

## Economy, Trade and Rural Affairs Committee

Date: 12 January 2023

Time: 11:05-12:35pm

Title: Evidence paper on Draft Budget 2023-24 – Economy Main Expenditure Group (MEG)

### a) Introduction

This paper provides information on the Economy budget proposals as outlined in the 2023-24 Draft Budget published on 13 December 2023. It also provides an update on specific areas of interest to the Committee. The Arts and Sport activity is being scrutinised by the Culture, Communications, Welsh Language, Sport and International Relations Committee on 18 January 2023.

#### 1.1 Transparency of budget presentation

1.1.1 The table below provides an overview of indicative plans for the Economy MEG published in draft Budget 2023-24

Economy MEG – Summary	2022-23 Final Budget March 2022 £000's	2023-24 Indicative Final Budget March 2022 £000's	2023-24 Changes £000's	2023-24 Draft Budget December 2022 £000's	2024-25 Indicative Final Budget March 2022 £000's	2024-25 Changes £000's	2024-25 Indicative Final Budget December 2022 £000's
Resource	402,421	416,582	30,901	447,483	432,688	30,860	463,548
Capital	82,792	106,187	0	106,187	81,608	0	81,608
<b>Total Resource &amp; Capital</b>	<b>485,213</b>	<b>522,769</b>	<b>30,901</b>	<b>553,670</b>	<b>514,296</b>	<b>30,860</b>	<b>545,156</b>
Resource AME	45,525	45,525	13,000	58,525	45,525	13,000	58,525
Capital AME	0	0	0	0	0	0	0
<b>Total AME</b>	<b>45,525</b>	<b>45,525</b>	<b>13,000</b>	<b>58,525</b>	<b>45,525</b>	<b>13,000</b>	<b>58,525</b>
<b>Total – Economy MEG</b>	<b>530,738</b>	<b>568,294</b>	<b>43,901</b>	<b>612,195</b>	<b>559,821</b>	<b>43,860</b>	<b>603,681</b>

#### 1.2 Resource

1.2.1 For resource, the 2022-23 baseline for draft Budget 2023-24 reflects Final Budget.

1.2.2 The Resource budget for the Economy MEG has increased by £30.901m in 2023-24 when compared to the 2023-24 indicative final budget baseline, with further increases of £30.860m in 2024-25.

1.2.3 The total resource allocations for each financial year is summarised in the tables below:

<b>Economy: Resource Allocations</b>	<b>Budget</b>	<b>BEL</b>	<b>2023-24 £000</b>	<b>2024-25 £000</b>
Apprenticeships		Apprenticeships	18,000	18,000
<b><i>Cost of living inflationary uplift – pay and utilities in ALBs:</i></b>				
National Library Wales		National Library of Wales	677	828
Amgueddfa Cymru - National Museums of Wales		Amgueddfa Cymru - National Museums of Wales	1,574	1,878
Arts Council of Wales		Arts Council of Wales	133	202
Royal Commission		Royal Commission on the Ancient and Historical Monuments for Wales	60	92
Sport Wales		Sport Wales	242	360
Grant funded staff in ALBs		Support for Local Culture and Sport	43	47
Cadw		Cadw	540	720
Careers Wales		Employability Including Young Persons Guarantee	1,231	1,873
<b><i>Cost of living inflationary pressures – local heritage, culture and sport:</i></b>				
Arts Council of Wales		Arts Council of Wales	500	
Sport Wales		Sport Wales	500	
Local Culture		Support for Local Culture and Sport	250	
Cadw and local heritage		Cadw	250	
<b>Total Revenue Allocations from Reserves</b>			<b>24,000</b>	<b>24,000</b>
Communities for work – non cash		Communities for Work	5	-36
<b>Total Non-cash allocations from/to Reserves</b>			<b>5</b>	<b>-36</b>
Less: Economy MEG contribution to Welsh Government reprioritisation exercise (Information on areas where funding has been reprioritised, relevant to this Committee is provided at Annex A and B)		Various	-7,166	-7,166
<b>Total Net Revenue from Reserves for the MEG</b>			<b>16,839</b>	<b>16,798</b>
Transfer into the Economy MEG from Finance and Local Government MEG (Children’s Commissioner Grant)		Communities for Work	14,062	14,062
<b>Total Allocations to the MEG</b>			<b>30,901</b>	<b>30,860</b>

1.2.4 The Welsh Government has undertaken a reprioritisation exercise to release funding from within portfolios for reallocation across Government. The principles underpinning this reprioritisation exercise were to deliver a balanced budget, protect frontline public services and protect the Programme for Government.

1.2.5 As a result of this exercise, draft budget plans reflect a return to central reserves from the Economy MEG of £7.166m in 2023-24, with reductions baselined into 2024-25.

These changes for budget lines relevant to this committee are summarised in Annex A and Annex B.

- 1.2.6 The total £27m revenue allocation for culture over three years from the Cooperation Agreement has been maintained, as well as £8m for Arfor, £4m in 2023-24 and £4m in 2024-25, which follows on from the £3m budget in 2022-23.

### **1.3 Capital**

- 1.3.1 The Economy capital budget stands at £106.2m for financial year 2023-24 and £81.6m for 2024-25. There have been no changes to the allocations as part of the Draft Budget 2023-24.

### **1.4 Annually Managed Expenditure – AME**

- 1.4.1 The AME budget of £58.525m provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, pension valuation fluctuations for National Museum of Wales, the National Library of Wales, Sport Wales and Careers Wales. This budget is agreed with the Treasury each year and is fully funded. The AME draft Budget figures reflects the forecasts submitted to the Office for Budget Responsibility in August 2022.

### **1.5 Commentary on Actions & Detail of Budget Expenditure Line (BEL) Allocations**

- 1.5.1 A breakdown of changes to the Economy MEG by spending area, Action and BEL for 2023-24 and future years is provided at **Annex A**. A commentary explaining the changes to each Action within the MEG is also provided at **Annex B**. A transparent narrative explanation has been provided to explain increases and reductions, where not covered in the evidence paper. This only covers the budgets that are been securitised as part of this committee.

### **1.6 Monitoring of budgets**

- 1.6.1 All budgets continue to be monitored and challenged on a monthly basis during 2022-23, to consider the latest forecasts and budget movements as necessary. I receive regular financial updates on the forecasts for the MEG to ensure that budgets remain on track to deliver my priorities. We maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our priorities – in the right place, at the right time.
- 1.6.2 A significant elements of activity undertaken under the Economy MEG is subject to external factors ranging from macroeconomics to demand and even the weather. Our services such as Business Wales have to adapt to changes in the economy while schemes such as the Economy Futures Fund, particularly on the context of annual budget planning, can be impacted by delays in construction, a change in the beneficiaries business plan or indeed inclement weather. This means effective planning and mitigation is essential alongside a balanced portfolio of large and small infrastructure projects. This of course means expenditure can be affected by factors outside Welsh Government control but plans are monitored closely by my officials to agree options and proposals for corrective action to seek to manage net expenditure at budget levels.

## **1.7 Evidence base / Evaluation and reviews**

- 1.7.1 Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making with some examples as follows.
- 1.7.2 **Employability - JGW+**, the new Youth employability programme takes the best elements of Traineeships and Jobs Growth Wales and provides a holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET (Not in Employment, Education or Training). It ensures young people are provided with opportunities to develop skills at the right time and place for them. Evaluation recommendations from both Traineeships and Jobs Growth Wales were taken into account when the new JGW+ programme was designed, resulting in an enhanced referral system as well as a streamlined progression routes through the programme.
- 1.7.3 Initial draft Estyn feedback has noted that “JGW+ is so far proving to be a ‘better fit’ for young people than previous programmes. The programme is facing different challenges to the past and is proving to be good for those with complex barriers. The referral process is much stronger than in the past which is reflected in the standard of Individual Learning Plans which are showing to be more comprehensive with more detailed information and clear aspirations”.
- 1.7.4 **ReAct+**, the new Adult Employability Programme has built on the proven successes, concept, and brand to combine ReAct (redundant workers All-Wales) and Access (unemployed people) to provide this full employability offer to unemployed adults in Wales. The programme provides individualised support to those trying to enter the labour market by removing barriers and providing grant support such as vocational training, childcare, travel costs and wage subsidies. The main aim of the programme is to enable progression into sustained employment.
- 1.7.5 The new programme utilises a format that is tried and tested and offers a programme of support to fulfil the aims of Taking Wales Forward and the Employability Plan. ReAct development, evaluations and audits over the past 20 years have helped the programme become efficient and effective at assisting people enter employment.
- 1.7.6 The **SMART programmes** of support were subject to a half- term independent review which were published in September 2020. The Final review of the SMART Suite of operations has just been awarded and will commence in December 2022. The review concluded the progress and performance of SMART Cymru against the indicator targets are favourable. Notwithstanding challenges, it is expected that by the end of the full programme, all indicator targets will be met or exceeded. The majority of SMART Cymru beneficiaries interviewed were positive about the benefits of the SMART Cymru support that they have received (85%). Regarding the value of funding received (90%), the intervention rate applied (66%) and the flexibility that the funding support afforded (90%) beneficiaries signified a high level of satisfaction.

## **1.8 Impact of Cost of living on budget allocations and programmes**

- 1.8.1 The impact of the increased cost of living and the failure of the UK Government’s promises to replace EU funding in full has created significant challenges on programmes within my portfolio. As a Welsh Government, we will continue to work to prioritise our budgets to shield the most vulnerable and maintain our commitment to create a stronger, fairer and greener Wales as we prepare our draft Budget 2023-24.

- 1.8.2 I recognise the impact cost of living pressures are having on our ALBs and local culture, heritage and sport sectors, and I am pleased to announce that an additional £12m will be provided in 23/24 and 24/25 (£6m/annum) to support with cost-of-living pressures in the most critical areas. However, I appreciate that this will only go some way to addressing concerns and it will still be difficult for many organisations.
- 1.8.1 This uplift will enable all the five Culture and Sport Arm's Length bodies (the National Library of Wales, Amgueddfa Cymru-National Museum Wales, Arts Council of Wales, Sport Wales and Royal Commission on the Ancient and Historical Monuments of Wales) and Careers Wales to make a consolidated pay award to their staff comparable to that made by Welsh Government and to meet pay parity commitments for the lowest paid staff. We are treating Cadw (which is within the Welsh Government but all staff costs are charged to the Economy MEG in view of the direct delivery nature of the work) consistently with our arm's length bodies as it has its own internal agency board with non-executive members. It meets quarterly and part of its role is to scrutinise Cadw's performance against its business plan and financial reporting.
- 1.8.2 This funding will also address other inflationary pressures in the culture and sport sectors, especially exceptional utility costs at Amgueddfa Cymru, the National Library of Wales and Cadw, as well as funding to be made available to support local independent and third sector organisations across arts, museums, community libraries, heritage and sport with additional inflationary costs.
- 1.8.3 When the Welsh Government published the cross-government Economic Mission last year, it was clear a return to business as usual was not an option. The response to the Covid pandemic accelerated many existing trends across decarbonisation, digitisation and the impact of an aging population.
- 1.8.4 The Welsh Government will support businesses with this transition. Our Business Wales advisory service covers all aspects from energy and waste to water efficiency measures.
- 1.8.5 Tackling the climate emergency as part of a just transition to Net Zero is also the overarching ambition of our new £8.1bn Infrastructure Investment Strategy. In particular, we'll open up greener forms of transport to more people, providing more choice in how we're all able to get around as well as laying the foundations for more investment in renewable energy projects.
- 1.8.6 Against a tough financial backdrop, including the shortfall of £1.1bn to Wales in post-EU structural and rural funds, my new Plan for Employability and Skills provides a strong employability and skills offer that is a crucial part of our collective task to make Wales an attractive prospect for more people and business.
- 1.8.7 The new Plan for Employability and Skills has been launched to drive forward our Economic Mission to help more people in Wales to upskill, access, and thrive in work – for a more equal economy that works for everyone. We want to help everyone – particularly those furthest from the labour market - to navigate and respond to the work-related challenges they will face throughout their lives, whether that is through training, retraining, upskilling, changing career or starting a business. It will help us meet the skills required by Welsh businesses by making the most of our talent in Wales, driving workforce diversity and shaping an economy that works for everyone. It will also embolden more people to consider starting their own business.

- 1.8.8 The Resolution Foundation says there has been a 19-year downturn in wages – the weak forecast for pay and high inflation means that wages will not return to their 2008 level until 2027. Had wages grown at the same rate as before the great financial crisis in 2008, they would be £15,000 a year higher. While our stakeholders want us to go further, even living within our means will be incredibly challenging.
- 1.8.9 We have managed increasing provision costs within our existing allocations in the Employability including Young Persons Guarantee BEL, which includes additional funding for the Young Persons Guarantee (YPG), allocated in the three-year spending review (2022-2025), and the maximising of ESF through our operations through to autumn 2023.

### **1.9 Lasting implications of the pandemic**

- 1.9.1 Post-Covid restrictions and continued disruption via short notice lockdowns has resulted in travel to certain key markets being restricted e.g. China, while a number of countries opened up more slowly e.g. Japan, therefore limiting opportunities for exporters. In addition, restrictions on individuals travelling if not fully vaccinated has also impacted export opportunities by limiting opportunities to meet face to face and build relationships.
- 1.9.2 Although we have not seen youth unemployment on the scale that we anticipated because of the pandemic, latest NEET estimates are concerning. The latest provisional estimates suggest the proportion of 16-18 year olds who are NEET increased to 13.6% in 2021, the highest level on record, largely driven by a rise in the economic inactivity rate (excluding students), although there was also a slight increase in unemployment. For 19 to 24 year olds, final estimates for 2020 indicate the proportion who were NEET decreased slightly to 15.8%, followed by an estimated increase in 2021 to 16.3%.<sup>12</sup>
- 1.9.3 Emerging evidence demonstrates that young people face additional issues in achieving a smooth transition into the labour market. The Prince's Trust have reported that more than 60% of 16-25-year-olds have said they are scared about their generation's future – with one in three concerned their job prospects will never recover from the pandemic and cost of living crisis. In the wake of the disastrous UK Government mini-budget, alongside an even bleaker economic outlook from the OBR and Bank of England – and a UK Government approach for replacement EU funds that is significantly underfunded and shuts out the third sector from directly accessing the funding, I am more concerned than ever about the employment prospects of our young people. Our YPG programmes aim to get young people back into education, training and eventually work. Working Wales as the portal to our wider employability offer in partnership with Careers Wales.
- 1.9.4 The scarring effect of the pandemic is beginning to take effect. Our continued focus on NEETs is crucial if we are to address the threat of a long tail of being unemployed or economically inactive years later.

