Plans as per 2019-20 Final Budget £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Traditional Capital	97,134	81,652	20,862	102,514
FT Funding	32,150	10,900	62,060	72,960
<b>TOTAL</b>	<b>129,284</b>	<b>92,552</b>	<b>82,922</b>	<b>175,474</b>

The detailed breakdown of Actions by BEL activity is explained in the following sections.

### 5.1 Inclusive Growth and Future Proofing the Welsh Economy Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Business & Regional Economic Development	6,385	(250)	6,135	663	6,798
Regional Economic Development	2,763	0	2,763	(2,763)	0
Entrepreneurship	5,364	0	5,364	275	5,639
Social Enterprise and Economy	730	0	730	0	730
Business Wales	5,515	(768)	4,747	830	5,577
Tech Valleys	0	0	0	2,250	2,250
Valleys Taskforce	100	0	100	0	100
<b>Total Revenue</b>	<b>20,857</b>	<b>(1,018)</b>	<b>19,839</b>	<b>1,255</b>	<b>21,094</b>

BEL	2019-20 First Supp Budget £'000	2020-21 Plans as per 2019-20 Final Budget £'000	Change £'000	2020-21 New Plans Draft Budget £'000
<b>Traditional Capital</b>				
Business & Regional Economic Development	42,755	18,566	23,112	41,678
Business Wales	1,802	0	0	0
Tech Valleys	10,000	10,000	(2,250)	7,750
Valleys Taskforce	12,500	19,500	0	19,500
<b>Sub Total</b>	<b>67,057</b>	<b>48,066</b>	<b>20,862</b>	<b>68,928</b>
<b>FT</b>				
Business & Regional Economic Development	5,050	(1,100)	3,660	2,560
<b>Sub Total</b>	<b>5,050</b>	<b>(1,100)</b>	<b>3,660</b>	<b>2,560</b>
<b>TOTAL</b>	<b>72,107</b>	<b>46,966</b>	<b>24,522</b>	<b>71,488</b>

The Inclusive Growth and Future Proofing the Welsh Economy Action supports delivery of the EAP.

The Brexit Resilience Fund £7.5m provided funding over three financial years to 2020-21. There is a revenue baseline adjustment of £1.018m including £0.918m funding for year 2 and non recurrent funding of £0.100m which was allocated in the Two Year Plaid Cymru Budget Agreement for start-up grant for journalists seeking to set up their own business in hyper-local news. In 2020-21 there is the final allocation of £0.980m for collective capacity building of £0.150m and grant funding of £0.830m.

The Entrepreneurship, Business Wales and Social Enterprise budgets supports youth entrepreneurship, start-ups, micro-businesses, SMEs, social enterprise and responsible business practices.

The Disability Advisor Network will be funded for a 12 month period with an additional allocation of £275k and is pivotal in taking action to change employer attitudes, reduce the stigma and better support employers to recruit and retain disabled people. Officials are currently working on the detail of the delivery, current consideration includes embedding the network in the Business Wales service with a two tiered approach which includes Disability Ambassadors in each region and a dedicated package of support for SMEs.

Tech Valleys is a £100m commitment over 10 years to create 1,500 sustainable jobs focused on Blaenau Gwent and hinterland by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries. The [National Digital Exploitation Centre](#) funding of £2.250m is delivered in the Tech Valleys capital programme. The requirement for revenue funding is facilitated through the reprioritisation of funding within the Business and Regional Economic BEL capital and revenue programmes.

[Our Valleys Our Future](#) is supported with £32m capital funding for financial years 2019-20 and 2020-21, including £7m for the Valleys Regional Parks. This initiative is

already bringing partners from across the valleys together as a forum to enable and deliver significant social, economic and environmental benefits. An update on the delivery is provided in [Our Valleys Our Future Progress Update - 2018-2019](#).

The Economic Action Plan in 2020-21 is supported with capital and FT funding of £44.238m, including additional allocations of £20.862m for the Economy Futures Fund and £5m FT capital for the Repayable Fund for Small & Medium-sized Enterprises. There are FT capital repayments of £1.34m. To note that capital funding of £1.802m is non recurrent for Brexit resilience.

## 5.2 Development Bank of Wales Action

BEL	2019-20 First Supp Budget £'000	2020-21 Plans as per 2019-20 Final Budget £'000	Change £'000	2020-21 New Plans Draft Budget £'000
<b>FT</b>				
Business Finance Funds	21,000	7,000	40,000	47,000
<b>TOTAL</b>	<b>21,000</b>	<b>7,000</b>	<b>40,000</b>	<b>47,000</b>

The Development Bank of Wales improves SMEs ability to access finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market. The £7m as part of the 2019-20 final budget relates to funding for the Wales Micro Loan Fund (£4m) and the Wales Angel Co Investment Fund (£3m).

Additional allocations of £40m will further strengthen the offer to businesses including additional funding for the Wales Micro Business Loan Fund (£6m); SME Development Capital (£20m) and Commercial Property Fund (£14m) which will help to foster the conditions needed to allow businesses to thrive.

Further information on the Development Bank is included in section 6.6 below.

## 5.3 Economic Infrastructure Development Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
<b>Revenue</b>					
Public Sector Broadband Aggregation	8,704	0	8,704	0	8,704
Strategic Infrastructure Development	990	0	990	0	990
ICT Infrastructure Operations	2,027	0	2,027	(500)	1,527
Property Infrastructure	4,026	0	4,026	0	4,026
<b>Sub Total</b>	<b>15,747</b>	<b>0</b>	<b>15,747</b>	<b>(500)</b>	<b>15,247</b>

<b>Non Cash</b>					
ICT Infrastructure Operations	1,309	0	1,309	1,000	2,309
<b>Sub Total</b>	<b>1,309</b>	<b>0</b>	<b>1,309</b>	<b>1,000</b>	<b>2,309</b>
<b>Total Revenue</b>	<b>17,056</b>	<b>0</b>	<b>17,056</b>	<b>500</b>	<b>17,556</b>

<b>BEL</b>	<b>2019-20 First Supp Budget £'000</b>	<b>2020-21 Plans as per 2019-20 Final Budget £'000</b>	<b>Change £'000</b>	<b>2020-21 New Plans Draft Budget £'000</b>
<b><i>Traditional Capital</i></b>				
ICT Infrastructure Operations	17,500	26,000	0	26,000
Strategic Infrastructure Development	10,000	4,200	0	4,200
Property Infrastructure	2,577	3,386	0	3,386
<b>Sub Total</b>	<b>30,077</b>	<b>33,586</b>	<b>0</b>	<b>33,586</b>
<b><i>FT</i></b>				
Property Infrastructure	6,100	5,000	18,400	23,400
<b>Sub Total</b>	<b>6,100</b>	<b>5,000</b>	<b>18,400</b>	<b>23,400</b>
<b>TOTAL</b>	<b>36,177</b>	<b>38,586</b>	<b>18,400</b>	<b>56,986</b>

The ICT Infrastructure budgets supports developing, managing and delivering national ICT Infrastructure programmes and projects which can be grouped into the following over-arching interventions: Fast broadband to all of Wales; enterprise class fixed communications; improved mobile voice and data services; public sector ICT services and accelerated interventions in Enterprise Zones/Local Growth Zones. There has been a £0.5m transfer to consolidate smart ticketing within Public Transport delivery. There is an additional depreciation requirement of £1m for Fibrespeed.

PSBA supports the public sector to achieve better value for money by providing a mechanism for collaborative purchasing of wide area networking services by more than 100 organisations and nearly 5,000 site services, including GP surgeries and schools.

The role of Strategic Infrastructure Development is to be commercially-focussed to enable innovative mechanisms for delivery of financial packages outside the normal business support tools. The team works closely with, and in support of, the Business & Regions and Inward Investment Teams. The aim is to lead or advise on the delivery of a range of commercial, property and finance-based solutions for business that will contribute towards the delivery of jobs growth and wealth.

The property revenue budget meets the costs and commitments of maintaining a commercial property portfolio that supports property offers to business and the unitary payments under the Lloyd George Avenue PFI scheme. The budget is supplemented by other income collected by the Property Infrastructure division, which are primarily rental receipts and profits from disposing of land and buildings.

The capital budget will be supported by an anticipated £26.5m that will be generated from land and property sales and circa £1.282m EU funding. The totality of this funding will be used to support delivery of the EAP, with the aim of providing a balanced portfolio of modern sites and buildings that meet sustainability requirements for our future generations that are capable of meeting companies' timescales for occupation to provide Wales with a real competitive advantage over other locations.

There has been a £18.4m FT capital allocation in relation to Tirion Homes to enable delivery of three schemes (Ely Mill, Cardiff; Whiteheads, Newport and Parc Eirin, Tonyrefail) which provides residential developments utilising innovative funding to deliver over 1,500 new homes, 50% of which are affordable. Work has commenced on new Energy Positive homes, net exporters of electricity, contributing power to the National Grid.

#### 5.4 Corporate Programmes Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Strategic Policy Development	450	0	450	0	450
Healthy Working Wales	831	0	831	0	831
Corporate Programmes & Services	961	0	961	0	961
Strategic Business Events & Communications	100	0	100	0	100
<b>Total Revenue</b>	<b>2,342</b>	<b>0</b>	<b>2,342</b>	<b>0</b>	<b>2,342</b>

The revenue budget includes an allocation for Healthy Working Wales which delivers workplace initiatives supporting the healthy and active ambitions set out in Prosperity for All. The funding includes £0.052m for the employer strand of Phase Three of the Mind Cymru Time to Change Wales programme, which challenges negative attitudes and behaviours in the workplace towards mental health problems.

The remaining revenue budget supports economic analysis, reviews and strategic engagement.

#### 6.0 ECONOMY – KEY POLICIES

Additional information has been provided in response to the specific areas highlighted by the Committee as follows:

##### 6.1 Economic Action Plan

Following publication of the EAP in December 2017, we have made considerable progress in implementing and embedding key elements of the Plan. At the front and centre of this work has been the development and introduction of the new operating model (Economic Contract, the Calls to Action and the Economy Futures Fund). This is the centrepiece of the Plan and now frames our relationship with business.

As part of our continued focus on inclusive growth, we are examining ways in which we can further evolve and embed the economic contract, to extend its reach beyond those businesses in direct receipt of funding from us. We are actively engaged with a range of stakeholders on this.

We are continuing to make progress on a number of other key elements of the plan, particularly in relation to regional economic development and the place based model of economic growth; the Chief Regional Officers are playing a key role in taking this

forward, working towards Regional Economic Frameworks (REFs). Considerable progress is also being made on the foundational economy, underpinned by strong cross government working, particularly in relation to experimental projects which are being funded through the Foundational Economy Challenge Fund.

## **6.2 Regional Economic Development**

In accordance with the EAP, three regional economic units were established in April 2019 led by Chief Regional Officers to provide leadership, alignment and planning on economic activities in each region.

In collaboration with regional stakeholders, we are developing the REFs to help facilitate collaborative delivery and set out, a shared set of economic priorities across the public, private and third sectors. It is intended that the REFs will in practice be an economic development strategy for each region, co-designed and co-delivered with the regional partners and which are able to inform the development and work of the proposed Corporate Joint Committees.

