

2021-22 Draft Budget - Responses to EIS Committee Recommendations

Recommendation 1. The Committee welcomes the Minister’s commitment to “ensure that those who are most likely to be adversely impacted are given the greatest level of support” and to make sure no one is left behind. This commitment must be maintained throughout any new support and recovery planning.

Accept in Principle

We fully support the overarching principle of targeting intervention so that nobody is left behind and continue to make every effort to reach all. However, in practice many of the support products are demand-led and thus in practical terms to “ensure” is challenging as the applicant has to apply.

The £2 billion support package has been designed to be affordable within the available funding. We recognise that this means that not all businesses will benefit from the grant support being provided and we have had to take tough decisions over eligibility. The economic stimulus aim in providing Covid-19 business support is to ensure that good businesses in 2019 are good businesses post the pandemic.

The UK Government’s further funding rounds are provided on an ad hoc basis making planning across financial years challenging. We would like to be able to continue to support businesses and individuals at similar levels into the next financial year, but this is contingent on UK Government providing the necessary funds to so do. We have been clear throughout that funding provided by Welsh Government complements that provided by UK Government.

We will absolutely endeavour to achieve this principle in the design and deployment of funding support schemes.

Financial Implications

All support will be provided on the basis of value for money and affordability within available budgets.

Recommendation 2. Members are concerned that the fact all available budget for pandemic business relief was not drawn down could be interpreted as the Welsh Government not being able to spend it. If this is the case the Government should set out why, if it is not the case the Government need to clearly explain their approach.

Reject

We have committed more than £2bn in support for businesses and, so far, more than £1.75bn has reached them over the 10 months. This includes 180,000 grants worth

£1.1bn delivered through local authorities and £520m provided through the Welsh Government's Economic Resilience Fund with more payments reaching firms daily.

We expect that all committed budget to date will be spent and utilised across the range of economic interventions. We hope to achieve this recognising that this is challenging in the context of demand led support, the changing Covid-19 context and of course value for money for considerations.

As a Government we will be shortly announcing further plans both in terms of the Covid response and support beyond the vaccine being rolled out across the country. Once the business case has been presented to Ministers we are happy to provide the committee with further details.

Financial Implications

None.

Recommendation 3. The Welsh Government should set out its plans for drawing down funds which could be used for further rounds of the Economic Resilience Fund, including an explanation setting out how Welsh Government will ensure none of this money will be lost to Wales.

Accept in Principle

We are working with the aim that no money will be lost to Wales. Active planning and proposals are in place and working through the business case assessment. We expect to announce further in the coming weeks.

As part of the UK Government's Supplementary Estimates for 2020-21, Wales has received an extra £660m, over and above the £5.2bn funding guarantee, reflecting its Barnett share of funding announced in England. The Welsh Government is carrying this funding forward into 2021-22, on top of the Wales Reserve. This additional funding has been factored into the final Budget.

It was disappointing that, despite recognising the exceptional circumstances, the UK Government was not able to provide further flexibility or recognise the need to give Welsh Government the additional flexibilities we have been calling for including unfettered access to the Wales Reserve in 2021-22. That access in the next financial year would have provided a degree of certainty to our planning ahead of the Senedd approving the budget for the next financial year. We will continue to press the case to the UK Government.

Financial Implications

No additional financial implications.

Recommendation 4. The UK Government should extend maximum flexibility to Welsh Government with regards to drawing down any increased funding flowing from pandemic-related spend in England.

Accept

Welsh Ministers have been calling on the UK Government to provide extended support for next financial year.

- Had the UK Government provided us with a multi-year settlement it would have provided us with an opportunity to plan further ahead and give some certainty to services and organisations. This was not the case, but it is still our preferred option and the next government will need to continue to press for this.
- We only have firm plans for 2021-22, as the UK Government's spending round in November last year only covered a single year. It is therefore difficult to say with any precision what the budgetary prospects are beyond next year.

Financial Implications

None

Recommendation 5. Welsh Government should provide further details of uptake on the sector-specific business support funding which launched on 13 January, including detail on uptake against expectations and actions taken by Welsh Government to ensure everyone eligible is aware of the schemes and can apply.

