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Finance Committee

Welsh Government Draft Budget Proposals 2021-2022

I refer to the Committees of the National Assembly seeking information to inform their scrutiny of the Welsh Government's 2021-22 Draft Budget proposals.

On Behalf of the Institution of Civil Engineers (ICE Wales Cymru) I believe that as our quality of life depends on infrastructure; that there would be little economic activity without energy generation and distribution, water supply and disposal, transportation by rail, road, sea & air and waste management that Wales needs a clear 'Vision for Infrastructure'. Further development of the Wales Infrastructure Investment Plan (WIIP) and the National Infrastructure for Wales are crucial to the delivery of sustainable and effective infrastructure in Wales. The National Infrastructure Committee for Wales has a remit for 5 years + issues and ICE will be pleased to work with the Commission on these issues.

The focus for the budget should be on:

Resilience:

I consider that the lack of overview of the vulnerabilities of Wales' infrastructure networks has created gaps in our approach to defending critical infrastructure. The interdependence of our infrastructure assets must be recognised with increased levels of information sharing and joint forward planning.

Transport.

The Committee should consider if Wales has a safe, affordable, integrated, accessible and sustainable transport network that supports local and regional economic growth, productivity and a **vibrant society together with supporting the Active Travel Act and the Towards Zero Target 2050:**

and establish the budget for this area.

Energy:

Energy security is one of the key issues facing Wales and the UK today. – recognising the limit on devolved powers in this area.

The Committee should consider if Wales:

- Has sufficient supply of electricity to avoid interruptions.
- Is reducing the production of harmful emissions.
- Is promoting energy efficiency measures
- Has the necessary grid connections:

and establish the budget for this area.

The decision to cancel the Wylfa Newydd project is of great concern and will lead to lack of jobs and economic downturn together with a possible shortfall of energy.

Investment in sustainable forms of energy should be prioritised – to coincide with the Welsh Government's Towards Zero Carbon policies. Wales has a long coastline with the second highest tidal range in the world, opportunities to capture the potential energy should be maximised with tidal lagoons, barrages, wave and tidal energy.

Water and wastewater:

Wales has great potential to harness and benefit from its invaluable supply of water. Water is not only essential for communities, but for business and industry alike. The Committee should consider:

- How to produce innovative low carbon ways to transfer water across river catchments.
- How to Invest in and improve the existing water network – improving efficiency and security of service. Reservoirs must be upgraded to meet future water demand with a long term strategic plan for water resources in Wales.
- How to promote Wales' plentiful water supplies linked to inward development – domestic and commercial opportunities. Availability of water can be a business differentiator in some sectors.
- How to help the public to view water as a valuable resource to improve water:

and establish the budget for this area

Flood Risk management:

Effective flood risk management requires collaboration across a range of stakeholders. The Committee should consider:

- The development of a long-term capital and maintenance programme.
- Strategies to improve property and building resilience and create flood resilient communities:

and establish the budget for this area.

Waste management:

There must be a fundamental shift in the way waste is addressed. The Committee should examine how:

- Waste can be treated as a resource
- Wales can shift to a circular economy

and establish the budget for this area.

Skills:

The committee should examine if Wales has the right skills in place to address the current productivity lag, to improve infrastructure delivery and yield economic growth:

and establish the budget for this area.

Infrastructure Pipeline:

Wales needs a joined-up infrastructure vision for Wales, looking forward twenty five years and developed through engagement with governments, clients, investors, operators and delivery teams.

I consider that effective engagement takes place with the construction sector and others involved in the development and delivery of infrastructure in Wales, as indicated by the establishment of an Infrastructure Commission for Wales and that its initial focus should be on development of infrastructure vision and pipeline (WIIP) together with a supporting understanding of skills/resources required. It would be useful for the committee to review work to date around the WIIP and engagement with the sector with a view to determining best practice and improvements for the future.

A Welsh Office of Digital Innovation

A primary goal of government is the efficient delivery of government services. To further this goal, Wales must change the way it approaches service delivery and technology investments. Tens of thousands of the Welsh population interact with government services every day: civil engineers are required to complete online applications for projects, civil engineering students compare financial and education options, and small civil engineering business owners apply for business support.