The REFs will identify the distinctive strengths and challenges of each of the Welsh regions and establish principles of working to support inclusive and sustainable economic growth to address regional and local inequalities, to help Welsh Government and participating partners to contribute to the Well-being Goals for Wales. This is consistent and complementary to the aims of the emerging national (all-Wales) Regional Investment Framework.

The REFs will be informed by existing national, regional and local plans programmes and policies including the regional growth and city deals, regional skills plans, the National Transport plan and National Development Framework, Local development plans, local economic development and regeneration strategies and Local Well-being Plans, and the Government's wider proposals for regional working, including the post EU Regional Funds and Corporate Joint Committees.

The co-developed REFs will ensure that the needs of regional and local partners and places are fully understood and enshrined in a set of shared objectives. They will be key to shaping and directing policy and programme interventions at a national, regional and local level.

The 2020-21 budget includes a revenue allocation of c£0.6m which will fund a range of activities, work packages and research that will assist in the development and delivery of the REFs for each of the regions.

Considerable work has been undertaken to engage with key stakeholders (particularly with local authority partners business leaders, the third sector academia and other public bodies) to obtain their strong buy in to co-design and deliver regional economic frameworks for Mid Wales and the Swansea Bay City Region. Business facing teams have been reorganised along regional footprints to facilitate greater collaboration between partners and to align activity which facilitates economic growth and avoids duplication of effort, whilst also taking account of the principles of the Well Being of Future Generations Act. As the joint collaboration on regional frameworks develops, we will take full advantage of the opportunity to align activity, resources and where possible joint working such as we are doing with Powys CC on the collocation of resources. The growth and city deal development are at the core of that collaborative approach.

### **6.3 Economy Futures Fund**

The following funds are consolidated into the Economy Futures Fund. (EFF):

- Capital Investment and Aid for Job Creation
- Creative Production Funding
- SMART Cymru
- Tourism Investment Support Scheme (TISS)
- Environmental Protection Scheme
- Repayable Fund for SMEs

To note that the funding for Creative production funding and TISS is included in the International Relations and Welsh Language MEG.

Since its launch in 2018, 155 proposals totalling £48.1m have been accepted under the EFF.

### **6.4 Enabling Plans**

We intend on developing an Enabling Plan for the 'Foundational Economy' rather than the 'Foundation Sectors' as identified in our Economic Action Plan. This is in recognition of the broader approach we are now taking.

The plan will be developed over time with the evidence and learning emerging from the Foundational Economy Challenge Fund being a key component. As the plan is developed, and specific actions identified, consideration will be given to potential financial allocations for its implementation if needed.

### **6.5 The Foundational Economy Challenge Fund**

The original budget for the Foundational Economy Challenge Fund of £1.5m was secured as part of a budget agreement with Plaid Cymru. This was increased to £3m earlier this year by the Deputy Minister for Economy and Transport. In response to the demand and quality of applications, the Minister for Economy and Transport announced that the fund's budget had been trebled to over £4.5m in October.

The revised level of funding is now £4.6m, with £2.4m having been ring-fenced for the Valleys Taskforce area and will support 52 successful projects across Wales. This includes an administration cost for monitoring and evaluation of £125,000. Applicants will have to sign up to become a Community of Practice we are developing to support projects, where shared learning, dissemination and scalability are key requirements.

### **6.6 The Development Bank of Wales (DBW)**

The DBW's remit is to improve SMEs' ability to access finance, in order to start-up, to strengthen and grow, thereby supporting job creation and safeguarding. It is committed to the long-term, integrated and collaborative approach to investment, involving people of all demographics for sustainable growth in Wales. Within each new fund or initiative proposed, the well-being goals and ways of working are

aligned to outputs and outcomes. DBW also aims to improve the integration of the provision of investment related advice and support to businesses by working more closely with Business Wales.

Some of the key impacts and outputs include:

- Achievement of the five year annual investment target of £80m within just eighteen months. It is now aiming to invest £100m per annum by 2022.
- Achieve a minimum target of 1:1.15 Private Sector Leverage (PSL). The DBW secured an additional £126m of investment from the private sector in 2018-19.
- Support 1,400 businesses over five years to increase jobs created and safeguarded to over 5,500 per annum by 2021-22. The DBW supported 358 enterprises and created or safeguarded over 3,700 jobs in 2018-19.

During 2019, the DBW continued to build on the firm foundations laid down in its first year of operation. This included the implementation of the following:

- Increasing its headcount at its new headquarters in Wrexham to nearly 40 staff; and opening a touchdown office in Llandudno Junction for its North-West investment team. Thus further demonstrating that the Bank truly serves the whole of Wales and strengthens our regional economies.
- In March 2019, the Minister for Economy & Transport [announced three new funds](#) for the DBW:
  - £55m Wales Commercial Property Fund,
  - £50m Wales Tourism Investment Fund,
  - £16.2m Wales Micro Loan Fund. (Increased to £30m in October)
- The bank also secured institutional equity investment for the first time, with £10m being invested by the Clwyd Pension Fund into the Wales Management Succession Fund.

Additional funding of £40m is provided as part of this Draft Budget:

- Wales Micro Loan Fund (£6m) which aims to: support a minimum of 1,212 businesses; create/safeguard 6,220 jobs; and a private sector leverage ratio of 1:0.70.
- Additional funding for the Commercial Property Fund (£14m) to meet the regional need identified in the Property Development Plan to provide approximately 150,000 sq ft of high quality, modern employment floor space capable of supporting indigenous and inward investment.
- £20m additional funding for an SME Development Capital fund. The full business case is currently being developed.

The DBW now has over £0.5bn under management to support Welsh enterprises and is well placed to support both threats and opportunities arising from Brexit and are working with Welsh Government officials in considering the risks arising from a no deal Brexit and additional actions to further support Welsh businesses.



Primary issues presented by Business are likely to be cash flow and confidence. DBW has over £100m of capital available through the Wales Flexible Investment Fund (WFIF) to invest at pace. This fund was established following the 2016 Referendum and specifically designed to allow maximum flexibility to meet uncertain future requirements.

More information is available at the [DBW website](#).

## **6.7 Enterprise Zones, Local Growth Zones and Business Improvement Districts**

There are eight Enterprise Zones located across Wales with the objective to:

- Grow the local economy and provision of new jobs.
- Act as a catalyst for growth elsewhere in Wales.
- Improve the attractiveness of the Enterprise Zone for investors.
- Strengthen the competitiveness of the Welsh economy.

Revenue funding of £0.77m has been provided in 2020-21 for the Enterprise Zones in the Business & Regional Economic Development Action. The programme includes feasibility studies and business case development. There is no designated capital allocation to the programme itself, as any initiatives are embedded in delivery and funded within the Business Development (Direct Support) and the Strategic Infrastructure Development BELS.

An update of progress against key projects across the Enterprise Zones is published annually. The latest report will be published shortly.

Following consideration by the Economy, Infrastructure and Skills Committee last year, a review of the Enterprise Zone programme has been undertaken and the recommendations from that review, which will help inform future delivery of the programme, are currently being considered. Streamlined governance arrangements for the Enterprise Zone Advisory Boards have also been implemented with four of the Boards having ceased now that they have effectively achieved their goals. Governance arrangements will be further reviewed in early 2021.

### **Regional Development & Delivery**

The budget of £0.263m for 2020-21 provides continued support for a range of regional activities and cross border initiatives including sponsorship of regional events and activities for regional economic partnerships, such as research and feasibility studies. The Local Government and Public Services portfolio manage the Business Improvement Districts (BIDs) and we continue to work closely to consider both traditional town centre based BIDs and two additional innovative proposals, which will trial the concept in a sector based/ industrial setting.

The Local Growth Zone model has been trialled in the Teifi Valley and in Powys as a rural alternative to Enterprise Zones. Under the new regional arrangements for economic development my officials will be working closely with regional stakeholders to consider the model in the context of the broader regional work.

## 6.8 Inward Investment Support

This is now a matter for the Minister for International Relations & Welsh Language to address.

## 6.9 Support for the steel industry

We remain committed to supporting steel making in Wales to help safeguard a sustainable future for the sector.

The Steel Procurement Advice Note (PAN) published in 2018 supports the sourcing of sustainable steel in public sector infrastructure projects within Wales.

An action plan is in development to progress the recommendations from the PAN and encourage further commitment by Welsh companies to the UK Steel Charter.

We are also engaging with the sector on the development UK Government's Industrial Energy Transformation Fund and Clean Steel Fund.

## 6.10 Support for the Automotive Sector

The automotive sector is circa. 150 companies, mainly component manufacturers, employing over 18,000 personnel adding £3bn to Welsh GVA. The issues concerning the Automotive sector and the Welsh Government's response were covered in a [written statement](#) issued on the 7th March 2019, shortly after the announcement about the closure of the Honda facility in Swindon.

The sector was dealt a further blow with the announcement in June 2019 of the closure of the Ford Engine Plant at Bridgend. In response to the direct and indirect job losses and wider economic and social impact of that announcement, a Taskforce was jointly established with the Secretary of State for Wales. The work of that Taskforce is now well underway with three priority working groups focusing on:

- (i) People – providing direct support to assist individuals into alternative employment or career choices;
- (ii) Place – to prioritise social and economic infrastructure improvements; and
- (iii) Potential – to develop and facilitate a pipeline of job creating investment opportunities.

The recent announcement by INEOS that they will establish a vehicle manufacturing plant in Bridgend with the creation of up to 500 jobs, is a clear demonstration of confidence in the region. We will work with INEOS and other vehicle manufacturers – particularly as they transition towards electric propulsion – to bring supply chain opportunities to as many companies in Wales as possible. We will continue to support companies in the sector to improve competitiveness and innovation levels in order to build greater resilience.

In December 2019 the Welsh Government, together with the Welsh Automotive Forum and Industry Wales, hosted a summit focused on the changes faced by the sector as a result of environmental pressures and technological disruption.

Highlighting the growing move towards the autonomous, connected and electric vehicle, the summit highlighted the need for companies in Wales to consider how they may be impacted by such changes and to consider what support they may need to transition to new supply chains.

## **6.11 Partnership for Growth 2013-2020 – Tourism Strategy**

This is now a matter for the Deputy Minister for Culture, Sport and Tourism.

## **6.12 City and Growth Deals**

Deals provide a framework allowing regions to drive collaborative working, set priorities which support local economic ambitions and objectives as a single voice and deliver key functions at a strategic level.

The UK Government financing for each Deal is being managed through the Local Government and Public Services MEG and sits with the Minister for Housing and Local Government.

### **Cardiff Capital Region**

The Cardiff Capital Region was the first deal to be agreed in Wales in 2016 and is now in the delivery phase. It provides local partners with the resources to unlock significant economic growth across the Cardiff Capital Region. It established an Investment Fund of £1.2bn over a 20-year period to build on the region's sectoral strengths, its high skill base and successful universities.

The deal includes funding of over £730m for the South Wales Metro, of which over £500m is provided by the Welsh Government. This will improve public transport and transform the way people travel around the region. The Deal also sees a further £495m wider investment fund, available to prioritise in line with the goals of the Deal.