Accept

The ERF Sector Specific fund opened for pre-application in mid-December and to full applications on 13th January 2021 and closed on 29th January 2021. The package was targeted at hospitality, tourism, leisure and non-essential retail businesses and associated supply chain businesses that will be materially impacted by a greater than 60% impact of turnover as a result of the restrictions introduced on 4th December 2020. The grant value is driven by a cost per job of £1,500 or operating costs for December and January whichever the lower.

A total of 8,915 applications worth £76.7m were received. Current approval rate is at 75-80%

On 23rd February and to date a total of 5,007 offers have been accepted totalling over £45m.

ERF 4 - SSF	Micro	SME	Large	TOTAL
No. applications	7,510	1,376	29	8,915
Amount applications	£41.7m	£33.1m	£1.9m	£76.7m
Offers accepted	4,062	926	19	5,007
Amount accepted	£23.5m	£20.2m	£1.3m	£45.0m
Jobs safeguarded		19,243	2,980	22,223

The Welsh Government uses a range of activities to promote the business support offer including the Business Wales website, which during the pandemic has had more than 8m views, social media and press releases. We also utilise our stakeholder networks to raise awareness such as representative bodies, contractors and partners.

Active planning as part of an extension to the Sector fund is ongoing.

Financial Implications

No additional financial implications.

Recommendation 6. Given the Committee's concerns about maximising take-up of business support, Welsh Government should set out what robust evaluation there has been of the effectiveness of Business Wales website and support services, to identify any further measures needed to help businesses understand the entire suite of support on offer.

Accept

Economic Intelligence Wales (EIW) has been appointed to undertake an impact and evaluation on the ERF. The first stage report "Covid-19 financial interventions: An analysis of Welsh beneficiaries" was published in December 2020.

The ERF interventions investigated in this report include Phase 1 and 2 business grants administered by the Welsh Government and the Covid-19 Wales Business Loan Scheme managed by the Development Bank of Wales. This report also considers the non-domestic rates (NDR) grants administered by local authorities. The initial findings in the report are:

- The first 2 Phases of the ERF have provided over £200m of grants to support businesses in Wales. This figure excludes support paid through the Non Domestic Rates grant of £770m which was paid to 64,000 businesses.

- In total these ERF business grants have directly supported almost 12,000 firms/organisations in Wales and 125,000 jobs (full-time plus part-time), representing around 10.5% of total employment in Wales.
- Average funding awarded per successful SME application was around £15,620. On average, the amount approved for SMEs was just over 77% of the value of funds applied for by firms in Wales.
- Almost 80% of recipient firms were micro businesses, and these firms received an average grant of almost £10,000. Small firms comprised 18% of supported firms with average funding of almost £31,000 per firm. Medium-sized firms accounted for almost 3% of recipient firms, with an average grant of almost £74,000. Large firms received an average grant of around £302,000.
- The wider impacts of the support could be significant, with many thousands of further jobs supported indirectly in related businesses through supply-chain effects and wage spending effects.

There are a further two stages to the work of the EIW which include a survey element and a follow on impact and conclusion evaluation planned in 2021 and early 2022.

The Welsh Government has worked to simplify the system and continually improve access to business support packages. In the current round of Covid restrictions, funding allocated under the ERF is paid directly to businesses once a simple online registration/application has been completed. The data captured on the ERF demonstrates a fair distribution of funds across Wales and has supported a wide variety of businesses.

The Business Wales service is accessed digitally via <http://businesswales.gov.wales> and associated social media channels; the 03000 6 03000 helpline; and a network of offices located across Wales. Through the pandemic Business Wales has received more than 8 million visits to the website <http://businesswales.gov.wales> and dealt with nearly 50,000 enquires. The channels for accessing support are regularly reviewed and refined taking on feedback from customers, partners and stakeholders.

Reach is very important and we continue to evolve our approach based on independent evaluation, feedback from service users and intelligence gathered from partners and stakeholders. For example, our support for the Taxi sector followed direct engagement from the sector and its trade union representatives; our latest communication plan includes a series of case studies with local business examples.