Too often, outdated tools and complex systems make these interactions cumbersome and frustrating. Additionally, manual processes and the lack of digital service delivery often require individuals to take time off work and go to a physical office to interact directly with government staff. The Welsh Government must actively seek to understand what users want to ensure government is more accessible and intuitive. An Office of Digital Innovation could lead a digital revolution.

The Office would build on what has been learned about digital innovation. It could use design, technology, data, and behavioral insights to work iteratively with Welsh Government departments to deliver better services for Wales. It will also bring its tools to refocus efforts through discovery and rapid prototyping. The Office would have the authority to develop service delivery policies, standards, and procedures for nationwide use in assessing service delivery models and underlying business processes from an end-user perspective.

The Office would work with departments and stakeholders to design and deliver better products and services, leveraging data and real user experiences as guides. It will strive to understand government programs as well as the people who deliver and utilise them, and work to improve service delivery in line with iterative software development approaches. In addition to driving improved service delivery on individual projects, it will position the government to deliver better user experiences. It will champion innovative approaches to procurements, contracts, standards, and how work gets done. It will escalate and help resolve issues that inhibit better services. It will be a proponent of openness, simplicity, and common standards.

Scaling user-centred digital services requires a significant cultural change across Wales. The Office could take a deliberate and focused approach to building a continuous improvement customer-focused culture. It could provide practical training that will include understanding users, working iteratively, improving processes, and leading cultural changes.

The Office could also include additional information technology training for government staff in agile and other modern development methods to improve successful service delivery with a focus on continuous improvement. The transformation of the Welsh Government's operations and programs is essential to bringing government closer to the people and building user-friendly service delivery models. A Government investment of this nature will focus on modernising service delivery at all levels where Welsh people engage with government services.

Last year we recommended the need to transform Wales digital environment, this is now highlighted by the current COVID pandemic. Others are taking this initiative, for example the Government of South Australia who set out their digital transformation strategy in 2019 and have already seen dramatic progress towards modernising and transforming its services to provide better experience for users.

Below are some examples of externally facing services that have been transformed to date:

- Improved websites
- Online services
- Enhanced processes
- Digital places
- Better data and information.

In response to the specific responses to the consultation questions:

1. What, in your opinion, has been the impact of the Welsh Government's 2020-21 budget including recent funding related to COVID -19?

Response: There is now great concern not just with the impact of COVID19 but many civil engineering companies in Wales have very limited forward programme. There is an increasing demand on funding across all sectors and services; continued investment in the infrastructure of Wales must continue as there is a well-established proven link between the economy of a country (Wales) and the condition of its infrastructure.

2. How do you think Welsh Government priorities for 2021 – 22 should change to respond to COVID19?

Response: whilst the priority must be in addressing the safety and health of the Nation, in view of the impact on the economy and businesses in Wales, continued investment in the infrastructure of Wales must continue. The cancellation of the M4 Corridor around Newport Project - despite the Planning Inspectors' positive recommendations will lead to a downturn in the economy of Wales as companies will choose to invest elsewhere (i.e. across the border in England). This problem will not go away and continue to have an impact.

3. How financially prepared is your organisation for the 2021- 22 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?

Response: The Institution of Civil Engineers has gone through a fundamental restructure and is now well prepared for 2021-22. There is an increasing importance of professional skills and qualifications together with a growth in [Professional] Apprenticeships. Continued investment in infrastructure (and the skills of civil engineers) is required.

4. Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?

Response: Transparency and scrutiny of budgets and decisions taken is vital, some of the current COVID 19 actions taken are not fully defined nor transparent.

5. Does the Fiscal Framework adequately reflect the impact of the public health emergency in Wales compared to other UK countries and do you support increasing the annual and/or overall limits to current Welsh Government borrowing within this Framework?

Response: The existing devolution settlement is unfair on Wales and additional funds are required.

6. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID19 situation and how these should be reflected in the 2021-22 budget?