### **1.10 EU implications**

- 1.10.1 The UK Government's approach to post-EU funding through the Shared Prosperity Fund is not only a deliberate and an unacceptable encroachment into a devolved policy area, but it is also costing Wales jobs and growth. With only four months remaining in this

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<sup>1</sup> <https://gov.wales/young-people-not-education-employment-or-training-neet-april-2021-june-2022>

<sup>2</sup> [Participation of young people in education and the labour market: 2020 and 2021 \(provisional\) | GOV.WALES](#)

financial year, only now (5 December) has the UK Government agreed the Fund's investment plans submitted by Welsh local authorities during the summer for projects that should have already commenced.

- 1.10.2 Existing and new EU funding programmes overlap by two years and the Welsh Government was ready to start a post-EU investment programme almost two years ago in January 2021. By then we had already worked intensively with the OECD and our Welsh partners to create the strongest possible model for Wales.
- 1.10.3 Instead, local government are being put under enormous strain to develop projects and put in place administrative and governance procedures in unfeasible timescales. The impact of the long delays created by the UK Government is on top of the £1.1 billion shortfall compared to EU structural and rural funds, the Welsh Government and Senedd being bypassed on a plainly devolved matter and universities, colleges, the third sector and businesses being shut out of directly accessing funding. The UK Government's entire approach to the Shared Prosperity Fund has been chaotic.
- 1.10.4 The UK Government's position on the Shared Prosperity Fund and European Territorial Co-operation (ETC) programmes has also seriously dented our ambitions to increase international and cross-UK working, putting at risk important networks and economic opportunities. This is also being exacerbated by the uncertainty around association to Horizon Europe. We are taking forward actions through our new Agile Cymru approach but are currently unable to allocate additional budget.

#### **1.11 Ending of EU structural funds**

- 1.11.1 My portfolio leads on seven projects supported by the 2014-2020 European Structural Fund programmes, including ReAct, Apprenticeships and Traineeships (JGW+), and currently has EU funding of around £315m approved through to 2023. It is expected that in 2023-24 these projects will generate more than £63m of EU funds to support delivery through these programmes, underpinning a number of Programme for Government priorities including all-age Apprenticeships and the Young Persons Guarantee.
- 1.11.2 In 2024-25, additional funding for the Young Persons Guarantee includes funding to offset the UK Government's shortfall of replacement EU funding and will enable programmes to continue to meet demand through to March 2025. In 2025-26, there will be a significant impact on employability and skills budgets because of this replacement EU funding shortfall and the end to the additional YPG funding, with investment in employability activities reducing from circa £80m in 2022-23 to an expected level around £34m by 2025-26.
- 1.11.3 We are also leading on the EU funded Communities for Work and Parents, Childcare and Employment programmes, with some £80m of EU funding approved through to 2023. Delivery of both these programmes will end on 31 March 2023. Additional funding from the Young Person's Guarantee will continue to support the programme.
- 1.11.4 Business support and innovation activity has historically been European funded therefore the end of the structural funding has had an impact on the ability of Business and Regions to deliver a level similar to what was delivered historically.
- 1.11.5 While funding has been secured to deliver the Business Wales service until March 2025 it is at a real terms decreased value to what the service had historically to deliver, with

also the additional need to pay for programme funded staff as these would have previously been funded via the structural funds.

1.11.6 There will be no ability to do over and above the core offer of delivery. As a result, any new priorities or new service provision will have to have an identified budget and resource to deliver or some of the current provision will have to be stopped.

1.11.7 Innovation support has been impacted further, however there remains an opportunity to attract or ensure UKG funding is levered towards Wales. This is also true with opportunities arising with the Shared Prosperity Funding from UKG to Local Authority however, it's important to note that the Welsh Government will have no say in the process but officials will continue to liaise and work closely with stakeholders to ensure alignment and added value to Welsh Government level support.

## **1.12 Implementation of legislation**

1.12.1 There is no current legislation requiring provision in the draft budget plans.

1.12.2 Work is progressing on Statutory licensing for all visitor accommodation in Wales with a consultation planned to commence on 16th December. A number of engagement sessions have been held with stakeholders inside and outside of WG to inform the consultation. Feedback on the introduction of a licensing scheme have been supportive to date especially in relation to the level playing field, better intelligence, and increased consumer confidence. I made an oral statement on Statutory licensing scheme for all visitor accommodation in Wales to the Senedd on 15th November. Activity will be delivered within the budget allocation for tourism.

## **1.13 Wellbeing of Future Generations (Wales) Act 2015 and Preventative spending**

1.13.1 During the 2022-23 Budget process and Welsh Spending Review to 2025, a collaborative approach was taken to align funding with delivery of the Programme for Government, underpinned by the Welsh Government's wellbeing objectives. This year's Draft Budget process encompasses some key choices, whilst seeking to balance short and long term outcomes. Short-term acute pressures linked to the cost of living, Ukraine and wider inflationary pressures need to be balanced against the longer term sustainability of public services.

1.13.2 Through our reformed Budget Improvement Impact Advisory Group (BIIAG) we continue to engage with key stakeholders on improving budget and tax processes aligned to delivery of the Budget Improvement Plan (BIP).

1.13.3 We also continue to engage with international experts and other nations to draw on best practice in areas of wider budget process improvement.

1.13.4 An update of delivery of the Budget Improvement Plan has been published alongside the Draft Budget on 13 December 2022.

1.13.5 The Economic Action Plan and the Employability Plan were 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 for the long term 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. Being engaged in gainful and rewarding employment is a key factor in maintaining physical and mental well-being. The programmes supporting the plans support the 'more equal Wales' goal by embedding the theme of inclusion, equality and diversity into programme design and delivery and ensuring that under-represented groups are able to seek support from the programme and promote the equal status of the Welsh and English languages.

1.13.6 In January 2022, the Future Generations Commissioner for Wales launched a review under section 20 of the Act: [Review by the Future Generations' Commissioner into how the machinery of Welsh Government is carrying out sustainable development and safeguard the ability of future generations to meet their needs](#) The Commissioner is exploring how the Welsh Government is ensuring their processes, working culture and public sector leadership act in accordance with sustainable development principles. The review will focus mainly on three steps contained in the Programme for Government relating to apprenticeships as the main case study. The Commissioner is due to publish findings toward the end of 2022.

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

1.14.1 As part of the Draft Budget, we have taken an integrated approach to impact assessments, as well as considering the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act, which continues to be an important driver guiding our Budget considerations.

1.14.2 Our Budget sets out the impacts of our spending decisions, including highlighting spending decisions that directly impact on our stakeholders. This is complemented by the Strategic Integrated Impact Assessment (SIIA), outlining the contextual evidence that has supported our spending decisions.

#### **1.15 Impact on Deprivation and Poverty**

1.15.1 There is a clear relationship between economic growth, jobs and tackling poverty. Secure, well-paid, and sustainable employment offers both a route out of poverty and protection against it, not just for the individual, but also for their dependents and indeed their wider community. Employability programmes aim to support people into high quality sustained jobs.

1.15.2 The draft budget plan includes net resource budget of £248.266m in 2023-24 and £263.267m in 2024-25 to support our investment in our employability and skills programmes. Jobs Growth Wales+ specifically provides 16–18-year-olds with tailored support to ensure they get the help they need to find employment or training. JGW+ serves some of the most disadvantaged young people in our society, with a specific focus on providing provision for those young people with protected characteristics. The primary focus of the JGW+ Programme is to reduce the number of young people who are NEET and improve their life chances. We are determined that no young person should be left behind and the issues contractors are facing means that flexibility in funding is necessary in order to allow them to provide the services for ALL eligible young people.

- 1.15.3 The net resource budget of £23.075m in 2023-24 and £18.034m in 2024-25 for CfW+ is Welsh Government's primary means of providing employability support to those of all ages who are most disadvantaged in the labour market, including young people, older workers, women, disabled individuals and those with long-term health conditions, Black, Asian or minority ethnic individuals, those with care responsibilities and those with low skills.
- 1.15.4 Combined we have committed £12m to our six public bodies and local independent culture, heritage and sport sectors to help address cost of living pressures. The uplift in pay for staff at our ALBs (£3.77m in 23/24 and £5.6m in 24/25), including many of the lowest paid via our commitments to pay parity across the public sector, will support our commitments to reduce poverty, as well the £1.13m to support with utilities inflation. We have also committed over £1.5m to help alleviate cost of living pressures in our local independent culture, heritage and sport sectors, and as part of the Cooperation Agreement, we have agreed by 24/25 to double our investment in Fusion, our programme to help address poverty by cultural access, participation and inclusion.

## **1.16 Changes to the demographic – Ageing population**

- 1.16.1 Population figures from the census published on the 2 November 2022 estimated there are now more people aged 65 or over living in Wales (662,000) than children aged 0 to 15 (548,000). The Welsh Government is alert to the changing demographic of people in Wales as outlined in our "Economic resilience and reconstruction mission which was launched earlier this year. The Welsh government continues to work to better understand the challenges these shifts in our populations demography and to consider how to mitigate and adapt our measures so we can provide a suitable budgetary response.
- 1.16.2 People aged 65 or over are estimated to account for just over a fifth (21.3%) of the total population in Wales in census 2021. The Welsh Government is looking at where it will need to harness opportunities such as the skills and abilities of our workforce, an invigorated entrepreneurial culture, a renewed focus and appreciation of the environment, key workers, volunteers and public services, an appetite for lifelong and online learning, and how digital technology has connected us and enabled us to operate as a society.
- 1.16.3 Our employability programmes are responsive to the key trend of an ageing population and therefore an ageing workforce, we recognise the importance of work for young people, not just the financial rewards, but the sense of purpose and pride that comes from having a job. Employers also benefits from a newer and more dynamic workforce. Our investment in the Young Person's Guarantee programme is therefore crucial and having increased our focus on employment, we have seen over 20,000 interventions delivered via our employability services alone, with over 11,000 young people starting on our employability programmes.
- 1.16.4 CfW+ has no upper age limit for the support it can offer, and older workers (aged 50 plus) are one of the cohorts targeted by the programme. The apprenticeship programme is also all age.
- 1.16.5 Careers Wales/Working Wales services aim to help all customers, at whatever stage of their lives, to fulfil their potential. For adults, they seek to deliver their services in the heart of their communities and offer all their customers services in the channel that best meets their needs.

## 1.17 Preventative spending and Value for Money

1.17.1 These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established processes in place to ensure that resources are used effectively for the purposes intended.

1.17.2 The assessment and value for money is referenced further down in the specific questions.

## 1.18 Information on how policy is delivered, performance monitoring and if they were value for money.

1.18.1 We continue to closely monitor the funding and support requirements of our policies through our Evaluation and Monitoring approach. In December 2021 the first [National indicators and national milestones for Wales](#) were published demonstrating how we are achieving our well-being goals. The Employability and Skills Plan highlights the specific milestones we will measure our success against:

- 75% of working age adults in Wales will be qualified to Level 3 or higher by 2050,
- the percentage of working age adults with no qualifications will be 5% or below in every local authority in Wales by 2050,
- at least 90% of 16 to 24 year olds will be in education, employment, or training by 2050,
- eradicate the gap between the employment rate in Wales and the UK by 2050, with a focus on fair work and raising labour market participation of under-represented groups and
- an elimination of the pay gap for gender, disability and ethnicity by 2050.

1.18.2 The Entrepreneurship and Business Wales service undertake a study on the impact of service delivery, the latest (2021 – undertaken every three years) impact assessment noted the following:

### 1.18.3 **Core & Growth (Level 1-4)**

- Total programme spend estimated to be **£37.1m** as at end of May 2021.
- **8,396** enterprises received non-financial support, **4,610** new enterprises supported, and **12,280** individuals receiving support.
- Generated **£92m** of business investment connected to projected turnover of **£7.76bn**
- Additional employment created/activity could be associated with an estimated **£380m GVA** per annum.
- For Each **£1** invested, this can be linked to around **£10** of net GVA uplift per annum.
- Estimated that **7,234** of the **14,471** jobs created, i.e. around a half of the employment outcomes might have occurred in the absence of the Business Wales intervention. The net (additional) jobs are estimated to be connected with around **£380m of GVA**.
- The cost per job created is estimated to be **£2,564**. Once allowance is made for additionality, the cost per net job created is **£5,129**.
- In total the activity under the Business Wales Core and Growth programmes could be connected with as much as **£646m of GVA**.
- The four year survivability rate is **67%** compared to **33%** for a matched sample of non-assisted businesses

#### 1.18.4 AGP (Level 5)

- Overall budget for AGP was **£26.9m** with around 85% of funds committed at end June 2021.
- Since 2015-16, AGP supported around **£377m** of investment in enterprise, **9,755 jobs**, and **£266m** of exports.
- Total gross **9,755** jobs created translates to around **5,332** net jobs i.e. around 45% of the employment outcomes might have occurred in the absence of the Business Wales AGP intervention. These net jobs are estimated to be connected with around **£410m of GVA**.
- Cost per gross job created estimated to be **£2,329**. Once allowance is made for additionality it is estimated that the net cost per job created is **£4,261**.
- Additional employment created/activity estimated **£410m GVA** per annum.
- For each **£1** invested in AGP, this can be linked to around **£18** of net GVA uplift per annum.
- **£377m** of business investment connected to projected turnover of **£5.99bn**.
- The four year survivability rate for AGP assisted businesses is **77%** compared to **33%** for a matched sample of non-assisted businesses

1.18.5 Within Culture, Sport and Tourism, key priorities for each arm's length bodies are set out in their remit letters, which they use as a basis for their operational plans and key performance indicators. The Deputy Minister for Arts Sports and Chief Whip meets at least biannually with all bodies, and officials formally monitor progress against these plans at quarterly monitoring meetings and more regularly through close working relationships with the senior executive teams at the arm's length bodies. At the invitation of the bodies, officials also attend Board meetings, allowing Welsh Government to maintain a good overview of potential issues. Monthly grant in aid claims are also scrutinised to ensure that progress is being achieved against specified lines of expenditure.