The Welsh Government uses a range of activities to promote the business support offer and access to the service including press releases and client case studies. Business Wales runs national and locally focused marketing campaigns that utilise a wide range of different tools to reach a wide and diverse audience, for example radio, digital and written such as press, billboards and train/buses.

We also utilise our stakeholder networks to promote the service and raise awareness, such as working closely with local authorities on the non-domestic rates linked grants, representative bodies including the FSB through their membership, and Business Wales contractors who deliver the core support service and the Enterprise Hubs. The Business Wales Strategic Board consists of representatives from the IoD, FSB, small businesses and the social enterprise sector who champion the Business Wales service and promote the offer.

The Welsh Government re-procured and contracted with an external provider in late 2020 to undertake independent customer satisfaction of the Business Wales service. The evaluation conducts 300 telephone interviews every 6 months. The survey contacts Business Wales clients that have accessed the service within the previous six months at the point of the survey team contacting them.

To date the Welsh Government has interviewed (through a procured service) 2,400 businesses that have accessed the Business Wales service. The most recent survey took place in summer 2020, next survey will take place in spring 2021. Cumulative results, across the Business Wales service, are as follows:

	Satisfied	Neither / Or	Dissatisfied
Overall Satisfaction of the service	85%	6%	9%
Advisor Helpfulness	88%	6%	6%
Advisor Knowledge / Expertise	90%	7%	3%
Interest shown in query	88%	6%	6%
Help I wanted quickly	81%	7%	12%
Kept well informed	80%	9%	11%
Impartiality	90%	6%	4%
Quality of advice	86%	6%	8%
Would you recommend the service to others?	87%	5%	8%

In addition a digital review has been commissioned.

Financial Implications

None

Recommendation 7. Welsh Government should supply the Committee with a breakdown of the business support offered in Wales to date including: a breakdown of the uptake of each fund; a breakdown of uptake by people with protected characteristics; uptake of support provided against expected uptake; and a comparison with the support available in other UK nations.

Accept

The first phase of the ERF was made up of two main elements, a £100m Covid-19 Wales Business Loan Scheme delivered by Development Bank of Wales, and an emergency pot which initially released £200m and then a further £100m of funding to target micro businesses, SMEs and large businesses of critical social or economic importance to Wales.

ERF 1	Micro	SME	Large	DBW	TOTAL
No. applications	6,857	2,565	61	1,608	11,091
Amount applications	£66.6m	£131.2m	£30m	£103.0m	£330.8m
Offers accepted	4,897	2,049	44	1,331	8,321
Amount accepted	£48.1m	£76.3m	£14.3m	£92m	£230.7m
Jobs safeguarded	13,186	43,082	13,873	16,038	86,179

The second phase of the ERF released a further £100 million of financial support. It was targeted at micro businesses, SMEs and large businesses of critical economic importance which had yet to receive financial assistance from the ERF.

ERF 2	Micro	SME	Large	TOTAL
No. applications	5,987	679	15	6,681
Amount applications	£58.7m	£38.2m	£3.1m	£100.0m
Offers accepted	4,300	479	14	4,793
Amount accepted	£42.4m	£15.7m	£2.5m	£60.6m
Jobs safeguarded	8,672	9,875	3,180	21,727

Phase 3 of the ERF made available almost £300m for businesses to help them deal with the economic challenges of Covid-19 and the UK's impending exit from the EU transition period.

ERF 3 - BDG	Micro	SME/ Large	TOTAL
No. applications	4,393	1,455	5,848
Amount applications	£41.9m	£164.5m	£206.4m
Offers accepted	1,185	812	1,997
Amount accepted	£11.5m	£34.7m	£46.2m
Jobs safeguarded (& created)	5,055	20,092	25,147

Phase 4 released ERF Sector Specific Support (operating cost) £180m package targeted at hospitality, tourism, leisure and non-essential retail businesses and associated supply chain businesses that have been materially impacted by a greater than 60% impact of turnover as a result of the restrictions.