Over its lifetime, the deal aims to deliver up to 25,000 new jobs and lever an additional £4bn of private sector investment.

A number of investments have been made so far, such as £37m in a world-leading technology cluster in Newport, establishment of a Graduate Scheme, as well as in June 2019, the establishment of an Investment and Intervention Framework to assess investment opportunities and maximise the impact of their funding.

The provision for the investment fund is managed in the Local Government and Public Services MEG over the 20 year period of the Deal. The full allocation of funding is subject to the City Deal's successful completion of Five Year Gateway Reviews. The first five year Gateway review will take place in 2020 and will assess progress being made to deliver the targets which partners signed up to delivering through the Investment fund.

### **Swansea Bay City Region City Deal**

Over the next 15 years the £1.3bn Swansea Bay Region City Deal aims to boost the local economy by £1.8bn and generate almost 10,000 new jobs, attracting £637m from the private sector.

Major project proposals underpin this deal to deliver world-class facilities in the fields of energy, smart manufacturing, innovation and life science, with major investment in the region's digital infrastructure and workforce skills and talent underpinning each.

This £1.3bn Deal will be underpinned by £125.4m Welsh Government funding, £115.6m of UK Government funding, £396m of other public sector money and £637m from the private sector. The UK funding for the deal flows through the Welsh Government budget to the accountable body.

The Welsh Government was holding two years of profiled funding in reserves – a total of £36m (for 2018-19 and 2019-20). This includes both Welsh Government and UK Government funding contributions.

Ministers have agreed to release £18m of city deal programme funding, subject to terms and conditions, based on the approval of two project business cases; this is to be paid in December. A further £18m may also be available in 2019-20 for the Deal, subject to the region meeting the terms and conditions governing the award of the initial £18m.

This signals a move into the delivery phase, demonstrating our confidence in the deal and its potential to deliver genuine economic growth and change for the communities of south-west Wales.

### **North Wales Growth Deal**

The six local authorities have established a joint committee structure known as the North Wales Economic Ambition Board (NWEAB), an identity which also involves partners from higher and further education and the private sector. The NWEAB is accountable for delivery, financial and management of the North Wales Growth Deal (NWGD). We continue to work closely with the NWEAB and other regional stakeholders to consider how a NWGD can best support their ambitions to bring transformational economic growth. The NWGD will be reflected within our regional economic plan for North Wales.

The Programmes included in the Growth Deal are; Low Carbon Energy, Strategic Transport, Digital Connectivity, Advanced Manufacturing, Land and Property, Land Based and Tourism, and Skills.

The North Wales Growth Deal Heads of Terms was signed on the 4th November 2019 by the WG, UKG and NWEAB. The Heads of Terms sets out the programme and fiscal principles by which the UK Government, the Welsh Government, and the NWEAB will work collaboratively together.

Over a period of 15 years the deal offers the opportunity for nearly £1bn of investment across the region, including £120m each from the Welsh Government and The UK Government and aims to deliver over 4,000 direct and 10,000 indirect jobs and increase the value of the North Wales economy from £13.6bn in 2016 to £26bn by 2035.

### **Mid Wales Growth Deal**

We continue to work closely with UK Government and regional stakeholders to take forward the development of a Growth Deal for mid Wales. Whilst we have yet to receive a proposal from the region, the UK Government has committed to provide £55m towards the Deal as a “down payment”, subject to a satisfactory business case being submitted. Welsh Government remain committed to support and will determine our financial allocation based on the proposal once it is received.

Meanwhile Powys and Ceredigion local authorities are working closely together and have established a shadow joint committee to oversee the development of the proposal. In addition an Economic Strategy Group has been established, comprising of key business people from across the region, to provide robust private sector input to inform the development and delivery of the Growth Deal.

Whilst we have yet to receive a proposal from the region, we are starting to see some early programme ideas come forward for consideration, which build on the opportunities associated with the region, including its natural environment and key sectors such as low carbon energy, high value tourism, etc.

### **6.13 Support for Automation and Artificial Intelligence (AI)**

The fourth industrial revolution offers Welsh businesses opportunity to be at the cutting edge. Data driven innovation has the potential to become a core asset in the economy, fostering new industries, processes and products and creating significant competitive advantages. Data is already transforming the way we live our lives; the way we work, the way we shop, the way we socialise. It can play a vital role in promoting innovation, growth and wellbeing if used ethically.

The EAP recognises that more businesses and public service bodies are increasingly utilising digital technologies in their service delivery but that the pace of that change needs to quicken. Automation and digitalisation are amongst the key enablers that drive competitiveness and productivity and we are working with businesses to drive up and support their investment in such activity through the R&D, Automation and Digitalisation Call to Action.

Through the Economy Futures Fund we have supported 77 projects with a value of over £7m via the R&D, automation and digitalisation Call to Action.

Our investment in digital skills and infrastructure supports an environment where businesses are able to exploit the economic benefits of digital transformation to their fullest.

We are supporting the flow of labour into digital skills related sectors by prioritising the expansion of Higher Apprenticeships in STEM and technical subjects to create the next new generation of professionals to drive innovative practices, create new products and boost productivity levels. Delivery commenced in September 2018 with ICT related Apprenticeships covering Software Programming, Cyber Security, and Data Analytics. Engineering and Advanced Manufacturing Degree Apprenticeship routes. More broadly, in October 2019, we published a consultation seeking views on the future architecture of apprenticeship frameworks. Our proposals include a revised, simplified structure of 23 high level apprenticeship frameworks, supported by 72 occupational pathways.

To complement the pipeline of skilled individuals entering the sector via our educational paths, we also operate a variety of skills support programmes to address employer's immediate needs, such as the Wales' Flexible Skills Programme. An Advanced Digital Skills specific support project, under this programme strand, has been established. This enables Wales' employers to access 50% support against eligible training, which fit within the four pre-approved areas; software and web application development, technology project management, data analytics and data science, and, Information and cyber security project.

It's clear that the scale and pace of technological change and innovation will continue to have profound effects on the Welsh economy. Professor Phil Brown's report [Delivering economic transformation for a better future of work](#) and its recommendations across Government are under discussion with stakeholders.

#### **6.14 Brexit**

The risk of Wales' economy being damaged as a result of Brexit is considerable. It is clear that businesses are delaying investment decisions in the context of ongoing uncertainty and the adverse impacts will only increase further in the event of Brexit occurring under either of the deals so far negotiated by the UK Government.

Extensive communication and engagement activity has been undertaken with businesses to help them prepare. The £7.5m [Brexit Business Support Programme](#) announced in October 2018 (with a further £1.7m allocated in 2019-20 due to levels of demand) will go some way towards supporting businesses most affected. An additional £6m was also made available in 2019-20 - £5m loan funding through the Development Bank of Wales and £1m capital grant funding.

With the ongoing uncertainties, we have taken steps to build up the Economy Futures Fund. We are clear that any additional funding made available by the UK Government would have positive benefits if invested in skills, infrastructure, research and innovation and support for businesses which have a viable future and are aligned with our objectives.

A large proportion of our business support offer is delivered using EU funding and the UK Government's guarantee for EU funded programmes (if a No Deal Brexit occurs) only covers funding over a project's lifetime if a successful bid is made before the end of 2020. Uncertainty exists beyond then and we are continuing to press the UK Government to confirm successor funding to replace our European Structural and Investment funds.

As we move forward, our focus turns increasingly towards the UK's post Brexit internal market and future trade agreements. We are actively engaged in work to develop priorities for these negotiations grounded in economic evidence and future policy priorities.

#### **6.15 Preventative Spending & Well Being of Future Generations Act 2015**

Our interventions across the E&T portfolio action primary intervention, building resilience and creating the conditions to prevent future problems. The Economic Action Plan and the Employability Plan are underpinned by the evidence that well paid work is the best route out of poverty and the greatest protection against poverty for those at risk. By supporting jobs and sustainable growth and taking action to try

to alleviate some of the challenges faced by people when accessing jobs, we aim to reduce the likelihood of families experiencing poverty and avoid the long term costs that poverty bring to society. We continue to create opportunities for individuals and families with initiatives and targeted investment across Wales.

We continue to work with the Future Generations Commissioner and a range of experts to assess how we addressing the Well Being of Future Generations Act. The EAP is cross-collaborative and structured around seven of the twelve well-being objectives:

- Support people and businesses to drive prosperity;
- Tackle regional inequality and promote fair work;
- Drive sustainable growth and combat climate change;
- Build ambition and encourage learning for life;
- Equip everyone with the right skills for a changing world;
- Deliver modern and connected infrastructure; and
- Promote and protect Wales’s place in the world.

It also embeds the five ways of working. The calls to action and the economic contract challenge Government and businesses to look at future investment through the contribution they will make to innovation and entrepreneurship, research and development and automation, exports and trade, high-quality employment and skills, and decarbonisation. These are some of the key strategic challenges we have to address if we are to secure growth not just today, but growth that is futureproofed to maximise opportunities in the long term.

## 7.0 TRANSPORT FUNDING OF ACTIONS

Transport supports the ambitions in the EAP for a modern and connected infrastructure. There is an increase of £16.15m to the revenue budget from the revised baseline.

The capital allocation is £610.252m which supports the National Transport Finance Plan. It is still necessary however to prioritise activity and manage budgets, to ensure that the delivery of schemes within the National Transport Finance Plan are both affordable and deliverable.

A summary of the transport budget is as shown in the table below:

Transport	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Revenue	314,909	(3,223)	311,686	16,150	327,836
Non Cash	188,691	0	188,691	0	188,691
<b>Total Resource</b>	<b>503,600</b>	<b>(3,223)</b>	<b>500,377</b>	<b>16,150</b>	<b>516,527</b>

Transport	2019-20 First Supp Budget £'000	2020-21 Plans as per 2019-20 Final Budget	Change £'000	2020-21 New Plans Draft Budget £'000
Traditional Capital	450,683	516,452	81,500	597,952
FT Funding	1,200	0	12,300	12,300
<b>TOTAL</b>	<b>451,883</b>	<b>516,452</b>	<b>93,800</b>	<b>610,252</b>

The detailed breakdown of Actions by BEL activity is explained in the following sections.

### 7.1 Motorway & Trunk Road Network Operations & Domestic Routes Actions

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Network Asset Management	5,836	(150)	5,686	0	5,686
Network Operations	65,948	(650)	65,298	0	65,298
<b>Sub Total</b>	<b>71,784</b>	<b>(800)</b>	<b>70,984</b>	<b>0</b>	<b>70,984</b>
<b>Non Cash</b>					
Network Operations	188,691	0	188,691	0	188,691
<b>Total Revenue</b>	<b>260,475</b>	<b>(800)</b>	<b>259,675</b>	<b>0</b>	<b>259,675</b>

BEL	2019-20 First Supp Budget £'000	2020-21 Plans as per 2019-20 Final Budget £'000	Change £'000	2020-21 New Plans Draft Budget £'000
<b>Traditional Capital</b>				
Network Asset Management	850	0	0	0
Network Operations	75,963	51,613	29,966	81,579
<b>TOTAL</b>	<b>76,813</b>	<b>51,613</b>	<b>29,966</b>	<b>81,579</b>

Welsh Ministers have a statutory duty to provide a safe and reliable Motorway and Trunk Road Network. It is therefore important to ensure that appropriate funding is available to fulfil this objective in respect of both ongoing management and maintenance and improvement.