1.18.6 The Culture, Heritage and Sport commitments in the [Anti-Racist Wales Action Plan](#), and associated specific Programme for Government commitments aim to make a measurable difference to the lives of Black, Asian and Minority Ethnic people by tackling systematic and institutional racism. To achieve this, we have committed capital and revenue funding of a total of just over £5 million over 21/22-24/25 to support our national, local, regional and grassroots cultural, heritage and sport organisations which includes a contribution from the corporation agreement budget to support this work.

1.18.7 Cadw has its own internal agency board with non-executive members. It meets quarterly and part of its role is to scrutinise Cadw's performance against its business plan and financial reporting.

1.18.8 Each major project has governance related to the specific project. Major capital investments are supported by business cases which are scrutinised to ensure they are robust by the Welsh Government Treasury team and officials. Smaller capital and revenue grants and contracts are awarded based on either an open application process or a direct commission, and monitored by officials throughout the project life cycle, with agreed deliverables and check in points.

1.18.9 Major projects and activity are monitored using the Business Information Report Tool (BIRT). An Evidence Plan presents the research, evaluation and data collection projects that the Culture Division is either undertaking or committed to. It is updated yearly,

based on discussions with staff and wider stakeholders, to ensure activity is supporting key divisional priorities and Programme for Government commitments.

1.18.10 Specific metrics are used to evaluate support programmes, as set out in the Export Action Plan. Success is measured where financial support or a funded programme has been provided through, for example, a trade mission or supporting a visit to market, and includes the resulting new export business won as a result. Funded Investment activity such as events / seminars also require post evaluation forms to be completed on outputs delivered.

### **1.19 Equality, sustainability and Welsh language – Impact assessments**

1.19.1 An integrated approach to impact assessments enables us to better understand the impact of spending decisions, seeking to better understand the intersectional and unintended impacts of spending to maximise the impact of available funding.

1.19.2 Conversely the consideration of an area of impact in isolation risks unintended impacts consequences such as the negative impact in one area driven by a positive impact effect in another. A better understanding of the integration of different areas can enable targeting funding which can maximise the impact of an investment; alongside not maximising the impact of investment through targeting funding where it can have the greatest impact through a better understanding of the intersection or integration of different areas.

1.19.3 We have worked with the Budget Improvement Impact Advisory Group (BIAG) to explore how we undertake our Strategic Integrated Impact Assessment (SIIA). A sub-group was established, and a shared plan of work is being developed with some changes being implemented in time for publication of the SIIA in December 2022. We remain committed to continually reviewing our approach to assessing impacts as part of the annual Budget Improvement Plan (BIP).

1.19.4 We have over recent years taken an integrated approach to impact assessments, whilst considering the impact our policies have on protected characteristics under the Equality Act, as well as taking into account the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act which continues to be an important driver guiding our Budget considerations. We have continued to embed the WFG Act's five ways of working in our approach and the processes that support it. Impact assessments are integral to the planning process and are regularly reviewed, for example the [Young Person's Guarantee: impact assessment](#).

1.19.5 A full integrated Impact Assessment has been undertaken on the evolved Entrepreneurship and Business Wales service from April 2023 onwards has been published on the Welsh Government website which can be found at: [Business Wales future provision: impact assessment \[HTML\] | GOV.WALES](#)

1.19.6 During the developing of the Anti-racist Wales Action Plan a [full integrated Impact Assessment](#) was carried out. As part of the delivery of our culture, heritage and sport goals and actions and PfG commitment we will undertake monitoring and evaluation. This will ensure that we are able to define success and measure performance. Additionally, proportionate assessments of impact will be undertaken throughout the design and delivery of policies and programmes.

## **b) Specific areas**

2.1.1 This section provides an update on specific areas requested by the Committee.

### **2.2 Economy**

#### ***Support to help business and workers as a result of the increased cost of living***

2.2.1 Business Wales provides a range of general business advice, information and signposting as well as specialist strands of advice such as contingency planning and resource efficiency to support businesses in addition to broadband exploitation and access to the Skills Gateway and Farming Connect.

2.2.2 Direct support is available for businesses facing uncertainties due to a possible recession / the cost-of-living crisis through a combination of online, telephone, 1-2-many and 1-2-1 business support which is tailored according to client need and the different regions of Wales, dependant on local requirements. The service is available to support existing businesses, start-ups and individuals who are considering self-employment and can be accessed digitally via <http://businesswales.gov.wales>, social media channels and the 03000 6 03000 helpline.

2.2.3 Business Wales offers a wide range of advice and support on green policies, practices and resource efficiency as well as workshops. One-to-one advice includes energy efficiency, waste management, pollution prevention, legal issues and permits, environmental management systems and sources of funding.

2.2.4 Resource Efficiency Advisors are available to support businesses to adopt or improve environmental strategies, and work with businesses towards creating a resource efficient and resilient business. Advisors provide a range of advice such as using fewer raw materials to reduce the risk of material scarcity, driving innovation and resilience, and helping businesses reach new markets

#### ***Ongoing support to help businesses through and recover from the pandemic***

2.2.5 The Welsh Government is investing £21.9m in the Business Wales service from April 2023 until March 2025 and is committed to continuing to deliver a proactive entrepreneurship and SME business support.

2.2.6 The approach will incorporate an overarching national footprint with regionalised elements; balance support for growth and scale-up while spreading prosperity across all parts of Wales; and facilitate a deeper cross government and whole eco system working. The service will evolve and enhance the current service and embed its impact further within the Welsh economy.

2.2.7 It is recognised that Business Wales cannot deliver on all local business support provision required by entrepreneurs, micro and SMEs across Wales. The service is designed to build on its strength as a nationally delivered service and work in partnership to complement local delivery and wider funding opportunities available to the third and public sector in Wales.

2.2.8 Building on the success of Business Wales the proposed delivery model from 2023 will be underpinned by three key aims:



- a) To build confidence and inspire individuals, entrepreneurs, micro-businesses and SME businesses to reach their full potential. To work with key stakeholders to enable them to contribute to developing a cohesive ecosystem that is visible, simple and connected to ensure Wales is a great place to start and grow a business in the foundation and growth economies.
- b) To address a key gap by creating the conditions for businesses to start, sustain and grow through to medium sized businesses in inclusive and sustainable ways.
- c) To support the productivity, resilience, growth, decarbonisation and sustainability of micro-businesses and SMEs, securing their long-term future ownership within Wales to cement their continued contribution to the Welsh economy.

2.2.9 The service will be delivered under five key delivery areas:

- a) The Business Wales digital platform and helpline will provide a fully bilingual, accessible point of contact for all entrepreneurs and established businesses; offering a full range of information, guidance and support by providing a digital first response that will create efficiencies and effective referral to the Business Wales services.
- b) Developing a culture of entrepreneurship and business start-up in Wales. Inspire and develop the business capability of entrepreneurs focussing on three main groups, which are young people under 25 years, adults who are considering becoming self-employed or starting their own business, with targeted outreach for individuals underrepresented in business start-up and society.
- c) Building the confidence and resilience of the business community in Wales and to help them create opportunities for employment, improve practices and productivity to stimulate sustainable and inclusive growth, through dedicated advisory and support provision.
- d) Building on the current Accelerated Growth Programme to provide tailored support for selected start-ups and existing businesses with the aspiration and the potential to achieve their high growth ambitions.
- e) The Welsh Government is also investing in the social enterprise sector to provide specialist business advice to support the 'Transforming Wales through Social Enterprise' vision to put social enterprises at the heart of a fairer, more sustainable, more prosperous Wales.

2.2.10 The overall service will be a combination of openly procured and in house delivery starting from 2023. The prior information notice was issued in May 2022 and the specification was published on Sell2Wales in November 2022.

### ***Allocations in relation to the Freeport Programme in Wales***

2.2.11 UK Ministers have agreed to provide up to £26 million of non-repayable starter funding (split £1m revenue and £25m capital) for the successful site, which represents parity with the deals offered to each of the English and Scottish Freeports. This is currently not captured as part of the Draft Budget 2023-24 plans as the transfer will take place as part of the in year supplementary budget process.

2.2.12 Businesses located in Wales's future Freeport will also benefit from simplified customs procedures, relief on customs duties, tax relief such as Non-Domestic Rates relief, and development flexibility.

***Allocations in relation to the potential creation of 'investment zones' in Wales***

2.2.13 We are in preliminary discussions with the UK Government to understand the Investment Zone proposals, offer and potential implications for Wales in more detail. Any initiative that comes forward for Wales would need to align with our policies on fair work and the environment and generate additional investment

***Allocations to support the regional approach to economic development (including those made to develop and deliver the regional economic frameworks, Tech Valleys, and the Arfor programme)***

**Regional Economic Frameworks (REF's)**

2.2.14 In December, we published the regional economic frameworks. These are integral to our commitment to a place-based model of economic development where we build on and work with the distinctive strengths of our regions. The frameworks have been shaped with partners in each of the regions, including local authorities and regional bodies. They are based on evidence and agreement, with clear priorities that are aligned with our framework for regional investment, the economic mission and, of course, the programme for government. This mature approach is essential to the creation of a shared vision with common objectives to deliver a fairer, greener and more prosperous Wales. There is no specific budget allocated to the REFs but delivery of the priorities identified in each will be delivered through utilising other existing budgets, including regional, Economic Futures Fund, property, and other public and private sources too.

**Tech Valleys**

2.2.15 Our investment for the Tech valleys programme has a three-year budget allocation of 2022-23: £2.25 million, 2023-24: £2.025 million and 2023/24: £2.025 million.

2.2.16 2022/23: £5 million, 2023-24: £5 million and 2023-24 £ 5 million. There is also a revenue allocation of 2022-23: £2.25 million, 2023-24: £2.025 million and 2023/24: £2.025 million. The funding for the first two years is fully committed to a range of projects both delivered and underway. The rev is fully committee primarily to the National Digital Exploitation Centre (NDEC) a partnership with Thales, Cardiff University and The University of South Wales. The Capital element (2022/23: £5 million, 2023-24: £5 million and 2023-24 £ 5 million) has been used to bring back 270,000 sq. ft. of new and refurbished commercial, start-up and industrial floor-space. There has also been a substantial focus on aligning the education and career pathways for learners to ensure they are aware of the opportunities arising from careers emanating from Industry 4.0 in the region. This strategy will ensure that local residents have the right qualifications required by local businesses. The ambition is to retain and train young people in Blaenau Gwent. This is vital for initiating a virtuous circle of developing the skills and talent of young people in the area, generating entrepreneurial endeavours and the jobs that will retain further skills within the locality.



## Arfor

- 2.2.17 We are maintaining our investment from the last budget for the Arfor programme. The budget allocated to support the programme was £3m in 2022-23 and is £4m in 2023-24 and £4m in 2024-25. The initial Arfor programme operated between 2019/20 and 2020/21. The independent evaluation report from Wavehill has shown that the Arfor programme has successfully trialled small scale business support schemes and demonstrated that they have the potential to increase the use of Welsh within the workplace, to create favourable conditions for further development of capacity and services, as well as increase the numbers of Welsh speakers within the business community.
- 2.2.18 The programme has also trialled less conventional business support interventions such as the mentoring of young people through the Llwyddo'n Lleol scheme, the Ffiws/Gofod Creu scheme which offered workspaces and free access to advanced equipment and technician support, and by supporting social businesses to develop their assets to increase their capacity and impact within their communities through the Cymunedau Mentrus scheme.
- 2.2.19 Overall, and despite delivery during a period impacted by Covid, the programme has created 238 full time equivalent (FTE) and 89 part time jobs, safeguarded a further 226 FTE jobs, supported 154 existing or start-up businesses. Whilst securing this economic impact, the direct grants have also embedded plans to develop language capacity within the businesses' plans for the coming years. Moreover, the grants have demonstrated that a focus on developing language capacity need not detract or impact negatively on the capacity for direct capital or revenue assistance to support and act as a catalyst for business development and growth.