ERF 4 - SSF	Micro	SME	Large	TOTAL
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No. applications	7,510	1,376	29	8,915
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Offers accepted	4,062	926	19	5,007
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Jobs safeguarded		19,243	2,980	22,223

Comparison across the regions of the UK is challenging due to lack of consistency but is reviewed in the context of each business case and MA presented.

2020 – NDR linked Grants – March 2020 – 15/02/21

15.02.21	Grant 1 : £10k	Grant 2: £10k	Grant 3: £2.5k	Grant 4: £5K	Grant 5: £1-4K	Grant 6: £1.5K/2k
Isle of Anglesey	£4,465,000	£17,730,000	£130,000	£600,000	£3,045,001	£387,000
Gwynedd	£12,990,000	£46,640,000	£255,000	£1,799,000	£8,854,000	£920,000
Conwy	£11,550,000	£28,629,000	£207,500	£1,290,000	£6,746,000	£931,500
Denbighshire	£7,425,000	£22,740,000	£130,000	£820,000	£4,080,000	£646,500
Flintshire	£8,600,000	£22,745,136	£232,500	£875,000	£3,746,000	£738,000
Wrexham	£6,455,000	£18,490,000	£225,000	£710,000	£3,033,500	£708,500
Powys	£12,781,000	£40,886,610	£190,000	£1,395,000	£5,715,500	£343,500
Ceredigion	£8,027,060	£20,495,275	£157,500	£950,000	£2,957,000	£415,500
Pembrokeshire	£12,200,000	£41,296,048	£257,500	£1,805,000	£5,054,000	£864,000
Carmarthenshire	£10,500,000	£36,000,000	£272,500	£1,045,000	£5,115,500	£908,000
Swansea	£16,675,000	£33,760,000	£187,500	£2,215,000	£9,696,000	£848,500
Neath Port Talbot	£5,900,000	£22,357,000	£80,000	£690,000	£3,511,000	£496,000
Bridgend	£9,425,000	£20,580,000	£182,500	£960,000	£2,965,000	£898,000
Vale of Glamorgan	£8,580,000	£17,147,000	£207,500	£1,150,000	£3,237,000	£577,500
Cardiff	£29,620,000	£39,272,000	£402,500	£3,480,000	£5,669,000	£4,148,000
Rhondda Cynon Taf	£10,300,000	£33,560,000	£132,500	£1,285,000	£5,290,000	£817,500
Merthyr Tydfil	£4,050,000	£9,191,500	£112,500	£460,000	£1,970,000	£363,000
Caerphilly	£7,650,000	£26,488,100	£197,500	£835,000	£4,628,000	£1,047,500
Blaenau Gwent	£2,715,000	£13,103,947	£75,000	£210,000	£2,390,000	£420,500
Torfaen	£4,150,000	£13,755,000	£157,500	£425,000	£2,155,000	£519,500
Monmouthshire	£8,975,000	£15,383,229	£142,500	£1,020,000	£1,686,000	£373,500
Newport	£9,320,000	£21,241,201	£185,000	£860,000	£3,238,000	£909,500
Wales	£212,353,060	£561,491,046	£4,120,000	£24,879,000	£94,781,501	£18,281,500

15.02.21	Grant 7: £3K	Grant 8: £5K RV 21-50	Grant 9: £5k RV 51+	Grant 10: £2k Discretionary	Total No	Total value
Isle of Anglesey	£6,363,000	£1,185,000	£205,000	£282,000	6,156	£34,392,001
Gwynedd	£8,334,000	£1,745,000	£215,000	£1,024,000	13,848	£82,776,000