- How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.

Response: Continued investment in the maintenance of the infrastructure of Wales is required to avoid future degradation and erosion. Planned asset management spending is necessary to avoid extremely costly reconstruction. Preventative spend should consider better asset management and the better use of data. Undertaking a lowest cost procurement strategy will not result in better value and lower longer term preventative spend requirements.

- To what extent alleviating climate change should be prioritised in supporting economic recovery?

Response: There are two points that should be considered in respect of this specific area, First ICE Wales Cymru is very concerned that the climate emergency declaration influenced the decision to cancel the M4 Corridor scheme despite the Public Inquiry considering the overall environmental issues and recommending that the M4 CAN should be built. ICE Wales Cymru supports the towards zero carbon initiative, but each project should be considered on its merit and it must be recognised that not all these matters are within the remit of the devolved powers. Secondly, the impact on climate change has a major bearing on Flood Risk Management - all forms not just coastal. Whilst continued investment is clearly a priority, in several coastal locations some form of adaptation is required to the way in which shoreline being managed and there is complexity associated with managing change and how it may affect communities, where the very simple terms, such as managed realignment, funding for adaptation is required and where flooding has occurred, a change made to the style and format of rebuilding.

- *Welsh Government policies to reduce poverty and gender inequality.*

Response: All Welsh Government Departments need to work coherently in delivering this strategy. Money spend in infrastructure may have a better return in providing jobs and long term prosperity, leading to better health. Vital sectors would include transport, water, flood risk management, sanitation and energy.

- *Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)?*

Response: Continued investment in the maintenance of the infrastructure of Wales is required to avoid future degradation and erosion. Planned asset management spending is necessary to avoid extremely costly reconstruction. Preventative spend should consider better asset management and the better use of data. Producing a policy on Building Information Management will deliver enhanced preventative spend. Undertaking a lowest cost procurement strategy will not result in better value and lower longer term preventative spend requirements.

- *Sustainability of public services, innovation and service transformation.*

Response: This is a vital area as we move into climate change and the need to make considerable changes to the modal split of transport movements - more walking, cycling and using public transport. The budget should be spent on issues that support and direct the Welsh economy in a sustainable manner.

- *How evidence is driving Welsh Government priority setting and budget allocations.*

Response: The Welsh Government need to provide case studies and examples of how evidence is driving policy. It is necessary to develop and maintain the Welsh Infrastructure. ICE would be delighted to assist in the development of the evidence base and work with the National Infrastructure Commission for Wales to this goal.

- *How the Welsh Government should use taxation powers and borrowing.*

Response: These funds should be used to invest in the skills and infrastructure of Wales. Wales should look at the potential for Development Taxation, for example the Welsh Government taxes development following an initial catalyst investment in infrastructure to allow development to occur.

- *Support for businesses. economic growth and agriculture after EU transition ends.*

Response: It is vital that funds are secured to invest in the vital infrastructure of Wales – the Nation had received major structural funds and alternative sources of funds will be required; there are major issues relating to the skills agenda including funding for education & research, the ability to resource the necessary skills; and issues related to rules and regulations: simplistically Wales / the UK should examine the impact of European Legislation and adopt those with a positive benefit to Wales and discard those with a negative impact.

- *What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act)?*

Response: ICE Wales Cymru is a strong supporter of the Wellbeing of Future Generations Act and would be delighted to see the evidence when available. There should be better use of data and having that data open to scrutiny will allow a better understanding of the long term effects and trends of the Future Generations Act. Infrastructure should be 'fit for purpose' with long term sustainability in-built in the design, including whole life costs.

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Notes:

Founded in 1818, the Institution of Civil Engineers (ICE) is a UK-based international organisation with over 95,000 members, ranging from students to professionally qualified civil engineers. As an educational and qualifying body, with charitable status under UK law, we support our members throughout their careers, and help society to have trust and confidence in infrastructure professionals. Under our Royal Charter, ICE has become recognised worldwide for its excellence as a centre of learning, a public voice for the profession and a leading source of expertise in infrastructure and engineering policy.