***Allocations to supplement regional development funding (Reason: as a result of the Welsh Government's concerns around the levels of funding that Wales will receive from UK Government schemes such as the Shared Prosperity Fund and the Levelling Up Fund)***

### **Regional Development – Impact of UK Government Schemes**

- 2.2.20 Clearly, due to the reasons explained in other sections of this paper, the Welsh Government is concerned that UK Government schemes like the Shared Prosperity Fund and Levelling Up Fund are bypassing the Welsh Government and Senedd, are inadequately funded and are failing to meet Wales' needs. The UK Government has not been active in regional economic policy in Wales at this scale for more than two decades and we remain concerned that it does not have the expertise, networks, infrastructure or experience to deliver these funds in areas devolved to Wales.
- 2.2.21 A range of cross-party committees, both in the Senedd and Westminster, have also been consistently critical of the approach the UK Government has taken to Levelling-Up and post-Brexit funding – as have independent think-tanks such as the Institute of Welsh Affairs and the Institute for Government. All warn that the UK Government forcibly operating in devolved areas without partnership with the Welsh Government and respect for the devolution settlement will lead to poorer value for money and worse outcomes for Wales.
- 2.2.22 The Levelling Up Fund is not a direct replacement for EU funding, but it is operating in the space that EU funds have previously occupied. The LUF effectively replaces the

England Towns Fund. It was announced at the UK Spending Review in November 2020 as an England measure from which the Welsh Government would receive a Barnett consequential. However, in February 2021, the UK Government confirmed it would deliver the Fund on a UK-wide basis with no prior consultation or communication. The Welsh Government has had no role in its development or delivery.

2.2.23 The LUF is a competitive fund, with the first funding round launched in March 2021 and successful applicants announced in October 2021. In the first round, six local authorities in Wales (RCT, Powys, Carmarthenshire, Pembrokeshire, Ceredigion and Wrexham) secured funds for ten bids worth a total of £121m. Unsuccessful bids in Wales were worth £172m. The UK Government is still yet to announce successful bids for round two which were submitted by local authorities by 2 August 2022 (43 bids worth nearly £800m were submitted by Welsh local authorities), adding to further delays to the process and unrealistic timescales for local government to spend their allocations. The capital focused LUF is also of real concern as already the bid profiles submitted are being impacted by inflationary costs.

2.2.24 We also have concerns about the funding allocated to industrial decarbonisation schemes, such as the Industrial Energy Transformation Fund (IETF), Cluster Sequencing and the Hydrogen Fund, is not adequate in scope or scale to enable decarbonisation projects across England, Wales and Northern Ireland in the short to medium term. Whilst Welsh based businesses have successfully applied for support via IETF there has been limited opportunity for success within other funding streams. Welsh Government is in active discussion regarding appropriate business models to enable the decarbonisation of Welsh industry.

2.2.25 The South Wales Industrial Cluster members are investing over £24m which has in turn leveraged over £26m of UK Government funding to Wales since 2019, including £21 million of Industrial Decarbonisation Challenge funding to deliver a Phase 2 Route Map plus a variety of deployment projects across South Wales. Additionally, over £2m of Industrial Decarbonisation Research & Innovation funding has been allocated to Welsh universities dedicated to activity within industrial clusters.

2.2.26 The HyNet project, which covers both north-west England and north east Wales has been shortlisted to receive Track 1 funding via the Cluster Sequencing programme. It remains to be seen at this stage whether any Welsh based activity will be funded via this process.

### ***The financial allocations associated with the foundational economy enabling plan and the Backing Local Firms Fund***

2.2.27 The pandemic, coupled with the UK leaving the EU, has highlighted the importance of the Foundational Economy and the need to safeguard it and create strong resilient Welsh supply chains, whilst also ensuring its workers are fairly employed and rewarded. We are maintaining our investment in Foundational Economy in this budget which currently stands at £3m per annum.

2.2.28 To support this, the 'Backing Local Firms' Fund is now running for a second year to help Welsh SMEs overcome barriers they may be facing when doing business with the public sector, with a focus on the four strategic FE priorities of decarbonisation (covering homes and buses); social care; food and public procurement. This year through the Backing Local Firms Fund, we are taking proactive steps on decarbonisation and supporting two crucial FE sectors - social care and food.

2.2.29 Following engagement with Social Care colleagues, we are running a grant scheme for supporting residential care providers to implement energy efficiency and low carbon measures, helping mitigate the impacts of the cost of energy crisis. The scheme will also provide valuable learning for the plan for the sector to work towards net zero carbon emissions by 2030.

**The Development Bank for Wales – *including support for employee owned businesses***

2.2.30 The Development Bank of Wales, through the £500m Wales Flexible Investment Fund can offer a potential debt-based funding route for employee buyouts. Management buy-outs can be supported through the Wales Management Succession Fund.

2.2.31 As of September 2022 the Wales Management Succession Fund has invested over £13.6m in 16 companies. As of July 2022 Wales currently has 40 fully operational employee owned businesses. It is our PfG commitment to increase this to 60 during the current government term.

2.2.32 The contribution made by EU funding has, and continues to be, significant. But the Development Bank is no longer reliant on EU funding or successor UK based funds to sustain investment with Welsh businesses.

2.2.33 DBW are currently preparing for the launch of a new offer supporting business decarbonisation and helping businesses reduce their energy costs. Budget for this is additional to funds already under management by DBW. Modelling and planning work is ongoing. £10m capital has been set aside in the budget for next year (over and above existing funds) which can support this and other DBW pilots under development. The Development Bank will communicate on the detail of the scheme and this they will do in due course.

2.2.34 DBW is already capitalised to support delivery of our commitments to both increase the use of equity stakes in business support and provide patient capita (which we define as lending over 6 years) to businesses. The ambition is to see equity investment grow to £100m over the next five years.

2.2.35 The capitalisation of the funds held by the Development Bank over the last five years, has been critical to ensuring continued stability and liquidity in times of market volatility.

2.2.36 Development Bank of Wales investment has grown steadily since launch in 2017, increasing from £68m in 2017/18 to nearly £110m in 2021/22. This is against a backdrop of falling business investment levels - in Q1 of 2022, these were 9% below pre-pandemic levels (source – Economic Intelligence Wales Annual Report, Sept 2022)

2.2.37 The new funds supporting businesses that are coming into Wales are welcomed. This includes the new British Business Bank Wales Fund which we understand is expected to begin delivery sometime next year. We do not expect new funds to displace Development Bank of Wales funding already in place as there is scope for all funds to be deployed – particularly given the prevailing economic context where mainstream lenders will be more risk averse.

- 2.2.38 In 2021/22 the Development Bank saw particular growth in North Wales with businesses in the region receiving £30.1m from the overall value of deals compared to £25m in the previous year. South-East Wales had £47m and Mid and West Wales reported £32.1m.
- 2.2.39 FW Capital, a subsidiary of DBW which manages some fund for the British Business Bank in England, fully covers any costs incurred by the DBW group in relation to its operation and some operating profits have been distributed back to the Welsh operation. While the work of FW Capital managing funds delivered in England brings benefits to DBW, the balance of this activity relative to the scale of activity in Wales needs to be kept in balance – DBW exists to support business development in Wales predominantly.

### ***Financial allocation to Business Wales***

- 2.2.40 The Welsh Government is investing £21.9m in the Business Wales service from April 2023 until March 2025 and is committed to continuing to deliver a proactive entrepreneurship and SME business support.
- 2.2.41 The approach will incorporate an overarching national footprint with regionalised elements; balance support for growth and scale-up while spreading prosperity across all parts of Wales; and facilitate a deeper cross government and whole eco system working. The service will evolve and enhance the current service and embed its impact further within the Welsh economy.
- 2.2.42 It is recognised that Business Wales cannot deliver on all local business support provision required by entrepreneurs, micro and SMEs across Wales. The service is designed to build on its strength as a nationally delivered service and work in partnership to complement local delivery and wider funding opportunities available to the third and public sector in Wales.
- 2.2.43 The overall service will be a combination of openly procured and in house delivery starting from 2023. The prior information notice was issued in May 2022 and the specification was published on Sell2Wales in November 2022.

### ***The financial allocations to deliver the Programme for Government commitment to 'seek to double the number of employee-owned businesses'***

- 2.2.44 The Welsh Government has made a commitment in our Programme for Government in Wales to double the number of employee-owned businesses by 2026. To achieve that, we are committed to providing greater support to ensure Wales-based companies remain in Welsh hands
- 2.2.45 There are currently 44 in Wales. On average, two to three employee buy-out deals take place here in Wales each year but the scale of the employee-owned sector has grown in the past few years with the potential for many more.
- 2.2.46 Working with Cwmpas the Welsh Government has approved additional funding to promote the benefits and development of employee ownership in Wales to ensure business based in Wales are aware of the opportunities and benefits it offers.
- 2.2.47 The Welsh Government's Business Wales and Social Business Wales (£1.7m allocated to social enterprise out of the £21.9m overarching budget) service offers specialist advice to support employee buy outs, with fully funded and bespoke help available to

help business owners decide if employee ownership and share schemes are the right solution for their business.

2.2.48 The Wales Flexible Investment Fund operated by DBW offers a potential debt-based funding route for employee buyouts. Management buy-outs can be supported through the Wales Management Succession Fund £25m provides ambitious managers and management teams with the funding they need to buy established Welsh SMEs when their current owners retire or sell up.

### ***The Community Bank/support for Banc Cambria***

2.2.49 A budget of £0.05m has been allocated in 2023-24 to support costs associated with Community Bank developments. This is covering activity such as specialist advice, support to Cambria Cydfuddiannol Ltd (who established the vision for a community bank in Wales and have subsequently been working with the Monmouthshire Building Society as they develop their plans), and will be used to meet the costs of legal and financial due diligence work on the investment proposition we expect to be brought forward.

2.2.50 To date no direct funding or grant has been provided to the Monmouthshire Building Society who are supporting development of their plans as a commercial proposition.

2.2.51 I remain committed to the creation of a Community Bank in Wales and the emergence of a mutually based and inclusive financial model that serves the people of Wales.

2.2.52 The Welsh Government is engaged with the Monmouthshire Building Society who are now developing their plans for a community bank in Wales.

2.2.53 While we are keen to see tangible progress toward delivery of a Community Bank in Wales, the Welsh Government is respectful of the fact that this is a commercial proposition being developed and led by the Monmouthshire Building Society.

2.2.54 Welsh Government is expecting the Monmouthshire Building Society to bring forward an investment proposition to support delivery of a Community Bank for Wales. Once received we will consider alignment with our ambitions for a Community Bank and the wider value proposition.

2.2.55 Capital for any future investment in support of Community Bank is within the Social Justice MEG of the Minister for Social Justice.

### ***Support for key manufacturing sectors such as aerospace, automotive and steel***

2.2.56 The Aerospace and Defence (A&D) industry in Wales is a cornerstone of UK A&D capability with more than 20,000 people employed in the sector, demonstrating the bounce back and resilience of the sector post pandemic. There is a significant presence of 5 of the top 10 Aerospace & Defence companies globally in Wales; Raytheon, GE, Airbus, General Dynamics and Safran all have large footprints, with Airbus and General Dynamics each having two sizeable operations in Wales.

2.2.57 There are approximately 200 companies in Wales serving the A&D sector in both design and manufacturing of structures and interiors, systems, MRO (Maintenance, Repair & Overhaul), RPAS (Remotely Piloted Air Systems) / Drones, and producing auxiliary equipment, with strategic Aerospace Enterprise Zones in North, Mid and South Wales.

- 2.2.58 Despite the downtime in aviation due to Covid, which with other sectors such as tourism and hospitality took a massive hit, aerospace is recovering at pace. IATA (the International Air Transport Association), produced statistics in September 2022 which included the post Covid recovery is continuing, with RPKs (Revenue Passenger Kilometres) reaching 73.8% of pre-pandemic levels.
- 2.2.59 ATI reported in November 2022 that the aerospace sector is becoming familiar with disruption. The subsequent rebound and recovery from the pandemic is forecast in terms of global revenue from product deliveries growing from £42bn in 2021 to £61bn in 2022, demonstrating the sector's resilience and agility. While grappling with these challenges, aerospace companies have also been preparing for the sector's most significant transformation since the jet age. This transformation is driven by the need to achieve Net Zero in aviation by 2050.
- 2.2.60 The growth opportunity associated with this transformation will be unprecedented. The ATI estimates that the global market for aircraft deliveries in 2050 will be £220 billion per annum, with zero-carbon aircraft representing a 41% share. To achieve this share, it is expected the value of zero-carbon aircraft deliveries to grow at 34% CAGR through the 2040s.'
- 2.2.61 Other sector predictions include 3.5% annual growth for the next 20 years which equates to the number of people flying doubling in that period. The recovery rate for single aisle aircraft is recovering more quickly but recent reports (summer 2022) suggest that the lag between long haul and short haul recovery is not as wide as first anticipated.
- 2.2.62 WG will continue to support Aerospace Wales in its work to promote the sector. We will also continue to promote the Welsh aerospace sector to potential funding bodies in UK Government and lobby hard for continued support for the sector, in particular for R&DI activity to assist in the transition to Net Zero. We have also supported the development of a maintenance repair and overhaul cluster to work collaboratively to win further overseas contracts.
- 2.2.63 Space is a small but growing sector in the UK and in Wales. We have a number of world-class players including Airbus, Raytheon and Space Forge, who we will continue to support and promote. Key industrial figures in Wales chair the Welsh Space Leadership Council which is in place to help coordinate activity and benefit from the UK wide space strategy whilst developing our own space strategy focusing on particular strengths.
- 2.2.64 We are progressing with plans to deliver an Advanced Technology Research Centre adjacent to DECA at MOD Sealand, North Wales. It will create a technology and innovation cluster with government(s), industry and academia aligned to cutting-edge emerging technologies in what will become the first of its kind defence-focussed centre of excellence in the UK. Such technologies, developed for defence or military purposes invariably have wider civilian applications and generate long-term commercial and employment opportunities. We are currently estimating planning submissions to be made in the summer of 2023 with the facility being operational in spring 2025. We welcome the up to £10m commitment that the Chancellor announced in the Autumn Statement to support the development of the ATRC. Officials are working with the UK Government to understand the timescales, funding type and any associated terms and conditions of this offer. MOD is the lead Government Department and is discussion with the UK Treasury on the funding commitment.