In addition to the capital funding provided under this action, funding for significant improvements on the existing network and major road schemes, adding to the network, are provided for in the capital funding under the Road, Rail, Air and Sea Services Investment Action which relate to road infrastructure development and delivery.



The change of £29.966m is as a result of a transfer in of £14.966m from the National Transport Infrastructure BEL and an additional £15m allocation to address the backlog of roads maintenance.

Over the budget period, maintenance budgets will be continually monitored to ensure that we are responsive to reactive works and prioritise capital investment where it is most needed.

## 7.2 Road, Rail, Air and Sea Services & Investment Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Aviation	5,605	0	5,605	0	5,605
National Transport Infrastructure	2,223	(2,223)	0	650	650
Rail Ancillary	0	0	0	850	850
Transport for Wales	171,250	0	171,250	14,150	185,400
<b>Total Revenue</b>	<b>179,078</b>	<b>(2,223)</b>	<b>176,855</b>	<b>15,650</b>	<b>192,505</b>

BEL	2019-20 First Supp Budget £'000	2020-21 Plans as per 2019-20 Final Budget £'000	Change £'000	2020-21 New Plans Draft Budget £'000
<b>Traditional Capital</b>				
Aviation	4,873	2,000	0	2,000
National Transport Infrastructure	76,428	173,840	(24,617)	149,223
Transport for Wales	185,218	186,299	20,000	206,299
<b>Sub Total</b>	<b>266,519</b>	<b>362,139</b>	<b>(4,617)</b>	<b>357,522</b>
<b>FT</b>				
Aviation	1,200	0	4,800	4,800
<b>Sub Total</b>	<b>1,200</b>	<b>0</b>	<b>4,800</b>	<b>4,800</b>
<b>TOTAL</b>	<b>267,719</b>	<b>362,139</b>	<b>183</b>	<b>362,322</b>

Transport for Wales delivers the new rail franchise which is supported by £185.4m revenue and £206.299m capital budget in 2020-21. There has been an additional £15m revenue allocation to support delivery of the rail franchise. There is also a £20m capital allocation to Transport for Wales in relation to the North Wales Metro. Additional information on the Rail Franchise and South Wales Metro is included in section 8.2 below.

The revenue budget also includes provision of £5.6m for Aviation activities such as the Intra Wales Air Service, consideration of other potential PSO routes and for managing and maintaining St Athan and its airfield.

The National Transport Infrastructure BEL supports planning and feasibility activities. The movement of £2.223m to the baseline relates to non-recurrent funding for the Third Menai Crossing. There has been an additional allocation of £0.65m in 2020-21 for the A465.

There has been a transfer out of National Transport Infrastructure of £24.617m in order to maintain concessionary fares (£9.651m) and prioritising investment in the backlog of roads maintenance (£14.966m).

The draft budget also continues to include Financial Transaction funding made available to support investment within the aviation industry with £4.8m being allocated for 2020-21. Other opportunities to utilise Financial Transactions funding will continue to be explored along with other innovative financing solutions.

### 7.3 Sustainable Travel Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Bus Support	32,205	(200)	32,005	0	32,005
Smartcards	966	0	966	500	1,466
Concessionary Fares	23,482	0	23,482	0	23,482
Youth Discounted Travel Scheme	2,000	0	2,000	0	2,000
Sustainable & Active Travel	630	0	630	0	630
<b>Total Revenue</b>	<b>59,283</b>	<b>(200)</b>	<b>59,083</b>	<b>500</b>	<b>59,583</b>

BEL	2019-20 First Supp Budget £'000	2020-21 Plans as per 2019-20 Final Budget £'000	Change £'000	2020-21 New Plans Draft Budget £'000
<b>Traditional Capital</b>				
Smartcards	1,000	1,000	0	1,000
Local Transport Priorities	36,150	31,150	0	31,150
Concessionary Fares	36,651	27,000	9,651	36,651
Sustainable & Active Travel	26,650	36,650	46,500	83,150
<b>Sub Total</b>	<b>100,451</b>	<b>95,800</b>	<b>56,151</b>	<b>151,951</b>
<b>FT</b>				
Sustainable & Active Travel	0	0	7,500	7,500
<b>Sub Total</b>	<b>0</b>	<b>0</b>	<b>7,500</b>	<b>7,500</b>
<b>TOTAL</b>	<b>100,451</b>	<b>95,800</b>	<b>63,651</b>	<b>159,451</b>

This budget supports investment in integrated transport, active travel, Concessionary Bus Travel, smartcards and local transport schemes proposed by local authorities.

The baseline reduction of £0.2m for Bus Supports relates to non-recurrent funding for upgrading Traws Cymru network from bus to coach which was part of the two year budget agreement with Plaid Cymru. The £0.5m movement in Smartcards is to consolidate smart ticketing within public transport delivery which was previously included in ICT Infrastructure Operations.

The additional £54m capital (£46.5m core capital and £7.5m FT capital) allocation in Sustainable and Active Travel infrastructure relates to roads resilience (£25m) and to support the purchase of low emission vehicles (£29m). The additional funding will support highway improvements at locations on core bus networks and strategic highways that are at risk from flooding and other climate change impacts, as well as targeting infrastructure that is at risk from severe weather events. Whilst the budget is being reported against Sustainable and Active Travel BEL, consideration will be given as to the best fit of this expenditure in future budget publications. The funding for low emission vehicles will progress the shift to low emission vehicles as part of our aim for a zero emission public transport fleet by 2028.

Further information in relation to Active Travel is provided in section 8.8 below.

The movement of £9.651m in concessionary fares is a reprioritisation from the National Transport Infrastructure BEL in order to maintain the concessionary fares envelope.

When taken with the Local Authorities' own contributions to the concessionary fares scheme, the overall funding envelope provided (across both revenue and capital) is considered sufficient to meet Local Authorities' obligations based on the 'no better, no worse' principle and anticipated demand.

#### 7.4 Improve Road Safety Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Road Safety	4,764	0	4,764	0	4,764
<b>Total Revenue</b>	<b>4,764</b>	<b>0</b>	<b>4,764</b>	<b>0</b>	<b>4,764</b>

BEL	2019-20 First Supp Budget £'000	2020-21 Plans as per 2019-20 Final Budget £'000	Change £'000	2020-21 New Plans Draft Budget £'000
<b>Traditional Capital</b>				
Road Safety	6,900	6,900	0	6,900
<b>TOTAL</b>	<b>6,900</b>	<b>6,900</b>	<b>0</b>	<b>6,900</b>

The road safety budgets have been maintained at planned levels. The [Road Safety Framework for Wales](#) sets out our safety targets.

Revenue funding supports the engagement and funding of external partners in the public, private and third sectors achieve casualty reduction, using the road safety governance structures. The capital budget supports road safety engineering improvements on the trunk and local road networks.

## **8.0 TRANSPORT - KEY POLICIES**

Additional information is provided in response to the specific requests made by the Committee as follows:

### **8.1 Brexit**

We have been working with key stakeholders to put appropriate measures in place to prepare for the consequences of leaving the EU, including planning for the potential effects on the transport network resulting from new customs checks at our sea ports.

We are working with UK Government to seek funding from the Operational Contingencies Fund in recognition of the disproportionate impacts Wales faces as a result of a 'no deal' exit from the EU. This will be particularly crucial if we are to have to spend further on preparing the A55 and roads around Holyhead for 'no deal' and staffing any sites used to hold delayed or unready traffic, the third time we have been forced to prepare for a cliff-edge exit within this financial year. However, it is impossible to fully assess the duration and scale of disruption 'no deal' would cause, and we will need to manage any ongoing impacts through 2020-21 should they emerge.

It has always been clear that the UK Government must take responsibility if it is willing to countenance this disastrous course of action, and should make funding available to support the transition Welsh businesses and infrastructure that will need to make to adapt to leaving the EU without a deal and without a transition period of any kind.

As previously announced planned roadworks on the A55 had to be postponed to minimise disruption in anticipation of traffic caused by delays and unready trucks at Holyhead. However, I am hoping to reprofile these works within the financial year, so there should not be an impact in 2020/21. However, if a new UK Government does not rule out leaving without a deal on 31 January I may have to reconsider, which will start to impact what can be delivered within the Network Management budget for 2020-21.

Should we leave the EU without a deal we will be forced to rely upon the UK Treasury's guarantee of ERDF funding for the remainder of the current programme. In future years, our ability to match this level of investment will be contingent on confirmation that the UK Government will keep its commitments not to row back on devolution and for Wales not to be a penny worse off for leaving the EU.

### **8.2 Rail Franchise and South Wales Metro**

The reliability of public transport is key to encouraging people to switch to more sustainable modes and deliver our objectives of improving air quality and reducing carbon emissions. Rail investment is a priority in the plans and details of the budgets are included 7.2 above. Our approach to increasing the modal shift to public transport from private vehicle use will play a large role in minimising the effect of greenhouse gas equivalent emissions and mitigating against the impacts of climate change.

Welsh Government (and TfW) awarded the contract for the operation of the Wales and Borders Rail Service and delivery of the South Wales Metro to Keolis Amey Wales Limited on 14th October 2018. Over the last 12 months Keolis Amey Wales Limited (also known as TfW Rail Services) has:

- Created over 3,000 new advanced fares, making rail travel cheaper than ever for many journeys over 50 miles.
- Reopened the Halton Curve track, and launched 215 new services per week, connecting Wrexham with Liverpool by rail for the first time in 40 years and providing an hourly link between Cheshire and Liverpool. The improved connectivity will provide a major economic boost for the region.
- Introduced [Delay Repay 15](#) so that for the first time ever, rail customers in Wales and the Borders can claim for delays of just 15 minutes.
- In May, introduced additional rolling stock, including the return of loco-hauled Class 37 trains to provide extra capacity on the Rhymney Line. More additional trains are due to arrive in time for the December timetable change, including 12 modern Class 170 trains.
- Launched the [Community Rail Vision](#), which will see new Community Rail Partnerships set up across the entire Wales and Borders network to promote and encourage rail use in communities. Additionally, 22 new community ambassador posts are being created.
- Created more than 120 new jobs since taking over running rail services in Wales and the borders in 2018. They range from engineering and design roles to customer service and cleaning positions.
- Led the roll-out of a new-style [Concessionary Travel Card](#), to ensure consistency across Wales.
- Launched our [Station Improvement Vision](#) and started the process of investing in every station across the Wales and Borders network as part of a £194m fund. This includes providing improved passenger information, new signage, better platform shelters and better cycle storage facilities. CCTV is also being installed at all stations.
- Started work on the first stages of the South Wales Metro project, which includes starting work on site at both the new Metro tram-train depot at Taff's Well and the new infrastructure depot in Treforest.