Conwy	£10,241,000	£3,085,000	£415,000	£1,042,000	11,028	£64,137,000
Denbighshire	£6,264,000	£2,106,000	£160,000	£160,000	7,132	£44,531,500
Flintshire	£5,283,000	£1,855,000	£140,000	£804,000	7,336	£45,018,636
Wrexham	£3,053,000	£1,154,000	£82,000	£940,000	5,584	£34,851,000
Powys	£5,343,500	£1,345,000	£85,000	£130,000	9,577	£68,215,110
Ceredigion	£3,210,000	£955,000	£75,000	£540,000	5,741	£37,782,335
Pembrokeshire	£8,298,000	£3,700,000	£285,000	£688,000	11,648	£74,447,548
Carmarthenshire						
	£10,206,000	£2,740,000	£-	£1,028,000	11,746	£67,815,000
Swansea	£10,560,000	£4,325,000	£760,000	£324,000	13,134	£79,351,000
Neath Port Talbot						
	£2,769,000	£775,000	£55,000	£324,000	5,456	£36,957,000
Bridgend	£4,562,000	£2,210,000	£345,000	£258,000	6,532	£42,385,500
Vale of Glamorgan						
	£4,629,000	£2,445,000	£170,000	£428,000	6,171	£38,571,000
Cardiff	£4,050,000	£3,685,000	£1,005,000	£3,888,000	14,739	£95,219,500
Rhondda Cynon Taf						
	£10,845,000	£3,715,000	£205,000	£642,000	11,334	£66,792,000
Merthyr Tydfil	£1,224,000	£385,000	£35,000	£330,000	2,797	£18,121,000
Caerphilly	£6,756,000	£1,935,000	£130,000	£1,512,000	8,828	£51,179,100
Blaenau Gwent	£3,780,000	£425,000	£10,000	£380,000	4,054	£23,509,447
Torfaen	£3,435,000	£1,060,000	£160,000	£526,000	5,301	£26,343,000
Monmouthshire	£3,468,000	£2,145,000	£175,000	£420,000	5,014	£33,788,229
Newport	£4,704,000	£1,955,000	£310,000	£1,422,000	7,279	£44,144,701
Wales	£127,377,500	£44,930,000	£5,022,000	£17,092,000	180,435	£1,110,327,607

Financial Implications

None

Recommendation 8. Welsh Government should set out their plans to support businesses as COVID support tapers off and any actions planned to mitigate business closures as large support schemes are withdrawn.

Accept in Principle

The Welsh Government is actively considering future planning, which will be shared at the appropriate time.

Financial Implications

None

Recommendation 9. Welsh Government should inform the Committee of the breakdown of funds allocated to the Business Wales budget expenditure line, particularly the split between foundational economy, town centres and any increases for Business Wales itself.

Accept

A breakdown of the Business Wales budget expenditure line in 2021-22 is summarised in the table below:

Delivery Area	£m
Business Wales	4.747
Foundational Economy	3.000
Town Centre Initiatives	3.000
Total	10.747

Financial Implications

None

Recommendation 10. Welsh Government must identify and implement a process to ensure all investments appraised through WelTAG, both their own and those funded through other bodies, contribute to their policy objectives. WelTAG must be used correctly, not as a box ticking exercise to support a policy objective already formed, and options presented for appraisal must be selected effectively reflecting Welsh Government transport strategy and objectives.

Accept

We will review the current WelTAG toolkit to ensure alignment with the new Wales Transport Strategy – Llwybr Newydd. The revised toolkit will take into account the Sustainable Transport Hierarchy included in the Wales Transport Strategy, which prioritises interventions through active travel and public transport and moving to low emission vehicles ahead of new infrastructure.

Financial Implications

This will be managed within the existing budget.

Recommendation 11. The Welsh Government must embed effective monitoring and evaluation of longer-term outcomes into projects and investments, including active

travel projects. This process should be transparent and should clearly inform and feedback into guidance and the project development and delivery process.

Accept

The new Wales Transport Strategy will include targets for increasing sustainable transport mode share (all trips) from current level of 32% to 45% in 2040. Further work will be done to determine how this will be split between active travel and public transport. This will be a minimum target which will be kept under continuous review and increased if justified by evidence. Monitoring and evaluation is already built into the WelTAG process and this will be reviewed to strengthen the approach. We are ongoing with developing quantitative measures to capture our overall progress and the effectiveness of our investments. These will be underpinned by supporting metrics to give a broader picture of each measure and allow further breakdown by mode, demographic, socioeconomic and geographic factors where possible. We will also develop a National Travel Survey to fill gaps and to understand different regional aspects of travel, particularly in rural areas.