## **Automotive**

- 2.2.65 Brexit, Covid, the global semi-conductor shortage and the war in Ukraine have all created significant short-medium term pressures for the Welsh automotive industry. The sector has shrunk considerably in the last 4 yrs, after the closure of the Ford engine plant in Bridgend and the Honda plant in Swindon. Currently the sector in Wales comprises of around 150 companies, who mainly manufacture components, employing around 11,000 people. Specifically, we have 2 niche vehicle manufacturers, AML and Riversimple, 35 tier one systems and component manufacturers with the remaining being SMEs who are mostly within the JLR, Toyota and Nissan supply chains.
- 2.2.66 Overall the UK automotive sector is at the forefront of the move away from the internal combustion engine although this transition is not without its technological and infrastructure challenges. New car registrations in the UK totalled c142k units in November up 23.5% year on year. Battery electric vehicles sales also rose 35.2% in November to c29k units. WG continues to back the Welsh Automotive Forum (WAF) in supporting its members migrate to new electrified supply chain opportunities. WAF is currently undertaking a Net Zero mapping exercise to raise awareness of these opportunities and promulgates market intelligence on a monthly basis to its members.
- 2.2.67 WG continues to engage with the UK Government to ensure Wales has access to the relevant funds, including those handled by the Advanced Propulsion Centre (APC) and the Driving the Electric Revolution fund. Examples include Meritor, an automotive engineering company in Cwmbran, who were awarded £31.9m by the APC for a collaborative project to design and develop an electric powertrain system for heavy-duty electric trucks and buses. DG Innovate Ltd (formerly Derogallera Holdings Ltd), in Caerphilly also received significant funding.
- 2.2.68 In this context WG will continue to provide a positive and supportive platform to the Welsh automotive industry. Recent response to companies' physical presence at the low carbon vehicle show 22, at which I was a lead speaker, indicates strong demand for Welsh manufacturing expertise. If the sector can fully embrace the digital and technological change necessary and with continued support from WG it has a strong future.

## **Steel**

- 2.2.69 Decarbonisation of the steel industry is a priority for the sector. Managing the continuing disparity between UK industrial energy prices and European competitors is critical if we are to enable our energy intensive industries such as steel to invest in decarbonisation technologies.
- 2.2.70 The potential impact of decarbonisation policies on industrial competitiveness requires a balanced system of support across the UK and this must take into account the unique geographical challenges of the industrial regions of Wales. Our pathway to a net zero Wales is challenging, but it will offer opportunities for sustainable growth and more resilient businesses.
- 2.2.71 The UK Government has a particular role to play in this as they hold many of the powers to act in key areas relating to decarbonising the UK steel sector including Carbon Capture, Utilisation and Storage and or Shipping, Hydrogen, and Fuel Switching.

- 2.2.72 In addition to key powers the UK Government also has the resources that are needed to help transform the steel sector as well as other energy intensive industries.
- 2.2.73 To ensure Wales benefits from the support available, we continue to work with the UK Government to maximise the opportunities arising for Welsh industry and business from UK initiatives including the Industrial Energy Transformation Fund, Celsa Steel are one of the Welsh based companies who were successful in receiving £3m of support through IETF.
- 2.2.74 Welsh businesses contribute disproportionately to the revenues generated by the UK Emissions Trading Scheme. We would like more clarity on how revenues from the ETS and other measures are being used to fund energy efficiency and technologies that will enable business to transform to a lower carbon future. Lack of transparency makes it hard for us to defend measures to those who view them as punitive taxes.
- 2.2.75 In terms of support to Tata I continue to meet regularly with Tata Steel at a senior level to understand its latest thinking and look forward to dialogue with Grant Shapps, BEIS SoS to gain clarity on his position regarding support to the company.
- 2.2.76 We continue to imbed best practice in public procurement of steel wherever possible. Our Welsh Procurement Policy Note 'Sourcing steel in major construction and infrastructure projects in Wales' has been strengthened to further align with the UK Steel Charter, by encouraging projects in Wales to source and benefit from high quality British steel wherever possible.

***The allocations to deliver Welcome to Wales: priorities for the visitor economy 2020-25;***

- 2.2.77 In the Welsh Government's tourism strategy, Welcome to Wales: Priorities for the visitor economy 2020-25, the ambition is to grow tourism for the good of Wales, e.g. economic growth that delivers benefits to the people and places of Wales, environmental sustainability and social and cultural wellbeing.
- 2.2.78 We emphasise the importance of addressing spread of benefits, encouraging increased spend in our economy and tackling seasonality by promoting Wales as a nation you can visit all year round.
- 2.2.79 £10.630m in 2034-24 and 2024-25 has been invested to support delivery of this priority.

***Retail strategy***

- 2.2.80 The cost-of-living crisis is impacting on consumer habits with potentially serious implications for the retail sector. There will be an inevitable impact on those retailers who trade in discretionary goods and services given that consumer expenditure on discretionary items is likely to be the first sacrifice in any squeeze on personal finances.
- 2.2.81 Similarly, there will be expectations and pressures on those retailers who trade in essential goods and services, given the impact that rising prices will have on household incomes.
- 2.2.82 In terms of energy costs, the cost increases for businesses are just as eye-watering and just as consequential as those for consumers. For some retailers a cash increase in their energy bills of £20,000 would require an increase in sales of nearly £100,000 to pay that



bill. Rising product and wage costs compound these pressures. I am acutely aware there are no quick fixes, easy solutions or infinite budgets. What we do have however is a willingness to work in social partnership with Welsh Government, employers, business representative bodies and trade unions working together to understand where we are now, where we want to get to and how we can get there.

2.2.83 Last year, with the support of the Deputy Minister for Social Partnership we established the Retail Forum to begin this conversation. We published a [Position Statement](#) in March and a Shared Strategic Vision for Retail will be presented to the Committee at the end of the month (May) - setting out our actions to date alongside our future ambitions.

2.2.84 It is my intention to then, over the coming months to develop a delivery plan, taking into account any recommendations by the Committee following its own inquiry into the Retail (and Hospitality and Tourism).

***Allocations to support businesses and workers in the transition to Net Zero, such as those to support the creation of sustainable green jobs, and those that ensure that workers will have the necessary skills to do these***

2.2.85 Net Zero Wales is the next phase of our journey and the first with net zero as our target, working towards a greener, stronger, fairer Wales. Our approach will sustain existing jobs, create employment opportunities and help ensure our industries remain internationally competitive. However, the challenges faced in coming decades cannot be under-estimated, and we must all work together to realise the opportunities available.

2.2.86 Our vision is a well-being economy which drives prosperity, is environmentally sound, and helps everyone realise their potential. Delivering a just transition to a low carbon future is critical for Wales. I am working closely with the Minister for Climate Change on how we can refresh Business Wales to reflect our priorities for Net Zero, how we can prioritise support for businesses who contribute the most for Wales with our Economic Contract, and how Development Bank Wales (DBW) can ensure that businesses seeking to decarbonise receive the support that they need.

2.2.87 In 2022 Business Wales launched a Green Ambition campaign to help businesses to improve their knowledge and understanding of resource efficiency. The campaign encourages businesses to take action to mitigate their impact on climate change and supports the Welsh Government ambition towards net zero economy. The campaign provided new, easy to access to digital content and interactive online events including a Spotlight Speaker series.

2.2.88 The Green Growth Pledge is part of the specialist sustainability support available through Business Wales and is open to all Welsh SMEs regardless of their industry sector. It provides a practical way for businesses to demonstrate their positive impact on the people and places around them and join a growing community of forward-thinking organisations. By signing the Green Growth Pledge each business makes a commitment to one or more actions to help them reduce impact or ensure sustainable performance. Businesses also gain access to a marketing toolkit specifically designed to provide practical information, guides and logos to help promote the actions they have taken to decarbonise and become more sustainable. Since 2016, we have supported 4,403 businesses to adopt or improve environmental sustainability strategies, including the Green Growth Pledge.

- 2.2.89 A new zone is being developed for the Business Wales website to bring together existing content and tools available to support businesses to reduce their use of resources and costs. This zone will act as the focal point for any future advice and support for businesses. It is expected that the zone will be operational late autumn.
- 2.2.90 Business Wales Tendering Advisors help businesses become 'fit for tender' to improve their chances of winning public and private sector contracts, sub-contracting work on larger public-sector projects and securing places on public sector frameworks. Advice is also available on pipeline tender opportunities and how to work collaboratively to secure contracts. In addition, the advisors also help businesses understand public sector procurement, buyer needs and expectations, and how to make the most of the Sell2Wales portal, including help with registration and improving profiles.
- 2.2.91 Our Economic Contract requires businesses seeking investment from us to demonstrate all of the following as a minimum requirement:
- Growth potential (measured for example, by contribution to employment, productivity, or multiplier effects through the supply chain).
  - Fair Work (as defined by the Fair Work Board).
  - Promotion of health, including a special emphasis on mental health, skills, and learning in the workplace.
  - Progress in reducing carbon footprint.
- 2.2.92 For further information businesses should contact the Business Wales Helpline who can explore any support options available. The Business Wales Helpline is available Monday to Friday from 10am to 4pm. The team can be reached by calling 03000 6 03000 or by visiting <https://businesswales.gov.wales/contact-us>
- 2.2.93 The Welsh SMART programmes provide specialist advice and funding for businesses to develop new products and processes that result in decarbonisation. The programmes have access to a wide range of funding mechanisms for Research & Development (R&D) and process improvements, and also employ a team of manufacturing and design advisors. Any business seeking support for R&D related to decarbonisation in Wales should start by making contact with their local Innovation Specialist.
- 2.2.94 Furthermore, resources relating to [Carbon Capture Technology](#) and [Land Management Approaches for Net Zero](#) are available on the Farming Connect website.
- 2.2.95 The Business Wales website has a business finance zone offering specialised guidance and information to help people identify appropriate finance as well as a finance locator <https://businesswales.gov.wales/businessfinance/>.
- 2.2.96 We are working with industry and key stakeholders to develop an understanding on what skills and qualifications are needed for occupations as we transition to net zero. On 17 October the Minister for Education and Welsh Language and I jointly announced [£3m skills boost to the digital and green sector](#) which included £2m investment as part of the PLA programme to support individuals to upskill or re-skill in net zero skills and address skills shortage to ensure the future needs of the economy are met.
- 2.2.97 We will publish our Net Zero Skills Action Plan in the New Year. It will summarise the current net zero skills position in Wales, against the backdrop of our 8 emission sectors and sets out key actions to support businesses and learners to develop a skilled workforce to achieve a just transition to net zero.

2.2.98 Our investment of £1.5m in 23-24 for the Flexible Skills programme will also be utilised to focus on Welsh Government key skills policy areas such as Net Zero and Digital Skills where there are identified skills gaps in Wales. This enables workers to have the necessary skills for businesses to transition to Net Zero whilst creating sustainable green job and enables businesses in Wales to have access to the digital skills, they need to be able to innovate, improve and grow.

2.2.99 The Apprenticeship investment of £140m in 2023-24 will continue to support the development of Net-Zero skills to meet demand arising from government investment in infrastructure projects, regulatory requirements and the decarbonisation of housing, aligning to broader Welsh Government policies. We will continue to review the content of apprenticeship frameworks and pathways with a focus on developing and adapting those apprenticeships supporting our net zero and sustainability goals.

***Detail on budget allocations relating to the Welsh Government's policy on remote working, including any allocations for co-working hubs***

2.2.100 Budget for the remote working policy is not separately identified in the Economy budget. However because we have brought together a test network of hubs detailed in the [Press release - Remote working locations](#) at very low or no cost, we expect future expenditure to be focused on providing enabling tools, such as a digital platform for information and booking. These will be similarly low cost and focused on future commercial sustainability, therefore we expect costs to be managed as a pressure in year.

2.2.101 Our Transforming Towns programme is providing nearly £136m to help support the economic and social recovery of our town and city centres. We also have ambitious plans to help people work smart and remotely in Wales. We are trialling a series of community-based remote working hubs, encouraging people to work closer to home and driving footfall back into town centres.

**Skills & Employability**

***The total quantum of funding intended to be deployed on delivering the Young Persons Guarantee in 2023/24.***

2.2.102 In my [Statement 12 July 2022](#) I updated on the importance of the Young Persons Guarantee in ensuring a better future for our young people and the impact of funding supported across government, particularly the Education and Welsh Language MEG.

***The level of funding intended to be deployed to deliver Personal Learning Accounts in 2023-24.***

2.2.103 The Education and Welsh Language MEG will maintain PLA funding at the same levels as 2022-23, this being £17.89m. It is intended that the allocation of this funding will remain as £15m core allocation, with the remainder as targeted interventions. Of this £1m has already been identified as supporting the Net Zero pilot.

***A consolidated list of all employability programmes funded by the Skills BEL, including: The intended client base / beneficiaries of each programme; Whether they are part of a larger 'umbrella' scheme (i.e. the Youth Guarantee)***

***A list detailing the main providers for each of the programmes including their 2023-24 contract values.***

2.2.104 The employability programmes detail is included at **Annex C**.

**Work-based Learning - Apprenticeships**

***The actual 2021-22 and forecast 2022-23 outturn for the apprenticeship programme and traineeship programme***

2.2.105 The actual 2021-22 outturn for the Traineeship programme was £25.5m (inclusive of EU funds of £1.2m). The Traineeship Programme ceased at the end of 2021-22. The actual 2021-22 outturn for the Apprenticeship programme was £147.6m (including EU funds of £31.9m). The potential outturn for this programme in 2022-23 is £160m (including EU funds of £18.8m).

***Details of any transfers out of the 2023-24 Work-Based Learning Action to fund Degree Apprenticeships***

2.2.106 The 2023-24 Draft Budget plans for £9m to be transferred to HEFCW to support Degree Apprenticeships, it is anticipated that a transfer of £4m from the Economy MEG to the Education and Welsh Language (EWL) MEG will be actioned as part of the in year supplementary budget process. It is worth noting £5m has been allocated to support Degree Apprenticeships in the HEFCW BEL 4620 within the EWL portfolio.