### 8.3 [North East Wales](#)

The North Wales Metro is a priority identified in Prosperity for All as a key contributor to delivering modern and connected infrastructure. The vision for the [Metro in North Wales](#) was published in 2017. Working in partnership with local authorities and other key organisations in the region and across the border we have now started on delivering the Metro vision.

The draft budget makes available £20m for the North Wales Metro, enabling continued investment in all modes of transport to deliver the modern, high quality

integrated transport system fundamental to achieving sustainability and climate change objectives and delivering economic growth across the region, connecting people to jobs and services and businesses to markets.

#### **8.4 Rail Infrastructure Priorities**

Transport for Wales (TfW) are announcing plans to increase capacity for up to 6,500 extra rail commuters a week, from 15th December this year, whilst introducing additional trains right across the Wales and Borders rail network.

This represents an increase of 10% capacity for service users. It will also result in more than 200 additional Sunday services for Wales and the Borders, representing an increase of 45% against the current Sunday service.

Through its 'First Fare' initiative, TfW has created over 3,000 new advanced fares making rail travel cheaper than ever for any journeys over 50 miles.

TfW has launched 215 new services per week and has re-opened the Halton Curve track connecting Wrexham with Liverpool by rail for the first time in 40 years, providing an hourly link between Cheshire and Liverpool. This is a major economic boost for the region.

In addition, TfW has introduced a new suite of performance targets and a system where customers can claim for delays of 15 minutes and above and through its 'Station Improvement Vision' has announced £194m investment into railway stations across Wales and Borders.

TfW has created 120 jobs and established Community Rail Partnerships across the entire Wales and Borders network to promote and encourage rail use in communities.

TfW will also be improving the on-board experience for long-distance journeys with the introduction of refurbished, more accessible Mark 4 intercity carriages on certain services between North Wales and Manchester and an additional loco-hauled service on the key Holyhead-Cardiff route linking North and South Wales. We are improving the overall experience for passengers using services between Cheltenham and Maesteg and between Cardiff and Ebbw Vale, through the introduction of more modern accessible rolling stock. I am also pleased that December will see an improvement in the experience for passengers in North Wales, with the introduction of the mark 4 intercity carriages on some long-distance services.

In December 2019, Valley lines will see more four carriage trains on peak services, which will provide extra space for the equivalent of up to 6,500 commuters every week.

Passengers between Cheltenham and Maesteg and between Cardiff and Ebbw Vale will have the benefit of modern class 170 trains with more seats, on board passenger information systems, accessible toilets, air conditioning, Wi-Fi and power sockets.

Long distance passengers on some services between North Wales and Manchester will be travelling on more modern 'Mark 4 intercity' carriages.

## 8.5 Transport for Wales

Transport for Wales (TfW) was established in 2015 under the Companies Act 2006 and is fully accountable to the Welsh Ministers, as a wholly owned subsidiary company limited by guarantee.

TfW has a clear, legal identity within a robust and well-established framework. There is a distinct separation between the Welsh Government and TfW, allowing TfW to make independent operational decisions.

Accountability to the Welsh Government will be secured by a series of strategic levers. Some elements, such as the Articles of Association, are required by law; others help to guide the interaction between TfW and the Welsh Government. The Remit Letter sets out the operational remit and the cumulative funding available from the Welsh Government to support the delivery of the remit. Funding is paid to TfW as a grant quarterly in advance. Strong governance is in place to hold TfW to account.

The Company is remitted to manage the Wales and Border rail service and the delivery of the South Wales and the North Wales Metros. To enable the delivery of the South Wales Metro Transformation, which will allow increased frequency of services, the ownership of the Core Valley Lines in South Wales is expected to transfer to TfW before the start of the 2020-21 financial year. This will result in additional operational activity associated with designation as an Asset Owner. In addition, work is currently ongoing as to whether a range of activity relating to active travel, aviation and bus will transfer to TfW from April 2020. Due diligence in respect of this is ongoing and will be subject to individual business justification cases.

The Welsh Ministers aspiration for TfW is to enable the Company to take on a much wider range of transport functions. The EAP commits that TfW will work with the Welsh Government's new regional teams, the emerging regional transport authorities and partners, to create an integrated public transport network, covering the rail and bus networks.

## 8.6 South Wales Transport Commission

A written statement on the [South East Wales Transport Commission](#) was made in October. The Commission's remit is to consider the full range of issues relating to congestion on the M4 in South East Wales and provide recommendations on interventions to tackle it, the approach is set out [here](#).

The vision is to recommend a set of measures which will alleviate congestion in a sustainable way that supports the wider well-being of people who live, work and travel in the area.

The Commission aims to publish a progress update by the end of this financial year.

We have been clear that we remain committed to delivering a solution to congestion on the M4 in South East Wales.

## 8.7 Trunk Road and Motorway Network

### **Infrastructure Delivery:**

Investments in major trunk road projects that are being progressed in north and Mid Wales as follows:

- A487 Caernarfon and Bontnewydd Bypass: Construction commenced in February 2019. Good progress being made.
- A55 3<sup>rd</sup> Menai Crossing: Preferred Option announced October 2018. We have carried out further design and visualisation work on the type of bridge for the 3<sup>rd</sup> crossing in consultation with the Design Commission for Wales and completed a study where National Grid investigated preliminary options to accommodate power transmission cables on the 3<sup>rd</sup> Crossing from the proposed Wylfa Newydd Power Station. We have consulted with industry suppliers on WGs preferred procurement method for the next stage of delivery and are now moving forward with the procurement of Employer's Agent and a Specialist Bridge Architect to progress the delivery of the scheme.
- A55 Aber to Tai'r Meibion Improvement: Enabling works contract completed in summer 2019. Construction programmed to commence on the main works in Spring 2020.
- A55 Junctions 15 and 16 Improvements: Preferred options announced in April 2019. Design development in progress.
- A494/A55/A549 Flintshire Corridor Improvement: Technical Advisors appointed in July 2019. Next stage is to appoint suppliers to develop the design in consultation with stakeholders.
- A494 River Dee Bridge Improvement: Preferred option announced September 2019. Publication of draft Orders and ES programmed in early 2020.
- A483 Junctions 3-6. Study to consider options to resolve congestion between Junctions 3 and 6. Consultation programmed for spring 2020.
- A487 New Dyfi Bridge: Decision by Minister on scheme progression to construction due by the end of the year.

### **Network Management:**

Trunk road highway and motorway assets are components of the largest single asset on the Welsh Government balance sheet, and are continuously inspected, maintained and improved, with £152.6m allocated in 2019-20.

The trial and roll out of new road surfacing methods and materials are ongoing which should reduce long term whole life costs and provide significant savings due to increased durability and also provide benefits in safety and low noise levels. Innovation in methods of construction and use of new materials and components is encouraged on all trunk road and motorway asset programmes.



Welsh Transport Guidance (WelTAG) Studies on major corridors across the network have identified a pipe line of highly cost effective targeted interventions to address congestion hotspots in North and South Wales and safe overtaking opportunities to improve connectivity and support economic development in Mid Wales.

Construction of the first of the pinch point schemes, M4 J48 Hendy and the junction of the A470 with the A55 will commence this financial year. Construction of the first overtaking opportunity schemes will commence in 2020-21 along the A470 and A487 corridors.

The A55 resilience project has already provided much needed quick wins and short term measures, particularly for safety including the average speed cameras installed at Rhuallt Hill. Further medium and long term measures are currently being developed and will be implemented from late 2019-20 on.

The latest review of Speed Limits and network safety is due for completion by the end of the current financial year. Based on the results, a prioritised programme of improvements will be delivered from 2020-21 with the objective of not only improving safety but also reducing community severance and promoting active travel.

## **8.8 Delivery of Active Travel Policy**

In December 2018, the approval of the last four Integrated Network Maps marked the completion of the first full implementation cycle of the Active Travel Act. There are now comprehensive plans in place for networks of walking and cycling routes, connecting where people live with where they need and want to go, for all the largest 142 places in Wales.

The establishment in 2018 of the £60m Active Travel Fund, initially for three years, signalled the Government's intent to make these networks a reality, with over £40m available for active travel improvements this year.

In 2020-21, the £30m Active Travel Fund, the £5m for Safe Routes and the new funding available of £25m for Roads Resilience together demonstrate our commitment to the Low Carbon Plan. In addition c£2m budget is available to support active travel. With improvements as part of our own highway function, this will bring us close to the £17-£20 funding per head per year, as recommended by this committee when it scrutinised the implementation of the Act in 2018.

To ensure the quality and consistency of schemes we have updated our Delivery and Design Guidance, which will be published for consultation this winter and we are also strengthening grant application and management processes. The significant increase in available funding and the provision of core funding for feasibility and design work has already led to a noticeable change in local authorities' ambition across Wales, with many progressing and planning more challenging schemes. Bids for schemes starting in the next financial year will be invited in December.

We are updating the criteria for the £4m Road Safety Capital Grant to strengthen the links between road safety and active travel. Schemes will be expected to place greater emphasis on community engagement and improving conditions for walking and cycling, as well as reducing casualties.

Complementing capital investments are a suite of activities aimed at active travel promotion, training and awareness raising which are funded through transport

budgets. We are retendering and boosting the budget by over 50% for active travel promotion in Schools. We are funding National Standard Cycle Training and Child pedestrian training across Wales, at a cost of approximately £1.5m per year. We will work with partners to develop a framework for improved, consistent delivery during 2020. Early years, mental health and decarbonisation are cross cutting priorities in transport developments and we are working closely with partners and colleagues in other sectors, in particular Planning, Health, Environment and Education to ensure that our efforts to achieve joint objectives are effectively aligned.

## **8.9 Support for Bus and Community Transport Services, Concessionary Fares and Youth Discounted Travel Scheme**

### **Free concessionary bus travel**

The 2020-21 draft budget includes a provisional £60.133m to help local authorities to reimburse bus operators for carrying older or disabled passholders for free. Our free bus travel scheme for older or disabled persons ensures that passholders are able to travel to friends and relatives, the shops, medical appointments or simply for a day out without worrying about the cost.

Since we introduced this key initiative in 2002 it has grown in popularity so that there are around 730,000 live passes today.

We are currently replacing existing valid passes which will cease to function at the end of December. These new passes will ensure that valid passholders will continue to enjoy free bus travel without any loss of that benefit.

The provisional budget for 2020-21 will be allocated to local authorities in response to data collected showing the number of free journeys actually undertaken. At this stage we believe that the provisional budget will be sufficient to meet the demands of this demand-led scheme in 2020-21.

Local authorities are legally obliged to reimburse bus operators so that those operators are no better and no worse off. The Welsh Government provides substantial funding to enable them to fulfil this obligation.

### **MyTravelPass**

The 2020-21 draft budget for MyTravelPass (MTP) includes a provisional £2m to compensate bus operators for carrying 16 to 21 year olds at a third discount.

There are approximately 18,000 active MTP passes currently in circulation.

The Welsh Government continues to support the MTP scheme as it not only provides young people with discounted bus travel, but also encourages young people to try the bus for more of their journeys – hopefully meaning that they will continue to use buses for more of their journeys in the future.

We are reviewing the potential for extending the MTP scheme to other deserving groups but it must be remembered that this remains a voluntary scheme in the absence of legislation that would allow bus companies to be compelled to

participate. It is also the case that any decisions involving additional public funding remain challenging due to the impact of UK Government austerity policies.