Financial Implications

New financial implications are expected to arise from the monitoring and evaluation into projects and investments. This will have to be prioritised and managed within existing/future budget allocations.

Recommendation 12. The embedded monitoring and evaluation advocated under Recommendation 9 should also be regularly reevaluated to ensure the process is still effective and is still achieving Welsh Governments desired aims. Details of new monitoring and evaluation process, and its outcomes should be shared with this Committee or its successor in the Sixth Senedd.

Accept

Wales Transport Strategy commits to setting up a Transport Performance Board to monitor and evaluate the performance of Welsh Government and other delivery partners in delivering the ambitions and priorities set in the Strategy. Annual Performance Reports will be published and the governance structure will allow for scrutiny to take place.

Financial Implications

This will have to be prioritised and managed within existing/future budget allocations.

Recommendation 13. The Welsh Government should set out the budgetary implications of different scenarios for subsidy supporting public transport recovery and provide assurance that these are affordable. It should set out where any

additional funds required by each scenario will be drawn from and detail how any additional allocations will impact on other programmes.

Reject

Modelling and forecasting to assess the effects of Covid on both the short-term and the future is ongoing. Revenues are likely to remain lower for the foreseeable future and maintaining levels of service will require additional public sector support. However, predicting what this is likely to be beyond the short-term is challenging and will depend on the duration of restrictions, economic recovery, and the public's attitudes towards returning to public transport.

Financial Implications

Not known, but will be managed from available budgets.

Recommendation 14. Welsh Government should provide assurance that any new public transport subsidy regimes fully support Welsh Government policy objectives and do not include perverse incentives.

Accept

Our integrated impact assessments will continue to be refined to consider the wider effects of policy decisions and subsidy regimes.

Financial Implications

None

Recommendation 15. With each new subsidy regime the Welsh Government should provide the Committee or its successor Committee in the Sixth Senedd details of how the new scheme does not create perverse incentives and considerations taken to ensure that.

Accept in Principle

These are fundamental considerations to the design and delivery of our support schemes for public transport.

Financial Implications

No additional financial implications.

Recommendation 16. The Welsh Government should commit to funding and supporting the Regional Skills Partnerships to develop their role along the lines the Committee set out in its report last year, this should include reconsidering funding for labour market intelligence tools.

Accept in Principle

Policy officials are working with finance officials to identify any additional funding that can be made available to Regional Skills Partnerships to enable them to continue to develop in line with the Committee's recommendations and Welsh Government's response to those recommendations. Any additional funding will be managed in year from existing budgets in the Economy and Transport MEG.

In regards to Interactive Labour Market Intelligence Analysis Tools, Welsh Government is continuing to look at budgets to determine whether funding can be made available to support this activity. It should be noted that Regional Skills Partnerships already have access to these tools via their own arrangements and we would encourage them to continue to maintain their own access in the event that a Welsh Government-led procurement exercise does not go ahead. In any event, Welsh Government will establish a community of practice for users of these tools to ensure they are being used in the most effective manner possible.

Financial Implications

With the absence of any additional funding for RSPs from outside of the Economy and Transport MEG any extra funding for RSPs and the labour market intelligence tools will have to come from existing budgets within the Economy and Transport MEG.

Recommendation 17. The Welsh Government should set out where the new funding to establish the fourth Regional Skills Partnership would be drawn from.

Accept in Principle

The fourth Regional Skills Partnership, to cover the Mid Wales local authorities of Ceredigion and Powys, will be established upon receiving evidence that the key requirements for all Regional Skills Partnerships have been met. Once Welsh Government is satisfied that evidence is in place funding discussions will commence. The Mid Wales Regional Skills Partnership will be managed, in year, from existing budgets in the Economy and Transport MEG, through the Skills Policy Engagement BEL.

Financial Implications

With the absence of any additional funding for RSPs from outside of the Economy and Transport MEG any extra funding for the fourth RSP will have to come from existing budgets within the Economy and Transport MEG.

Recommendation 18. The Welsh Government should set out for the Committee how it aligns the separate budgets for lifelong learning provision into a coherent strategy and what outcomes it expects this funding to deliver.