***Details of any funding utilised in 2022-23 and forecast to be used in 2023-24 to develop new apprenticeship frameworks and review existing apprenticeship frameworks.***

2.2.107 We commission new and revised apprenticeship frameworks via contracting arrangements with Skills Development Scotland (SDS). In order to ensure the apprenticeship offer remains current and relevant to the needs of employers in Wales, £190,000 has been allocated in 2022-23 for the development of apprenticeship frameworks. This will commission a review of the Automotive, Transport & Logistics, Digital Technology, Engineering, Hair & Beauty, Retail and Travel & Tourism frameworks; and £20,000 for Welsh translation.

2.2.108 In addition, recognised Development Partners are also able to develop and review frameworks. In 2022-23, Welsh Government has agreed to the non-commissioned development and review of frameworks in the Healthcare and Construction sectors. In 2023-24 these will be progressed with additional framework reviews in the following sectors: Business & Management, Engineering & Advanced Manufacturing and Materials, Education & Information Services and Playwork.

2.2.109 A total of £55,000 has been allocated for equality activity and £30,000 for technical support for the Apprenticeship Vacancy Service to assess the restructuring of the economy, particularly better engagement with 16-24 years olds in vocational training.

2.2.110 The budget also makes provision for research of £255,000 to support re-focusing the skills system in Wales to shape a lifelong learning strategy, supporting employment and corporate innovation. Research is due to conclude by mid-2023.

***Details of all demand-management restrictions and actions to manage apprenticeship demand that are in-place, or will be introduced for the apprenticeship programme during 2023-24***

- 2.2.111 Apprenticeship programme delivery is driven by sector priorities prescribed to our provider network each contract year. The provider network responds to market need in line with these priorities at a regional and national level.
- 2.2.112 Sector priorities are informed by Regional Skills Partnerships, labour market intelligence and interaction with sector bodies. Current priorities include: Health and Social Care & Early Years Care; Digital and Information Technology; and Net Zero sectors and occupations, including energy, housing, renewables, and transport. Science, Technology, Engineering and Mathematics (STEM) and technical sectors and occupations remain a cross-cutting priority, supporting our broader priorities.
- 2.2.113 Aligned to the Young Person's Guarantee and in recognition that young people are disproportionately impacted by the economic downturn, we prioritise delivery towards those aged 16-24. However, it should be stressed that the Apprenticeship Programme is all-age and welcomes all those over the age of 25 who meet eligibility criteria onto the Programme.
- 2.2.114 Our Apprenticeship Action Plan (2017) signalled our intention to move the Apprenticeship programme towards supporting new entrants and employees who are relatively new in their job role. It also identified the need to move away from generic apprenticeships towards those that are sector specific.
- 2.2.115 Our general approach is that employees (excluding disabled individuals) are ineligible for a level 2 Apprenticeship if they have been employed for more than 6 months in the same job role and those employed for more than 12 months are also ineligible for a level 3 Apprenticeship. This helps ensure that entrants onto the programme are able to fully benefit from upskilling opportunities which the Programme provides and enables Welsh Government deliver value for money. There is no employment length restriction in place for learners seeking to undertake a level 4/5 apprenticeship. We have also not restricted the availability of generic apprenticeships to those learners who are disabled or new to employment.
- 2.2.116 However, employees in the priority age group 16-24 are not deemed to be ineligible for an apprenticeship on the grounds of length of employment in their current job role. The only exception to this will be for those Level 2/3 apprenticeships that have been identified as generic, for examples Business Administration, Retail and Customer Service, Team Leading and IT Users, as these will only be available for new recruits. This relaxation will be subject to further review but will apply until at least the end of July 2023.
- 2.2.117 The Employer Incentive Scheme (EIS) focuses on helping disabled apprentices into work and training. EIS will help to increase the participation of this disadvantaged group and will help us achieve our target of eradicating the gap between the employment rate in Wales and the UK by 2050 with a focus on Fair Work and raising labour market participation of under-represented groups. In addition, we also provide in-work support for this cohort to ensure that they are adequately supported to complete their apprenticeship programme.

2.2.118 Welsh Medium / Bilingual provision is targeted, 50% of Welsh first language learners who commence an apprenticeship within the sectors of Health Care, Construction and Agriculture are expected to undertake all or part of their apprenticeship in Welsh. We are working with Coleg Cymraeg Cenedlaethol to achieve the aims of Cymraeg 2050: A million Welsh speakers.

2.2.119 We are currently co-designing our 2023/24 contract year eligibility criteria with the apprenticeship provider network, this process will continue into the New Year and communicated via contract commission letters.

## **Regional Skills Partnerships**

### ***Details of the funding and purpose***

2.2.120 We continue to work closely with the RSPs who have the specific role of engaging with employer networks, further and higher education institutions and other stakeholders to identify regional priorities and make recommendations to Welsh Government, which in turn, inform skills funding decisions and future skills policy direction. Each RSP receives £0.29m per annum to support this work.

2.2.121 RSPs are finalising new three-year employment and skills plans covering 2022-25, based upon employer led intelligence. It is expected that these plans will be completed by the end of the year and published on RSP websites. In addition, RSP's will deliver labour market intelligence to support other PFG commitments, including Digital Skills, Welsh Language, Net Zero and National Occupational Standards

2.2.122 A further allocation of £0.08m in total is estimated for the 2023-24 financial year to continue engagement work with delivery partners as Wales transitions to a post-EU funds provision landscape.

### ***Details of any other funding intended to support the operation of Regional Skills Partnerships but which is not allocated directly to them***

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

## **Research, Development, and Innovation**

### ***Details of any funding during 2023-24 intended to resource Welsh Government's five priorities for research and innovation in Wales;***

2.2.124 The innovation strategy will be launched early in 2023 and will include further detail on our priorities for RD&I and our funding commitments.

2.2.125 A budget of £35m for Research and Innovation has been committed to in the budget and is split as follows: £10m for 2022-23, £10m for 2023-24 and £15m for 2024-25.

2.2.126 We are currently concluding Phase 2 of Ser Cymru, Phase 3 of Ser Cymru will shortly launch in 2023-24 and continue in 2024-25.

2.2.127 The funding allocated in this budget to support Innovation are outlined below.

	21/22 Final	22/23 Draft	23/24	24/25	Total Budget
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	Budget £'000	Budget £'000	Indicative Draft Budget £'000	Indicative Draft Budget £'000	£'000
Capital	4,066*	5,000	5,000	10,000	20,000
Revenue	604**	604	604	300	1,508

\* This figure represents core WG funding only – it excludes EU funding for the SMART programmes which ran at c. £20m p.a.

\*\* Of the Revenue budget, £0.304m in years 22/3 and 23/4 represents the overhead costs of the Intermediary Body needed to administer and monitor EU Structural and wider grant Funds. This element drops out in 2024/25 with a renewed focus on access to UK Innovate funding for example.

2.2.128 The funding allocated in this budget to support Science are outlined below.

	21/22 Final Budget £'000	22/23 Draft Budget £'000	23/24 Indicative Draft Budget £'000	24/25 Indicative Draft Budget £'000	Total Budget £'000
Capital	4,874	5,000	5,000	£5,000	£15,000
Revenue	1,350	1,350	1,200	1,200	3,750

***Details of any funding during 2023-24 intended to resource the Innovation Strategy for Wales.***

2.2.129 As outlined above, any external costs for consultation, publication and marketing for the Innovation Strategy will be met from the Business Innovation BEL. There is no hypothecated budget to resource the new Innovation Strategy in financial year 23-24. Instead, the budget represents a combination of on-going commitments, existing programmes and projects and new proposals from business, academia, third sector, etc., which will all be assessed against the priorities and desired outcomes contained in the Strategy.

***Details of the funding for research and innovation across the whole of Welsh Government.***

2.2.130 Currently several different parts of the Welsh Government operate with distinctive policy objectives (serving at least 5 different Ministers) servicing R&D, Innovation, Tertiary Education (including Skills) and Science policy themes. There is no overarching lead given the separate and differing needs and objectives of the respective Ministers operating levels of support for Research and Innovation. However, the forthcoming Innovation Strategy will look to harness interests going forward in support of greater transparency.

**Trade**

***Details of any funding support for trade including promotion, support for businesses or investment in infrastructure linked to trade***

2.2.131 As part of this budget, we have allocated £4.192m to support the Export, Trade and Inward Investment.

2.2.132 The budget supports our efforts to promote Wales as a destination for inward investment, a key commitment in the International Strategy and the Economic Mission. The activity focusses on opportunity-led investment and on those segments of the economy where Wales can demonstrate international class capabilities including compound semiconductors, fintech, cyber security, marine energy, specific aspects of life science such as regenerative medicine, neuroscience and medtech; and next generation manufacturing particularly across the mobility agenda.

2.2.133 As part of this, an extensive engagement programme is being delivered with our own overseas offices, wider networks, critical industry clusters and stakeholders to raise the profile of investment opportunities in Wales. This includes event attendance and sponsorships, dedicated seminar activity, journalistic content creation and direct company engagements across the globe. Any funded activity requires the completion of post evaluation forms to ensure outputs are captured.

### ***The financial allocations to deliver the ‘Export Action Plan for Wales’***

2.2.134 The £4m funding allocated to deliver the Plan ensures we have a comprehensive range of export programmes to support businesses on their export journey, from - inspiring businesses to export; building export capability; finding overseas customers; and accessing overseas markets. International trade, however, continues to be impacted by the changed requirements for businesses in trading with the EU (our largest trading partner); the ongoing impacts of COVID-19 (which differs in various overseas markets), and other global issues, including the war in Ukraine. The latest provisional export statistics report for the year ending June 2022 that the value of goods exports from Wales was £18.4 billion, an increase of more than a third compared to the previous 12-month period and up £0.7 billion compared to the year ending June 2019, indicating that goods exports have recovered beyond pre-pandemic levels. It should be noted, however, that the value of Wales’ goods exports are potentially much lower than would have been the case in the absence of these global challenges. The funding therefore will maintain our focus to continuing to driving further growth in Welsh exports.

### ***Details of any funding during 2023-2024 intended for the development of free ports in Wales***

2.2.135 There are no allocations in the Draft Budget 2023-24 for Freeports. Any funding provided to the successful Freeport during this period, will be supplied by the UK Government.

2.2.136 This is likely to include the transfer up to £1m revenue funding to Welsh Government which will be provided to the successful freeport to support the development of their outline and final business cases.

### ***Details of any funding during 23-24 intended for development, construction and associated running costs of Border Control Posts in Wales.***

2.2.137 Progress to develop appropriate Border Control Posts (BCPs) in Wales has been hampered as a result of the UK Government’s decision to review the Target Operating Model (TOM) for borders, as announced in April 2022.



- 2.2.138 With events in Westminster, the final proposals for the TOM have been delayed and publication is not expected until after Christmas, against the previous expectation of late autumn 2022. In the absence of an agreed TOM, decisions on BCPs in Wales cannot be finalised. In accordance with the UK Statement of Funding Policy, the BCP facilities should be funded in full by the UK Government as the costs have arisen because of the UK Government's EU Exit policy. Our expectation is, therefore, that the UK Government will provide the full necessary funding required to ensure there is no financial burden on the Welsh Government.
- 2.2.139 The Chief Secretary to the Treasury has previously committed to fund necessary build costs. Consequently, Welsh Government has made no provision in our 2023-24 budget for these costs.
- 2.2.140 As we explained previously, the UK Government has not committed to funding the running costs, including the costs to set up the arrangements. Welsh Government believes these should also be met.
- 2.2.141 We are continuing our discussions with HMT, including seeking reimbursement of our 2022-23 costs at UK Supplementary Estimates, and we are expecting resolution shortly. The main costs in 2022-23 relate to the design work of the Holyhead BCP. We have previously explained that decisions on the facilities needed to serve the Pembrokeshire ports would await the agreement of the TOM.

### **Summary**

- 2.2.142 The Economy MEG Draft Budget for 2023-24 is presented to the Committee for consideration.