### **Support for bus and community transport services**

The 2020-21 draft budget includes a provisional £25m in the form of our Bus Services Support Grant (BSSG) scheme allocated to local authorities by formula agreed with the Association of (local authority) Transport Co-ordinating Officers to help them to support the strategic, core bus networks in their areas.

Local bus services play a huge part in accessing key services and facilities throughout Wales, and our BSSG allocations provide a valuable complementary source of funding to that which local authorities are awarded through the annual RSG settlement.

The support for bus services also includes funding for Traws Cymru and Traveline Cymru.

Buses continue to carry more than three times the number of rail passenger journeys in Wales, demonstrating the importance of our bus network to people's everyday lives.

Pleased to have been able to maintain BSSG at £25m annually despite the UK Government's austerity programme.

Appreciate the difficult decisions that local authorities face as a result of the UK Government's austerity programme. Nevertheless encourage local authorities to protect the indicative awards they receive through RSG to support bus and community transport services in their areas.

Local authorities are required to confirm the allocations they have made from their RSG awards in support of the bus network in order to help inform my future decisions about allocating Welsh Government support for bus and community transport in Wales. Expect to make an announcement in due course.

### **8.10 Local Transport Priorities**

The local transport priorities budget line (Sustainable Travel Action) makes available funding to local authorities for local transport schemes that support the economy improve road safety and enable and improve sustainable and active travel. We continue to work in partnership with local authorities and other key organisations to ensure the key priorities are met and to identify other suitable sources of finance that will aid in delivery.

This Draft Budget includes £31.15m for the Local Transport priorities. This funding will allow Local Authorities to bid for funding for schemes that encourage sustainable transport and ease congestion, particularly on public transport routes.

### **8.11 Wales Transport Strategy**

The last Wales Transport Strategy ([One Wales Connecting the Nation 2008](#)) was published in 2008 and during the past decade much has changed including the devolution of more powers to the Welsh Assembly; publication of overlapping

legislation while further changes are anticipated arising through delivery of Prosperity for All, from Local Government reforms; post-Brexit funding and relationships; the Wales and Border rail franchise and; the devolution of further transport related responsibilities.

It is against this background that the Welsh Government is seeking to develop a new Wales Transport Strategy which recognises these recent changes and looks to address future opportunities and challenges.

The Strategy will be delivered via a new National Transport Delivery Plan and Local/Regional Transport Plans. It is our intention to also embed Sustainable Transport and recognise that Ultra Low Emission Vehicles also have an important role to play in the decarbonisation of transport, particularly in rural areas with limited public transport services.

### **8.12 National Transport Finance Plan**

The National Transport Finance Plan was published in July 2015. It outlines the significant investment to address the ambitious targets: the rail franchise including investment totalling almost £5bn over the next 15 years to transform rail services across Wales, major legislative reform of the public transport network and the development of integrated, multi-modal transport system across Wales. It sets out in more detail how we propose to deliver the outcomes set out in the [Wales Transport Strategy](#) from 2015 and beyond.

The Plan includes all transport interventions financed by the Welsh Government. The Plan was updated in [2017](#) and [2018](#). The 2019 Update will provide information on progress since publication and provide a revised programme, including:

- Timescale for financing and delivering the schemes undertaken by the Welsh Government.
- Estimated expenditure required to deliver the schemes.
- Likely sources of financing to allow delivery to take place.

This Plan is not a policy document nor does it seek to prioritise schemes to be taken forward. Some of our projects are being delivered, some are under construction and others are under development.

### **8.13 Decarbonisation**

We are focusing our budget preparations across Government on eight priority areas where we can have the greatest impact over the long-term. This includes our priority of decarbonisation.

[Prosperity for All: A Low Carbon Wales](#) was published in March and contains 100 policies and proposals that will deliver the first carbon budget 2016-2020 and 2020 interim target. These policies will either directly reduce emissions or contribute to the transition to a low carbon economy that will allow us to meet our legislative targets and enter us onto our emission reduction pathway. The National Assembly is the first Parliament in the world to declare a climate emergency and following the declaration we have accepted the advice of the UK Committee on Climate Change to increase Wales's 2050 emissions reduction target to 95% and will ask the National Assembly to put this into law next year. We have also announced our

ambition to work with UKCCC and other stakeholders to develop a more ambitious net zero target.

Our approach to increasing the modal shift to public transport from private vehicle use will play a large role in minimising the effect of greenhouse gas equivalent emissions and mitigating against the impacts of climate change. Ambitious carbon reduction targets will help to improve air quality, whilst modernising facilities at stations will encourage active travel choices.

Revenue funding of £185.4m has been provided for the new rail franchise and services improvements in 2020-21, including an additional allocation of £15m as part of this draft budget. The new rail contract reflects our commitment to carbon reduction. In the spirit of sustaining Wales' stunning natural environment and accelerating the decarbonisation of our public services, the budget for rail franchise hand service improvements will support the removal of all current and ageing diesel pacer trains on the entire franchise.

I have prioritised investment in bus services and the 2020-21 plans provide £94m for bus travel (revenue and capital) for the bus support grant, concessionary fares and the youth discounted travel scheme. The additional funding of £25m capital for Roads Resilience will support highway improvements at locations on core bus networks and strategic highways that are at risk from flooding and other climate change impacts. In addition, it will also target infrastructure that is at risk from severe weather events. Whilst the budget is being reported against Sustainable and Active Travel BEL, consideration will be given as to the best fit of this expenditure in future budget publications.

Investment in National Transport Infrastructure will be progressed and will seek to address congestion and improve vehicle emissions, as well as take into account opportunities for electric vehicle and other technologies. An additional £29m capital (£21.5m core and £7.5m FT) has been provided for low emission vehicles as part of our aim for a zero emission public transport fleet by 2028.

The main pillars of the Economic Action plan, are decarbonisation and climate change, supporting the creation of well paid, sustainable jobs all across Wales. An additional allocation of £25.862m, including £5m for the Repayable Fund for SMEs, has been provided for delivery of the Economic Action Plan for the Economy Futures Fund. We expect all requests for funding to meet at least one of five "Calls to Action" which include one relating to decarbonisation.

Our plans recognise the importance of working with businesses to promote decarbonisation and reducing carbon footprints. The Business Wales budget of £5.552m revenue supports responsible business practise and provides resource efficiency advice to entrepreneurs and businesses through Business Wales, as well as advice on environmental action planning, workshops and networking activities. A sketchbook and interactive tool have been developed to further promote the carbon agenda. Business Wales also supports the Green Growth Pledge for businesses to demonstrate their positive impact on the people and places around them and join a growing community of forward-thinking organisations.

The Business & Regional Economic Development budget of £6.798 helps drive sustainable growth and combat climate change. The transition to a low carbon economy presents unique challenges and opportunities for renewable energy. In

terms of the way we produce energy, we need to ensure that the infrastructure we invest in helps to generate low carbon energy, improves transmission and distribution and ensures we are fit for the future, enabling smart technologies and meters to provide flexible solutions.

An additional £14m has also been provided for the Commercial Property Development fund. The additional funding will refurbish existing building stock which will have a net positive impact on biodiversity compared with equivalent new build on undeveloped land as new build inevitably results in additional mitigation to offset any unavoidable habitat destruction from green field development.

In addition, Tech Valleys aspires to future-proof the economy by capitalising on the opportunities arising from the fourth industrial revolution, by encouraging the adoption of emerging digital technologies that support cutting edge industries, including the automotive sector. The allocation of £10m in 2020-21 will contribute to delivering regional economic development, creating industries of the future underpinned by the spirit of the Economic Contract.

#### 8.14 Preventative Spending

The majority of Transport expenditure for programmes and policies may be attributed to preventative spend such as: active travel in terms of promoting sustainable modes of transport and thus reducing environmental impacts and increasing activity levels which support health outcomes. Concessionary bus travel is particularly important in rural areas and vital for social cohesion and well-being. Our investment in road safety, road maintenance and improvements in network management helps to prevent more significant issues and accidents over the longer term. An important example of how our transport services will be transformed is the South Wales Metro, with potential opportunities to deliver much more for regions than an improved public transport network. As an integral part of the Cardiff Capital Region City Deal this will be the catalyst for the broader regeneration, helping to shape the regional economic and social infrastructure, social mobility and equality of opportunity for some of our most deprived areas. In delivering better outcomes preventative spending measures are therefore important for the long-term.

#### 9.0 EMPLOYABILITY AND SKILLS FUNDING OF ACTIONS

Skills	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Revenue	165,915	(3,150)	162,765	10,776	173,541
Non Cash	0	0	0	1,400	1,400
<b>Total Resource</b>	<b>165,915</b>	<b>(3,150)</b>	<b>162,765</b>	<b>12,176</b>	<b>174,941</b>

Compared with the revised baseline, there is an increase in the overall Revenue allocation of £10.776m, including £9m for apprenticeships and £1.4m non cash depreciation of £1.4m for Careers Wales.

### 9.1 Work Based Learning Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Work Based Learning	88,033	0	88,033	9,000	97,033
<b>Total Revenue</b>	<b>88,033</b>	<b>0</b>	<b>88,033</b>	<b>9,000</b>	<b>97,033</b>

This net budget supports the delivery of the apprenticeship programme to employers and their employees, with a particular priority for new recruits, throughout Wales. Further detail is provided in section 10.1.

There has been a £9m allocation to maintain the profile of spend between EU funding and our own funding to deliver our commitment of at least a minimum of 100,000 high quality all-aged apprenticeships over this Assembly term. This brings our total investment in 2020-21 to more than £97m (Net).

### 9.2 Delivery Support – Skills Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Marketing Skills	648	0	648	0	648
<b>Total Revenue</b>	<b>648</b>	<b>0</b>	<b>648</b>	<b>0</b>	<b>648</b>

The SHELL Marketing & Communications Division develops key messages and engaging communications delivered through high profile announcements and events, publicising of major milestones via social media and digital communications, high-profile focused and targeted campaigns and stakeholder engagement.

### 9.3 Skills Policy Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline Budget £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Skills Policy Engagement	1,556	0	1,556	0	1,556
<b>Total Revenue</b>	<b>1,556</b>	<b>0</b>	<b>1,556</b>	<b>0</b>	<b>1,556</b>

The majority of funding delivers the Employer Engagement, Regional Skills Partnerships, National Occupational Standards and Skills Implementation programmes.

#### 9.4 Employment and Skills Action

BEL	2019-20 First Supp Budget £'000	Baseline Adjustments £'000	2020-21 Revised Baseline £'000	Change £'000	2020-21 New Plans Draft Budget £'000
Employability & Skills	52,696	(3,150)	49,546	1,776	51,322
Communities at Work	3,972	0	3,972	0	3,972
<b>Total Revenue</b>	<b>56,668</b>	<b>(3,150)</b>	<b>53,518</b>	<b>1,776</b>	<b>55,294</b>

The Employability and Skills budget funds the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in, and progress at work through skills and training support. It also facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs in Welsh Government priority areas which are important for the economy of Wales.