Accept in Principle

'Lifelong learning' encompasses a wide range of government funded and government supported education and training programmes, including adult community learning, adult and part-time higher and further education, and employability programmes. Welsh Government is committed to expanding lifelong learning opportunities as part of our wider strategic vision for the Post-Compulsory Education and Training Sector, which was published in November 2020. To help make progress towards our vision we have asked the Welsh Centre for Public Policy to conduct research into comparable lifelong learning systems in our countries, to identify where barriers to lifelong participation in education and training persist in Wales, and to advise on how expanding lifelong learning can best support economic and social policy objectives. Part of this review will include an overview analysis by Welsh Government of the separate budgets for lifelong learning, and once this analysis has been conducted we will be happy to share it with the Committee.

Financial Implications

None.

Recommendation 19. The Welsh Government should update the Committee Ministerial Responsibilities Document to include which Minister now has responsibility for lifelong learning policy within their portfolio.

Reject

The expression '**lifelong learning**' is often used as an umbrella term for forms of **learning** which fall outside the school system.

The Minister for Education and I (Minister for Economy and Transport) work closely on this area of work and share a Directorate that covers Skills, Higher Education and Lifelong Learning.

The Ministerial Responsibilities document sets out the Minister for Education's responsibilities including for Further and Higher Education, Adult community learning and the Credit and Qualifications Framework. My (Minister for Economy and Transport) responsibilities include Careers Policy, Apprenticeship policy and delivery, Work-based learning providers and Workforce skills development, including the Wales Union Learning Fund.

Colleagues across the Cabinet also have programmes that contribute to this crucial area of work.

Financial Implications

None

Recommendation 20. The Welsh Government should provide the committee with the total quantum of research and development funding it provides and spends, broken down by areas of spend and the bodies to which is it disbursed or spent by.

Accept

The Welsh Government accept this recommendation and will work to provide the committee with a response once the information has been collated, which won't be before the Final Budget for 2021-22 is published.

Financial Implications

None

Recommendation 21. Now that the Reid review recommendations have not been fully funded before the UK left the EU, the Welsh Government should urgently set out its alternative plans for replacing EU research and innovation funding.

Accept in Principle

Replacement funding for EU Structural Funds was to be provided through the UK Shared Prosperity Fund. If in the EU, new EU programmes would have started on 1

January 2020 in addition to the tail end of the 2014-2020 programmes, but the UK Government still has not provided the SPF replacement funding nor has it published any plans for how the SPF might be used. The UK Government has announced £220m in 2021/22 for all programmes across the whole UK, which is a massive cut to the £375 annually that Wales would have received if in the EU. The Welsh Government continues to maintain that the SPF in Wales should be distributed through the Welsh Government in line with the devolution settlement, not least because research and innovation is one of the areas that is best managed on a Wales-wide basis. Overall, the Welsh Government invested around £380m for Research and Innovation through the 2014-2020 EU programmes in Wales.

Our approach to replace EU funds is set out in “A Framework for Regional Investment in Wales”, and was produced in collaboration with hundreds of organisations across Wales including both universities and private organisations in the research and innovation sector. We also worked with the OECD to learn international best practice and carried out a public consultation. The Framework was published on 18 November 2020:

<https://gov.wales/sites/default/files/publications/2020-11/regional-investment-in-wales-framework.pdf>

The Welsh Government agrees that further work needs to be done to develop the detail of how the UK Government’s Shared Prosperity Fund will be used to implement our Regional Investment in Wales Framework, including the research and innovation that forms critical and integral strands of the Framework. But this work can make only limited progress without actual funding in place and without a clear commitment from the UK Government to respect the devolution settlement so that the Framework can be implemented.

Meanwhile we welcome the UK’s ongoing engagement with the EU’s Horizon programme, and the Welsh Government’s Horizon team is continuing to work with the UK National Contact Point network and BEIS and will be supporting Welsh businesses and universities in securing as large a role in that as possible as Horizon Europe is formally approved and launched over the next few months.

Financial Implications

Various, as per above response.