**Vaughan Gething**  
**Minister for Economy**

Economy, Trade and Rural Affairs Committee  
Draft Budget 2023-24  
Evidence Paper - Annexes

ANNEX A							
RESOURCE							
Budget Expenditure Line	2022-23 Final Budget March 2022	2023-24 Indicative Final Budget March 2022	Change	2023-24 Draft Budget December 2022	2024-25 Indicative Final Budget March 2022	Change	2024-25 Indicative Draft Budget December 2022
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development	12,298	10,548	-1,088	9,460	10,548	-1,088	9,460
Business Wales	17,116	26,559		26,559	22,463		22,463
Tech Valleys	2,250	2,025		2,025	2,025		2,025
Valleys Task Force	100	100		100	100		100
Export, Trade and Inward Investment	4,692	4,692	-500	4,192	4,692	-500	4,192
<b>Action: Business Wales / Entrepreneurship and Regional Economy</b>	<b>36,456</b>	<b>43,924</b>	<b>-1,588</b>	<b>42,336</b>	<b>39,828</b>	<b>-1,588</b>	<b>38,240</b>
Property Infrastructure	6,868	6,868		6,868	6,868		6,868
<b>Action: Economic Infrastructure Development</b>	<b>6,868</b>	<b>6,868</b>	<b>0</b>	<b>6,868</b>	<b>6,868</b>	<b>0</b>	<b>6,868</b>
Healthy Working Wales	831	563	-563	0	563	-563	0
Corporate Programmes & Services	861	861	-121	740	861	-121	740
Strategic Business Events and Communications	200	200		200	200		200
<b>Action: Corporate Programmes</b>	<b>1,892</b>	<b>1,624</b>	<b>-684</b>	<b>940</b>	<b>1,624</b>	<b>-684</b>	<b>940</b>
Apprenticeships	117,033	122,033	18,000	140,033	127,033	18,000	145,033
<b>Action: Apprenticeships</b>	<b>117,033</b>	<b>122,033</b>	<b>18,000</b>	<b>140,033</b>	<b>127,033</b>	<b>18,000</b>	<b>145,033</b>
Employability Including Young Persons Guarantee	90,936	85,936	-2,178	83,758	100,336	-1,536	98,800
Employability Including Young Persons Guarantee - Non cash	1,400	1,400	0	1,400	1,400	0	1,400
Communities for Work	3,972	8,972	14,062	23,034	3,972	14,062	18,034
Communities for Work - Non cash	36	36	5	41	36	-36	0
<b>Action: Employability Including Young Person Guarantee</b>	<b>96,344</b>	<b>96,344</b>	<b>11,889</b>	<b>108,233</b>	<b>105,744</b>	<b>12,490</b>	<b>118,234</b>
Business Innovation	604	604	0	604	300	0	300
<b>Action: Innovation</b>	<b>604</b>	<b>604</b>	<b>0</b>	<b>604</b>	<b>300</b>	<b>0</b>	<b>300</b>
Science	1,350	1,350	-150	1,200	1,350	-150	1,200
<b>Action: Science</b>	<b>1,350</b>	<b>1,350</b>	<b>-150</b>	<b>1,200</b>	<b>1,350</b>	<b>-150</b>	<b>1,200</b>
Tourism	11,962	10,762	-132	10,630	10,762	-132	10,630
Events Wales	4,718	4,718	-52	4,666	4,718	-52	4,666
<b>Action: Promote and Protect Wales' Place in the World</b>	<b>16,680</b>	<b>15,480</b>	<b>-184</b>	<b>15,296</b>	<b>15,480</b>	<b>-184</b>	<b>15,296</b>
Arts Council of Wales	32,408	33,023	282	33,305	34,139	-149	33,990
Arts Council of Wales - Non cash	119	119	0	119	119	0	119
Amgueddfa Cymru - National Museums of Wales	25,086	25,573	1,302	26,875	26,543	1,606	28,149
Amgueddfa Cymru - National Museums of Wales - Non cash	2,400	2,400	0	2,400	2,400	0	2,400

**Economy, Trade and Rural Affairs Committee**  
**Draft Budget 2023-24**  
**Evidence Paper - Annexes**

National Library of Wales	11,060	11,270	549	11,819	11,651	700	12,351
National Library of Wales - Non cash	1,250	1,250	0	1,250	1,250	0	1,250
Support for Local Culture and Sport	5,217	6,167	262	6,429	8,567	16	8,583
Creative Wales	7,038	7,138	-19	7,119	7,188	-19	7,169
<b>Action: Support for Culture and the Arts</b>	<b>84,578</b>	<b>86,940</b>	<b>2,376</b>	<b>89,316</b>	<b>91,857</b>	<b>2,154</b>	<b>94,011</b>
Cadw	8,301	8,503	703	9,206	8,880	633	9,513
Cadw - Non cash	5,480	5,480	0	5,480	5,480	0	5,480
National Botanic Garden of Wales	594	594	-7	587	594	-7	587
Royal Commission on the Ancient and Historical Monuments for Wales	1,654	1,685	42	1,727	1,741	74	1,815
Royal Commission on the Ancient and Historical Monuments for Wales - Non cash	134	134	0	134	134	0	134
<b>Action: Support the Historic Environment</b>	<b>16,163</b>	<b>16,396</b>	<b>738</b>	<b>17,134</b>	<b>16,829</b>	<b>700</b>	<b>17,529</b>
Sport Wales	21,967	22,533	504	23,037	23,289	122	23,411
Sport Wales - Non Cash	779	779	0	779	779	0	779
<b>Action: Sports and Physical Activity</b>	<b>22,746</b>	<b>23,312</b>	<b>504</b>	<b>23,816</b>	<b>24,068</b>	<b>122</b>	<b>24,190</b>
Programme Support	1,707	1,707	0	1,707	1,707	0	1,707
<b>Action: Managing European Funding</b>	<b>1,707</b>	<b>1,707</b>	<b>0</b>	<b>1,707</b>	<b>1,707</b>	<b>0</b>	<b>1,707</b>
<b>MEG: ECONOMY</b>	<b>402,421</b>	<b>416,582</b>	<b>30,901</b>	<b>447,483</b>	<b>432,688</b>	<b>30,860</b>	<b>463,548</b>

Economy, Trade and Rural Affairs Committee  
Draft Budget 2023-24  
Evidence Paper - Annexes

ECONOMY							
CAPITAL							
Budget Expenditure Line	2022-23 Final Budget March 2022	2023-24 Indicative Final Budget March 2022	Change	2023-24 Draft Budget December 2022	2024-25 Indicative Final Budget March 2022	Change	2024-25 Indicative Draft Budget December 2022
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development	30,230	26,850	0	26,850	22,650	0	22,650
Business & Regional Economic Development - Repayment	-2,792	-14,312	0	-14,312	-1,487	0	-1,487
Tech Valleys	5,000	5,000	0	5,000	5,000	0	5,000
<b>Action: Business Wales / Entrepreneurship and Regional Economy</b>	<b>32,438</b>	<b>17,538</b>	<b>0</b>	<b>17,538</b>	<b>26,163</b>	<b>0</b>	<b>26,163</b>
Business Finance Funds	5,000	10,000	0	10,000	15,000	0	15,000
Business Finance Funds - Repayment	-24,400	0	0	0	-46,400	0	-46,400
<b>Action: Development Bank of Wales</b>	<b>-19,400</b>	<b>10,000</b>	<b>0</b>	<b>10,000</b>	<b>-31,400</b>	<b>0</b>	<b>-31,400</b>
Property Infrastructure	10,000	10,000	0	10,000	10,000	0	10,000
Property Infrastructure - Repayment	-290	-290	0	-290	-290	0	-290
<b>Action: Economic Infrastructure Development</b>	<b>9,710</b>	<b>9,710</b>	<b>0</b>	<b>9,710</b>	<b>9,710</b>	<b>0</b>	<b>9,710</b>
Employability Including Young Persons Guarantee	1,920	2,000	0	2,000	2,000	0	2,000
<b>Action: Employability Including Young Persons Guarantee</b>	<b>1,920</b>	<b>2,000</b>	<b>0</b>	<b>2,000</b>	<b>2,000</b>	<b>0</b>	<b>2,000</b>
Business Innovation	5,000	5,000	0	5,000	10,000	0	10,000
<b>Action: Innovation</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>	<b>5,000</b>	<b>10,000</b>	<b>0</b>	<b>10,000</b>
Science	5,000	5,000	0	5,000	5,000	0	5,000
<b>Action: Science</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>	<b>5,000</b>
Tourism	5,000	5,000	0	5,000	5,000	0	5,000
<b>Action: Promote and Protect Wales' Place in the World</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>	<b>5,000</b>
Arts Council of Wales	400	400	0	400	400	0	400
Amgueddfa Cymru - National Museums of Wales	4,500	5,000	0	5,000	5,000	0	5,000
National Library of Wales	2,500	2,000	0	2,000	2,000	0	2,000
Support for Local Culture and Sport	11,700	21,500	0	21,500	24,700	0	24,700
Creative Wales	5,000	5,000	0	5,000	5,000	0	5,000
<b>Action: Support for Culture and the Arts</b>	<b>24,100</b>	<b>33,900</b>	<b>0</b>	<b>33,900</b>	<b>37,100</b>	<b>0</b>	<b>37,100</b>
Cadw	10,000	10,000	0	10,000	10,000	0	10,000
National Botanic Garden of Wales	1,200	200	0	200	200	0	200
Royal Commission on the Ancient and Historical Monuments for Wales	50	50	0	50	50	0	50
<b>Action: Support the Historic Environment</b>	<b>11,250</b>	<b>10,250</b>	<b>0</b>	<b>10,250</b>	<b>10,250</b>	<b>0</b>	<b>10,250</b>
Sport Wales	8,001	8,016	0	8,016	8,016	0	8,016
Sports Capital Loans Scheme	-227	-227	0	-227	-231	0	-231
<b>Action: Sports and Physical Activity</b>	<b>7,774</b>	<b>7,789</b>	<b>0</b>	<b>7,789</b>	<b>7,785</b>	<b>0</b>	<b>7,785</b>
<b>MEG: ECONOMY</b>	<b>82,792</b>	<b>106,187</b>	<b>0</b>	<b>106,187</b>	<b>81,608</b>	<b>0</b>	<b>81,608</b>

## **ANNEX B - Action level commentary within the MEG<sup>1</sup>**

### **Resource**

#### ***Business Wales / Entrepreneurship and Regional Economy Action***

- There has been a net reduction to the Action of £1.588m from the indicative final budget 2023-24, taking the total funding for 2023-24 to £42.336m and £38.240m in 2024-25. The net reduction relates to reprioritisation of funding of £1.088m from to the Business Development BEL 3751, predominately due to a reduced contribution to the Life Science Hub and Industrial Transformation. A further reduction of £0.5m has been taken from the Export Trade & Investment BEL 3754. These reductions reflect the Economy MEG's contribution towards the wider Welsh Government reprioritisation exercise.

#### **Business & Regional Economic Development BEL**

- Funding within this BEL supports partnerships, engagement and initiatives to progress the ambitions in Economic Mission The [Mission](#), and employability for inclusive growth and building the economy for long term sustainability.
- It also supports Arfor 2 with £11m funding over 3 years, £3m 2022-23, £4m 2023-24 and £4m 2024-25. The programme will be delivered by local authority partners which will help strengthen the economic resilience of Welsh language strongholds and is part of the Co-operation Agreement with Plaid Cymru. The main objective of Arfor 2 is to support the communities that are strongholds of the Welsh language to flourish through economic interventions which will also contribute to increasing opportunities to see and use the Welsh language daily.

#### **Business Wales BEL**

- The budget supports youth entrepreneurship and the young person's guarantee, start-ups, micro-businesses, SMEs, disability champions, social enterprise and responsible business practices. The services support those with hidden barriers and targeted support will continue to be delivered to support such as female and youth entrepreneurs and BAME groups.
- The budget also includes provision of £3m for the foundational economy enabling jobs at the heart of local communities across sectors such as care and health services; food; housing; energy; tourism; construction and retail.

#### **Tech Valleys BEL**

- The budget supports the Welsh Government's initiative of 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

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<sup>1</sup> Actions: Support for Culture and Arts, Support the Historic Environments, Sport and Physical Activity are covered by Culture, Communications, Welsh Language, Sport and International Relations Committee

fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries. Most recently investments were announced which supports the Mission: [Robotics workshop](#) and the [Resilientworks](#).

#### Valleys Task Force BEL

- Funding maintains an annual revenue budget of £0.1m to support the capital programme to deliver Our Valleys Our Future programme.

#### Export, Trade and Inward Investment BEL

- The Export Action Plan was published on 15 December 2020: [Written statement](#). The budget will invest in services to help exports and recognises the value of Wales as a trading nation. The Plan has put in place support for businesses at all stages of their export journey, including through dedicated 'on-the-ground' support and advice via our team of International Trade Advisers, based across Wales. To inspire a culture of exporting and internationalisation amongst Welsh businesses.

#### ***Economic Infrastructure Development Action***

- Property Infrastructure's resource budget is being maintained at £6.868m per annum from indicative final budget 23-24.

#### Property Infrastructure BEL

- Funding in this BEL ensures adequate supply of employment sites and premises to secure competitive advantage in attracting, retaining and growing businesses in Wales. The revenue budget ensures that Welsh Ministers meet their legal and statutory obligations as landlords and land owners in managing the Economic development property portfolio, including the management of St Athan and the unitary payments under the Lloyd George Avenue PFI scheme. The budget is supplemented by other income, primarily rental receipts and profits from disposing of land and buildings.

#### ***Corporate Programmes Action***

- There has been a net reduction to the Action of £0.684m from the indicative final budget 2023-24, taking the total funding for the Action to £0.940m per annum. The net reduction relates to withdrawal of the Economy MEG contribution to support the Healthy Working Wales programme £0.563m and a reduction of £0.121m to the Corporate Programme & Services BEL 4023. These reductions relate to the Economy MEG's contribution to support the wider Welsh Government reprioritisation exercise.

### Healthy Working Wales BEL

- The Healthy Working Wales budget delivered workplace initiatives supporting the healthy and active ambitions set out in the programme for Government. The funding included the Mind Cymru Time to Change Wales programme, which challenged negative attitudes and behaviours in the workplace towards mental health problems. This was a joint initiative between the Economy and Health portfolio.

### Corporate Programmes & Services BEL

- The Corporate Programmes annual budget includes the business customer relationship management system expenditure, which was utilised during the pandemic to process Economic Resilience Fund (ERF) grants. The budget also has provision for reviews.

### Strategic Business Events and Communications BEL

- The Communications budget of £0.2m each year supports business events and strategic engagement

### ***Apprenticeships Action***

- There has been a net increase to the Action of £18.0m from the indicative final budget 2023-24, taking the total funding to £140.033m in 2023-24 and £145.033m in 2024-25. The net increase relates to an additional allocation from Central Reserves to support Apprenticeships delivery.

### Apprenticeships BEL

- The revenue budget supports the delivery of the apprenticeship programme. Apprenticeships is an employed status programme which provides transferable, upskilling training via a network of Further Education and private training providers. Apprenticeships is an all-age Programme which prioritises learners between the ages of 16 and 24, those new to employment and delivery in those sectors which most benefit the Welsh economy such as STEM, health and social care and supports our net-zero ambitions.