There has been a decrease to this Action of £1.374m compared to first supplementary budget for financial year 2019-20. The movements are as follows;

- The baseline movement of £3.15m relates to non-recurrent EU Transition funding for Ford, Airbus and regionally important automotive manufacturers.
- A transfer in from the Education MEG to fund ongoing costs associated with supplying and managing the ULN in Wales. This is to ensure alignment of budgets following changes to portfolio responsibilities.
- Additional allocation of £1.6m for Airbus and regionally important automotive manufacturers as part of two year EU transition funding.

The Communities at Work Programme budget is maintained at £3.972m to tackle poverty through sustainable employment by providing intensive mentoring and specialist employment advice to help overcome barriers to employment; providing motivation and confidence for individuals to consider employment opportunities; helping individuals gain soft skills; helping individuals acquire and update their job search skills; helping individuals acquire vocational skills in order for them to meet the demands of the labour market; and providing sessions and support to help individuals apply for vacancies.

#### 9.5 Educational and Careers Choice Action

BEL	2019-20	Baseline	2020-21	Change	2020-21
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	First Supp Budget £'000	Adjustments £'000	Revised Baseline £'000	£'000	New Plans Draft Budget £'000
<b>Revenue</b>					
Careers Wales	19,010	0	19,010	0	19,010
<b>Sub Total</b>	<b>19,010</b>	<b>0</b>	<b>19,010</b>	<b>0</b>	<b>19,010</b>
<b>Non Cash</b>					
Careers Wales	0	0	0	1,400	1,400
<b>Sub Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Revenue</b>	<b>19,010</b>	<b>0</b>	<b>19,010</b>	<b>1,400</b>	<b>20,410</b>

The budget provides funding for Careers Wales (a wholly owned subsidiary company of the Welsh Government) which delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales. There has been no change in revenue budget provision in the 2020-21 draft budget. The £1.4m change in non-cash relates to depreciation for Careers Wales.

## 10.0 SKILLS - KEY POLICIES

Additional information is provided in response to the specific requests made by the Committee as follows:

### 10.1 Work Based Learning

#### **Funding for Work-Based Learning Action**

Details of the 2020-21 Work-based learning Action and commentary of the increase from the first supplementary budget is outlined in para 9.1 above.

#### **Funding for Degree Level Apprenticeships**

£5m was previously transferred to HEFCW as part of the last budget setting process. It is anticipated that (up to) a further £7m will be transferred to HEFCW to support continuing and new Degree Level Apprenticeships during 2020-21.

#### **Forecast 2020-21 expenditure on the apprenticeship programme (including European Funding)**

The estimated forecast 2020-21 expenditure on the apprenticeship programme (including ESF income) is circa £115m.

	2020-21 £'000
Indicative 2020-21 Draft Budget allocation	97,033
Estimated ESF Receipts for the Apprenticeship Programme	18,000
<b>Total forecast expenditure for 2020-21</b>	<b>115,033</b>

#### **2018-19 outturn position for the Work-Based Learning Action**

The 2018-19 outturn for the Work-Based Learning Action was £115.852m against a Second Supplementary budget of £115.709m. It is to be noted that the outturn positions includes expenditure for traineeships in this financial year.

### **2019-20 forecast outturn position for the Work-Based Learning Action**

The current forecast outturn for the 2019-20 Work Based Learning Action is £88.033m, against a First Supplementary Budget of £88.033m.

### **Actions and resourcing to mitigate the impact of a no-deal Brexit on the 2020-21 apprenticeship programme**

We will consider ways to support apprentices who become redundant as a result of a no-deal Brexit.

### **Apprenticeship Demand and restrictions**

Contractual controls are in place to limit the number of apprentices that are recruited within non priority level 2 sectors. In addition to this, providers are given contractual targets to increase the proportion of apprenticeships at levels 3 and above. From the contract year 2019/20<sup>1</sup> we have also amended the apprenticeship eligibility to prevent the recruitment of level 2 apprentices who have been employed within their current job role for 12 months or more.

### **Funding commitment for all 2020-21 apprentices**

The length of an apprenticeship programme varies from sector to sector. Some apprenticeships can be completed in 12 months whilst others can take up to 48 months. 2020-21 Apprentices will include those who were recruited in 2019-20 in addition to those that we recruited up to three years prior. The funding commitment for this cohort is likely to extend across the period from 2021-22 to 2023-24. An estimate of funding commitment (including ESF) is outlined in the table below:

<b>Financial Year</b>	<b>Estimated cost of Apprentices who were in learning in 2020-21 £m</b>
2021-22	70
2022-23	40
2023-24	15

## **10.2 Job Support Wales & Working Wales**

### **Funding for Employment and Skills Action**

Details of the 2020-21 Employment and Skills Action is outlined in para 9.4 above.

### **2018-19 outturn position for the Employment and Skills Action**

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<sup>1</sup> Contract year is August - July

The fiscal resource outturn position for the Employment and Skills Action for 2018-19 was £32.92m.

### **Working Wales programme/Employment Advice Gateway and Careers Wales**

The initial procurement for Welsh Government employability support was waived in early 2019, as we had concerns with the evaluation methodology. However, employability support is vital in times of economic uncertainty and, therefore, we have extended the provision of Welsh Government existing programmes to 31 March 2020 to ensure that there is appropriate provision available, namely ReAct, Job Growth Wales, Access, Traineeships and the Employability Skills Programme.

The new procurement exercise for our new employability programme, Job Support Wales, is now live with the intention to award contracts early in the New Year. Delivery will commence on 1<sup>st</sup> April 2020.

Job Support Wales will deliver a new approach to delivering employability and skills support from April 2020, designed to meet what individuals need to gain employment whatever their barriers. Job Support Wales will replace our current programmes including Jobs Growth Wales, ReAct, Traineeships, Access and the Employability Skills Programme, to streamline investment and reshape employability support.

An anticipated budget of £46m in 2020-21, underpinned by £21m ESF receipts will support approximately 17,000 people per annum. JSW Adult will be allocated circa. £8.6m and deliver to approximately 8,000 participants and JSW Youth, £37.8m supporting approximately 9,000 participants.

Working Wales (WW), which was launched in May 2019, delivers a national entry point to employability support. It is delivered by Careers Wales as an all age, national service of advice and guidance and will provide direct referral to the Jobs Support Wales (including the Youth Engagement Strand), when it is introduced in April 2020, and signposting to other provision.

Working Wales provides one national access point, independent to the delivery of support, with qualified Careers advisors ensuring that individuals are directed to the right place at the right time depending on their needs. Launch and marketing campaign “change your story” has been received well and Careers Wales received over 9,000 enquires in the first two months of the Working Wales service. Current budget allocation for 2020-21 is £9.1m. This will support an estimated 42,000 individuals per annum.

### **Youth Engagement Strand of working wales**

The Job Support Wales Youth Engagement (JSW-YE) strand will support young people who are 16 to 18 on entry and who have been assessed as having significant or multiple barriers preventing them from engaging sustainably in further education, employment; (including an Apprenticeship) or training. Individuals will require more intensive, individualised and specialist support to allow them to progress and to become work-ready.

This is complementary to the Youth Engagement and Employment BEL within the Education MEG which holds the budget for the Youth Support Grant, a central focus

of which is supporting young people into education, employment or training through the Youth Engagement and Progression Framework.

The Youth Engagement and Progression Framework (YEPF), which covers individuals aged 11- 25, provides a systematic mechanism for local authorities to identify those in need of support, to establish the support available, and to track the progress of young people as they make the transition from education into further education, employment or training. This can include collaborative working with, or signposting to, a range of partners including the Working Wales service and from April 2020, therefore, the JSW-YE. This activity is orchestrated by Local Authority Engagement and Progression Coordinators who provide operational leadership and join up between the local authority, Careers Wales, the Youth Service, schools and post-16 education and training providers.

To ensure the Framework remains up to date and relevant, Welsh Government are beginning work with our partners to refresh it. The refresh will take into account policy developments since its first publication, including the Welsh Government's [Employability Plan](#), the new [Youth Work Strategy for Wales](#), Working Wales, and the introduction of Jobs Support Wales. This work will help ensure expenditure within the Youth Engagement strand of Job Support Wales continues to complement the expenditure within the Youth Engagement and Employment BEL in future years.

The Youth Engagement & Employment line also includes £0.053m to support the Credit & Qualifications Framework Wales (CQFW) and the Fforwm Services/ColegauCymru to provide advice and representation on specific EU Vocational Education and Training (VET) matters.

CQFW supports prosperity and equality well-being goals; it helps to develop a skilled and well-educated population, and helps people to fulfil their potential irrespective of background or circumstance. It recognises qualifications across all sectors and levels of the education system; it offers parity of esteem for qualifications and helps learners to see progression routes, particularly where they are following non-traditional pathways, including those learners who are supported via the youth engagement strand of Job Support Wales.

Working Wales is deployed through a number of cost effective mechanisms. Providing services on the high street, within communities across Wales, Further Education Institutions and prisons through a wide range of interactions including web chats, Skype, e-mail, texts and, of course, through the traditional one to one interviews.

Job Support Wales is a new programme procured in an open and competitive market place. Organisations have tendered on the basis of a fixed costs but will be assessed on the additionality each contractor can bring to the programme. Unit costs were based on an independent piece of research conducted by the Learning and Work Institute which was then applied into the tendering arrangements. The funding structure is linked to a 'payment by results model' (PbR). PbR is a mechanism where all or part of the payment depends on the provider achieving outcomes specified by the commissioner. Providers are, to a greater or lesser extent, free to choose the interventions needed to secure the desired outcomes in the most cost effective way.

### **10.3 Regional Skills Partnerships/Employer Engagement**

## **Funding for RSPs**

We plan to issue a grant of £0.495m to the three RSPs via the WLGA for 2020-21. This is subject to any change arising from the response to the Inquiry into RSPs. Welsh Government is formally responding to the Inquiry by 28th November 2019.

## **Other funding intended to support the operation of RSP, but which is not allocate directly to them**

Welsh Government does not provide any other funding to support the operation of Regional Skills Partnerships.

## **Details of projects and activities funded from the Skills Policy Action in particular expenditure related to Sector Skills Councils and National Occupational Standards**

There is no Skill Policy Engagement expenditure related to Sector Skills Councils planned. However, labour market intelligence funded from the Skills Policy Engagement BEL provides sector level intelligence (i.e. via the Employer Skills Survey).

Welsh Government makes an annual financial contribution to maintaining the NOS system of circa £0.365m. This funding is managed through Skills Development Scotland. We have moved away from directly funding SSCs for NOS, however, just to note that a number (but not all) of the 22 suppliers on the three-nation Standards and Frameworks Multi-Supplier Framework Agreement are part of the “old” SSCs network, such as Lantra and CITB. There is no guarantee of funding for any suppliers under the new arrangement.

## **10.4 Monitoring Budgets**

### **Working Wales**

Robust grant management processes are in place with Careers Wales. Budgets for Working Wales are ring fenced and grant allocations are compliant with Welsh Government terms and conditions. Grant arrangements are systematically and efficiently managed and evidenced for the purpose of maximizing financial and operational performance and minimizing risk.