### ***Employment and Skills Action***

- There has been a net increase to the Action of £11.889m from the final indicative budget, taking the total funding per annum to £108.233m in 2023-24 and £118.234m in 2024-25. The net increase relates to a transfer in from the Finance and Local Government MEG of £14.062m for the Children and Communities Grant, an increase to the Careers Wales net allocation of £1.022m in 2023-24 and £1.664m in 2024-25 to help provide support for pay. As a result of the Economy MEG's contribution to the Welsh Government reprioritisation exercise there is a 1.1% reduction of £0.209m. and inflationary increases and less £3.2m

reprioritised funding from the Jobs Growth Wales+ and sundry programmes. An additional £0.005m has also been transferred from Reserves to support the non-cash element on the Communities for Work programme in 2023-24, but this funding finishes in financial year 2024-25.

#### Employability Including Young Persons Guarantee BEL

- The 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; underpinning the PFG commitment to deliver the Young Persons Guarantee, giving everyone under 25 the offer of work, education, training, or self-employment. The budget also supports the commitments to build on the success of the Wales Union Learning Fund; support the Wales TUC proposals for union members to become Green Representatives in the workplace and strengthen Regional Skills Partnerships. It 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 such as digital and net zero in Welsh Government priority areas which are important for the economy of Wales.
- The BEL also provides funding for Careers Wales which delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales.

#### Employability Including Young Persons Guarantee - Non cash BEL

- In addition to the revenue budget above, there is an annual non-cash depreciation budget of £1.4m for Careers Wales.

#### Communities for Work BEL

- The revenue budget supports Communities for Work Plus (CfW+) as Welsh Government's primary means of providing employability support to those most disadvantaged in the labour market. I announced the [Replacement of EU-funded programmes to support people with complex barriers to find work](#) in May 2022. The Communities for Work (CfW) and Parents, Childcare and Employment (PaCE) programmes end on 31 March 2023 with closure in October 2023. Both programmes have provided community based, intensive mentoring and training to young people aged 16 to 24 who are NEET, and economically inactive and long-term unemployed individuals with complex barriers, aged 25 and over.

#### Communities for Work – Non-cash Work BEL

There is a small provision for the depreciation for IT equipment.



### ***Innovation Action***

- There has been no change from the indicative final budget 2023-24. The total funding stands at £0.604m in 2023-24 and £0.300m in 2024-25.

### **Business Innovation BEL**

- The BEL funds the financial support for Research, Development & Innovation (R&DI) schemes, the SMART suite of programmes, Smart Business Research Initiative (SBRI) Accelerator and Collaborative Innovation Support Programme (CRISP), despite European funding ending in 2023/24, our priorities continue to be:
  - Deployment of research, development and innovation capacity to support our Programme for Government, focusing on climate change, environmental recovery and decarbonisation;
  - Building further on Welsh research, development and innovation capacity in the Health and Life Sciences;
  - Developing a cross-Welsh Government innovation strategy for growth and skill development in the established research and innovation base.

### ***Science Action***

- There has been a net reduction to the Action of £0.150m from the indicative final budget 2023-24 taking the total funding per annum to £1.2m. The net reduction relates to reprioritisation of £0.150m funding to support wider Welsh Government priorities and will not impact on maintaining my commitment to activity in this area

### **Science BEL**

- The revenue budget includes re-establishing a new National Science Academy grant programme designed to support Science, Technology, Engineering and Maths (STEM) studies, activities and promote careers choices in science throughout Wales. This budget also contributes to Welsh Government's Office for Science promotion and engagement activities including stakeholder engagement seminars, public attitude Science surveys, British Science Week, Science in the Senedd, Welsh Joint Education Committee (WJEC) Innovation and CREST Awards, LSW Medals, commissioned science performance reviews and promotion of diversity & gender equality in R & I and Science, Technology, Engineering and Maths (STEM).

### ***Promote and Protect Wales' Place in the World Action***

- There has been a net reduction to the Action of £0.184m from the indicative final budget 2023-24, taking the total funding per annum to £15.296m. The net reduction relates to reprioritisation of funding of £0.132m from the Tourism BEL 6250 which relates to a reduction in campaign budget available to promote Wales as a tourism destination to European markets as part of world cup legacy and

£0.052m from the Events Wales BEL 4231, whilst maintaining delivery to our key priorities to support wider Welsh Government priorities.

### Tourism BEL

- Funding supports the tourism development and marketing investment which is aligned to our overall strategy - [Welcome to Wales-Priorities for the Visitor Economy 2020-2025](#) - to grow tourism for the good of Wales, delivering economic, environmental, and social benefits.

### Events Wales BEL

- In line with the new [The National Events Strategy for Wales 2022 to 2030 | GOV.WALES](#) the annual budget will continue to support Wales-grown sports, arts and business events as well as looking to the opportunities offered by international events, such as the joint UK and I 2028 Euros bid. We will invest to support events that deliver economic, social and cultural benefits and legacies in line with the new strategy.
- We will continue to aim for a full geographic and seasonal spread of events around Wales, including supporting development of event-relevant infrastructure, and support the growth of a strong and sustainable sector in Wales by investing in skills and supply chain development.

### ***Managing European Funding Action***

- There has been no change to this Action from the indicative final budget 2023-24. The total funding per annum is maintained at £1.707m.

### Programme Support BEL

- The annual budget of £1.7m delivers the Wales European Funding Office Technical Assistance EU funded operations.

### **Capital**

#### ***Business Wales / Entrepreneurship and Regional Economy Action***

- There has been no change from the indicative final budget 2023-24. The total funding per annum is £17.538m in 2023-24 and £26.163m in 2024-25.

### Business & Regional Economic Development BEL

- Funding supports the capital funding available for the Economy Futures Fund and other strategic developments in supporting businesses. The Development Bank of Wales (DBW) also improves the ability of businesses in Wales 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.

#### Business & Regional Economic Development – Repayment BEL

- Repayable Funding supports the capital funding available for the Economy Futures Fund and other strategic developments in supporting businesses.

#### Tech Valleys BEL

- Funding within this BEL is to support Welsh Government's initiative for 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. Most recently investments were announced which supports the Mission: [Robotics workshop](#) and the [Resilientworks](#).

#### ***Development Bank of Wales Action***

- There has been no change from the indicative final budget 2023-24 the total funding per annum is £10m in 2023-24 and £-31.4m in 2024-25.

#### Business Finance Funds BEL

- Funding within this BEL is to support The Development Bank of Wales (DBW) which improves the ability of businesses in Wales 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 Development Bank of Wales is well placed to help Welsh businesses through, and to recover from, the pandemic and access finance they need to start up, strengthen and grow. It can provide loans from £1k right up to £10m, as well as mezzanine, and equity funding; and helps businesses find the right finance partner to leverage in private finance with its own gap finance when necessary.

#### Business Finance Funds – Repayment BEL

- No budget allocated for 2023-24.

#### ***Economic Infrastructure Development Action***

- There has been no change from the indicative final budget 2023-24. The total funding has been maintained at £9.71m per annum.

#### Property Infrastructure BEL

- The capital budget is supplemented by receipts from land and property sales. This enables delivery of modern sites and buildings that are capable of meeting companies' timescales for occupation to provide Wales with a real competitive advantage over other locations. All direct build commercial projects undertaken will aim to achieve a Net Zero carbon in use standard and the Welsh Government's Sustainable Buildings Policy will apply to projects delivered in partnership with others.

#### Property Infrastructure – Repayment BEL

- Property Infrastructure financial transaction repayments begin in 2022-23 and will continue until 2038-39.
- Repayments relate to £8.950m funding issued between 2015-16 and 2018-19. Funding of £2.750m was issued under the Property Development Fund £2.750m in 2015-16 and £6.200m was awarded to Swansea Council for retail and leisure purposes (£5.500m in 2017-18 and £0.700m in 2018-19). Property Infrastructure financial transaction repayments begin in 2022-23 and will continue until 2038-39.

#### ***Employability Including Young Persons Guarantee Action***

- There has been no change from the indicative final budget 2023-24 budget. The annual capital investment of £2m supports the Careers Wales activity for IT and estates strategy to align to [Future Wales: The National Plan 2040](#). Strategic environmental development and sustainability will be built into the new spatial strategy with a focus on the national and regional growth areas through adopting the 'Town centre first' approach.

#### ***Innovation Action***

- We have maintained investment within this Action compared to the indicative final budget 23-24. The total funding is £5m in 2023-24 and £10m in 2024-25.

#### Business Innovation BEL

- Financial support for Research, Development & Innovation (R&DI) schemes, the SMART suite of programmes, Smart Business Research Initiative (SBRI) Accelerator and Collaborative Innovation Support Programme (CRISP), despite European funding ending in 2023/24, our priorities continue to be:
  - Deployment of research, development and innovation capacity to support our Programme for Government, focusing on climate change, environmental recovery and decarbonisation;
  - Building further on Welsh research, development and innovation capacity in the Health and Life Sciences;

- Developing a cross-Welsh Government innovation strategy for growth and skill development in the established research and innovation base.

### **Science Action**

- There has been no change from the indicative final budget 2023-24 to this Action. Funding has been maintained at £5m per annum.

#### Science BEL

- The capital budget continues the internationally recognised Sêr Cymru programme that helps maximise the beneficial impacts of research expertise, specialist innovation facilities and supply of talented researchers. This programme (highlighted in Nov 2021 by Welsh Government as one of the five 5 R,D& I priorities) has already helped build a depth of researchers and science infrastructure in Wales which did not exist previously and contributed to improving Wales science and research performance over the past decade.

### **Promote and Protect Wales' Place in the World Action**

- There has been no change from the indicative final budget 2023-24. We have maintained our investment in this Action with the total funding per annum at £5m.

#### Tourism BEL

- The planned annual capital investment of £5m in high quality visitor experiences and a Brilliant Basics fund for small scale tourism infrastructure improvements. This allocation is available alongside the Wales Tourism Investment Fund, which is delivered in partnership with the Development Bank of Wales.

## Annex C – Employability Programme Details

### ReAct+: part of YPG

- ReAct+ is a grant funded programme which has a budget of £13.25m in 2023-24. The ReAct programme ended on 31 May 2022. The new ReAct+ adult employability programme launched on 6 June 2022. It offers individualised support to unemployed adults 18+; there is no upper age limit. Support is available for participants who are affected by redundancy, or short term unemployed, or 16-24 year olds and NEET. It also supports ex-offenders serving their sentences in the community.
- The programme delivers vocational training, employer recruitment support, employer training support as well as support for childcare, personal development support and costs such as travel. The Welsh Government does not contract with any training providers and participants identify the most appropriate training provider.

### Jobs Growth Wales+ (JGW+): part of YPG

- Jobs Growth Wales+ launched in April 2022 and is a fundamental part of the new Young Persons Guarantee. JGW+ provides a holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET. In 2023-24 it is expected that £31m will be allocated to providers as detailed below to deliver the programme. The programme focuses on 16-18 year olds who are not yet job ready, helping them to reach that stage, as well as young people who need extra support to help them overcome barriers to employment and training, including mental health and wellbeing.
- JGW+ is contracted by tender; the contracts have been issued to the following Contractors under a Framework agreement within each Regional Lot:

Region	Contractor
North Wales	Grŵp Llandrillo Menai (GLLM) Consortium
	Coleg Cambria
	ACT Ltd
South West & Mid Wales	Pembrokeshire College
	ITEC Training Solutions
	ACT Ltd
South Central Wales	ACT Ltd
	ITEC Training Solutions
South East Wales	ACT Ltd
	ITEC Training Solutions

### **Community Employability Programmes: part of YPG**

- In 2023-24 the Communities for Work Plus (CfW+) available budget is £23.034m, with a further provision of £8m in the Young Persons Guarantee which will be transferred in future budgets.
- To the end of October 2022, Communities for Work, PACE and Communities for Work + the three programmes have provided intensive community based mentoring and training to a combined total of over 81,000 individuals with complex barriers to employment, of which almost 36,000 have entered employment of more than 16 hours a week.
- A key feature to the success of the CfW+ programme, delivered through all 22 Local Authorities, has been its flexibility to respond to changes in the labour market. The programme supports those most disadvantaged in the labour market, including young people, older workers women, disabled individuals and those with long-term health conditions, Black, Asian or minority ethnic individuals, those with care responsibilities and those with low skills.
- The programme includes holistic support to tackle barriers to employment, community-based mentoring, sourcing and funding of training opportunities and local engagement which helps to link participants to gaps in the labour market.
- Since 2022-23, it has increased its focus on young people aged 16 to 24 year olds who are NEET and has received an additional £8m per annum from 2022-23 to 2024-25 to support delivery of the Young Person's Guarantee. It also now offers a mentoring service to eligible individuals supported through ReAct+.

### **Flexible Skills Programme (FSP)**

- FSP is a grant funded programme which has a budget of £1.5 million in 2023-2024. The Programme can support, via a 50% contribution, eligible internal and external training delivery costs and training materials aimed at all private and third sector employers in Wales, with £500k of the budget allocated to Airbus in 2023-24.
- The Programme consists of two distinct strands:
  - **FSP Business Development Programme** The FSP Business Development Programme is positioned to support significant employer-led business development projects, which are expected to result in business expansion and major investment leading to high quality job creation.
  - **FSP Partnership Projects** are designed to help drive Wales' wider skills economy, focusing on priority skills needs identified by Welsh employers and industry representative bodies. The PP strand currently consists of 5 separate projects: Advanced Digital; Advanced Engineering and Manufacturing; Creative; Export; Tourism and Hospitality.

- The Welsh Government does not contract with any training providers and it allows employers to identify the most appropriate training provider.

### **Wales Union Learning Fund (WULF)**

- [Wales Union Learning Fund \(WULF\)](#) is a grant funded programme which has a projected budget of £5.4m over the three years of the current programme (2022-25) which is based on the individual bids received from the delivery unions.