Knowledge and Analytical Services have commissioned a formal longitudinal evaluation of Working Wales linked to a wider piece of evaluation on the impact of the Welsh Government Employability Plan. The evaluation will consider policy aims and assess whether funding programme outcomes were achieved and if it provides value for money. Additionality – the added value elements of the programme.

### **Job Support Wales**

New software programmes have been developed to ensure there are relevant checks and balances within the system with relevant control and compliance mechanism in places to ensure only eligible claims are made and additional external audit assurance functions have been added to the system. Robust contract

management processes are in place complying with Welsh Government's terms and conditions.

Knowledge and Analytical Services have commissioned a formal longitudinal evaluation of Jobs Support Wales. The evaluation will consider policy aims and assess whether funding programme outcomes were achieved and if it provides value for money. Additionality – the added value elements of the programme.

### **Regional Skills Partnerships**

Welsh Government has a monitoring process in place in relation to the Grant Award to WLGA. Money is paid in arrears on a four monthly basis upon completion of targets and outputs. A system of reviewing and checking all activity is in place prior to any payment being made.

## **10.5 Brexit**

We have given careful consideration to the potential impact of a no deal exit on the economy. We are already supporting individuals facing redundancies as a result of businesses relocating to other areas within the EU and we need to anticipate and respond to a growing number of individuals potentially at risk. The exact impacts of a no deal Brexit remain uncertain but we have strong mechanisms in place in order to be able to respond and plan proactively for the future, scaling our response according to the Brexit scenario we face.

Our existing programmes provide targeted support to help develop and grow the economy of Wales and can also support those in times of crisis, such as businesses facing closure and individuals facing job losses. We will continue to monitor these programmes and assess where there may be additional financial pressures on these budgets as a result of a no deal Brexit.

In addition, we are providing the following support across economy and skills:

- Advice and support for businesses - our Business Wales Brexit Portal and Skills Gateway for Business advise Welsh businesses on how to prepare for Brexit.
- Financial support for businesses to prepare - £9.2m to help businesses build resilience ahead of Brexit.
- Extra finance for business - extra £121m to help businesses of all sizes develop and invest for the future as they navigate the challenges of Brexit.
- Supporting car and aero-industries - £6m funding for training and up-skilling the workforce in Wales' automotive and aero-industry sectors.

## **11.0 EVIDENCE BASE FOR BUDGET DECISIONS**

Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics.

As a Government, we have helped established organisations to help develop the evidence we use to inform our activities. For example, funded by the Economic and Social Research Council and Welsh Government, the Wales Centre for Public Policy is based at Cardiff University and is a member of the UK's What Works Network. The Centre collaborates with leading policy experts to provide Welsh Ministers and officials with high-quality evidence and independent advice that helps them to improve policy decisions and outcomes. The Centre and its predecessor, the Public Policy Institute for Wales (PPIW) have published several reports relating to the E&T portfolio.

In the last year, we established Economic Intelligence Wales (EIW). This is a collaboration between the Development Bank of Wales, Cardiff Business School and the Office for National Statistics which will provide a unique resource for Wales. EIW will provide the evidence base for policy decisions, enabling the Welsh Government, Business Wales and DBW to challenge and adapt the support offered to Welsh SMEs.

The evidence and scope of the appraisal undertaken during policy and programme development are assessed on the basis of risk, size and scale, existing evidence base and other factors. Feasibility studies are undertaken prior to the commencement of key projects to assess suitability in delivering against our goals, whilst gateway reviews for large projects are completed to challenge all aspects of a business case including the essential value for money assessment. Whilst the reviews are project specific, they help to build up a useful source of information for considering other projects. Internal and external audit reports can be helpful in a similar way.

We fund the Wales Social Partners Unit, through a competitive tender process, to deliver engagement services between Social Partners and the Welsh Government in Wales. This helps ensure that the views of some of our key stakeholders are embedded into policy development and delivery.

We have simplified and streamlined the advisory architecture, replacing a range of advisory bodies with a single E & T Ministerial Advisory Board that provides regular, creative and high-quality advice to me to help improve economic development in Wales in line with the priorities and vision set out in the EAP.

From a transport perspective, we fund Bus Users Cymru to represent passengers' interests and to input to policy development. This includes contributions to policy consultations, monitoring of bus services, dealing with complaints and holding bus surgeries throughout Wales.

## **12.0 MONITORING BUDGETS**

There are well-established processes in place for detailed and effective management of voted budgets in-year to the Economy and Transport MEG. A significant element of planned activity in the MEG is demand led such as the Economy Futures Fund and invariably large infrastructure projects which are undertaken by third party contractors. Consequently expenditure can be affected by factors outside Welsh Government control such as adverse weather conditions. Plans are monitored closely by the senior management team to agree options and proposals for corrective action to seek to manage net expenditure at budget levels.

Robust challenge reviews are undertaken at mid-year to identify any significant issues and inform options for the consideration of the Directors, Minister, and Deputy Minister and available resources reprioritised to remain responsive to economic developments.

### **13.0 EVALUATIONS/REVIEWS**

Outcomes are monitored for each of the projects and contracts that are managed within the portfolio. Feasibility studies are undertaken prior to the commencement of key projects to assess suitability for going forward in delivering against our wellbeing goals. Evaluation of projects and programmes are undertaken during and at the end of projects and can be undertaken internally or by external contractors.

The need for and scope of evaluation can be taken on a case by case basis during policy and programme development having regard to the risk, size and scale, existing evidence base and other factors.

Commissioning evaluations and research is one way of gathering evidence on policies and programmes, but is not the only way and is not always the most appropriate.

Gateway reviews for large projects are undertaken to assess value for money and both internal and external audits have and will be undertaken, which provide further evidence to support policy outcomes.

Sometimes the existing evidence base is used to shape programmes and policy and there is not always a need, or a good value for money argument to produce new evidence. Organisations such as the Institute for Public Policy Research, What Works Centre for Local Growth have produced a reports analysing which policies are most effective in supporting and increasing local economic growth. Similarly, the OECD has conducted a review of local economic and employment development policy approaches in OECD Countries and considered how these might be applied in Wales.

As we have developed and implemented the EAP, we have engaged widely with stakeholders. In the first phase of delivery, stakeholders have been helping us shape the implementation of the Economic Contact.

To remain responsive to the needs of the business community we undertake staged evaluations of the services within Business Wales, from inception through to final evaluation. The findings are used refine delivery and help inform future policy decisions.

From a transport perspective, we provide funding for Bus Users Cymru with Transport Focus to undertake annual surveys of bus passengers, and non-bus users, to identify what things the network has got right and where it needs to improve. The latter work is intended to confirm investments which are needed to attract more car drivers and passengers onto buses, especially fare-paying passengers and especially at peak commuting hours.

We closely monitor accident data and work with partners to improve the use of data and analysis to target interventions most effectively. We recently commissioned



reviews of key funded interventions and tightened rules regarding which schemes are eligible for funding.

## **14.0 LEGISLATION**

A recent written statement provides an [Update on the Public Transport Wales Bill and Wider Bus Reform Agenda](#). The Bill includes provisions relating to improved partnership working arrangements known as Welsh Partnership Schemes; franchising; and local authority run bus services. The Bill will also put in place new information management and sharing arrangements, so that information to the public will be more accessible and reliable, and local authorities will be in a better position to make arrangements to address changes in service provision.

The intention of the enabling provisions is to ensure that local authorities have access to a comprehensive suite of tools when seeking to address the challenges with bus service delivery in their area, and work with stakeholders towards developing an accessible, affordable and integrated bus network that meets the needs of Welsh communities. The enabling provisions will be subject to appropriate processes to ensure that proposals or schemes developed under the provisions are robust and fair.

Welsh Partnership Schemes (WPSs) will be required to contribute to the implementation of local transport policies, be developed in partnership with bus operators and be subject to a meaningful consultation process. In order to ensure a partnership balance between local authorities and bus operators, the intention is that WPSs will have formal objections provisions and will be subject to the appropriate competition tests.

To ensure that new franchising proposals are robust, the legislative changes will set out requirements that must be taken into account in any new franchising proposals and Welsh Ministers will provide best practice guidance. The intention is that each franchising proposal must be thoroughly considered through a detailed business case, which is subject to audit, followed by a formal consultation. Only then can a decision to franchise be made.

For local authority run bus services, the local authority would need to ensure compliance with state aid and competition law and, if a local authority decided to run services, those services would be subject to the same competitive constraints and registration requirements as any other operator.

## **15.0 REDUCING THE IMPACT OF DEPRIVATION AND POVERTY**

'Poverty' has been included as a new cross-cutting theme priority for our budget planning process for 2020-21. The Minister for Environment, Energy and Rural Affairs, was appointed to act as advocate for poverty to ensure a focus on improving outcomes for low income households.

We are also reviewing our approach to tackling poverty and reducing inequality.

As part of this work, we are undertaking a review of funding programmes to ensure they have maximum impact on the lives of children living in poverty. The review will report to Ministers in March 2020 and a programme of activity will begin to be

implemented from next April, based on the conclusions and recommendations of the Review.

Our approach will also consider the findings and recommendations of a range of organisations such as the Fair Work Commission, the Equality and Human Rights Commission and the OECD. This will help to inform our approach to spreading prosperity and tackling economic inequality.

We also support the delivery of a more generous 'social wage' – cash equivalent services which have the effect of leaving money in the pockets of Welsh citizens. This can leave some families in Wales much better off than would otherwise be the case.

For example, we have provided an additional £2m to support the Youth Discounted Travel Scheme. We have included provision of £60m to continue our Concessionary Bus Travel Scheme, with more than 750,000 pass holders resident in Wales. This makes bus travel more affordable for younger people and provides free travel for older people to access employment, education, social events, training, medical appointments and any other journey purposes.

Transport plays a vital role in driving Wales' economic competitiveness, connecting people, communities and business to jobs, facilities and markets. Our focus is to provide a sustainable, multimodal and integrated transport system which enables our communities to be united and to prosper, providing access for all our people to the opportunities and services they need to live healthy, sustainable and fulfilling lives.

In line with the objectives of our Child Poverty Strategy, we are focussing on raising skills levels, ensuring sustainable employment and spreading the benefits of economic growth as widely as possible.

Participation in the labour market is recognised as a key driver of movement in and out of poverty. Over half of entries into poverty are associated with a fall in earnings, primarily due to job loss. We know that workless households are more at risk of being in poverty and are especially at risk of living in persistent poverty. Being unemployed adversely affects both mental and physical wellbeing.

The people of Wales are a central focus of the interventions throughout the EAP. The EAP sets out a number of key changes to our approach to economic development, all of which have the potential to support prosperity for all and inclusive growth.

The Economic Contract is the centrepiece of our new approach and frames the reciprocal relationship between Government and business to drive public investment with a social purpose. We are applying the Economic Contract to our direct financial support to business and exploring extending the contract to include our wider offer to business and the adoption of these principles by the rest of the public sector in Wales. The Economic Contract requires businesses seeking investment to demonstrate that, amongst other things, they are promoting fair work and health, skills and learning in the workplace.

# Agenda Item 6

Document is Restricted