

**Memorandum on the Economy and Infrastructure (E&I)  
Draft Budget Proposals for 2017/18  
Skills and Science**

**Economy, Infrastructure and Skills Committee – 3 November 2016**

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**1.0 Introduction**

This paper provides information on the Skills and Science elements of the Economy and Infrastructure budget proposals as outlined in the 2017/18 Draft Budget announced on 18 October. The Welsh Government has decided to publish a one year revenue settlement to allow time to assess the impact of the Autumn Statement in terms of revenue spending plans beyond 2017/18. A four year capital budget has been published which consists of a firm budget for 2017/18 and indicative allocations for the subsequent three years. This long term approach to capital planning will provide greater transparency and certainty to our key stakeholders and delivery partners.

**2.0 Summary of Budget Changes**

In overall terms, the 2017/18 budget allocations to support the Skills and Science portfolio have increased by £14.147m when compared to the 2016/17 Revised Baseline Budget. This movement is made up of a revenue reduction of £0.024m and an increase of £14.171m to the capital allocation, as shown in Table 1 and 2 below. There are no changes to the non cash budget.

**TABLE 1: OVERVIEW OF THE REVENUE BUDGET**

<b>SPA</b>	<b>2017/18 Revised Baseline £'000</b>	<b>2017/18 Changes £'000</b>	<b>2017/18 Draft Budget £'000</b>
<b>Revenue</b>			
Sectors and Business (Life Sciences only)	2,896	0	2,896
Science, and Innovation	10,514	0	10,514
Skills	141,875	0	141,875
Infrastructure	9,041	(24)	9,017
<b>Total</b>	<b>164,326</b>	<b>(24)</b>	<b>164,302</b>
<b>Non Cash</b>			
Infrastructure	1,309	0	1,309
<b>Total</b>	<b>1,309</b>	<b>0</b>	<b>1,309</b>

**TABLE 2: OVERVIEW OF THE CAPITAL BUDGET**

	2016/17 First Supp Budget £'000	2017/18 Draft Budget Allocations				
		2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
<b>Traditional Capital</b>						
Sectors & Business (Life Sciences Only)	6,855	9,711	3,605	2,000	1,000	<b>16,316</b>
Science and Innovation	5,541	12,610	601	62	62	<b>13,335</b>
Infrastructure	16,304	20,550	7,500	1,500	19,500	<b>49,050</b>
<b>TOTAL</b>	<b>28,700</b>	<b>42,871</b>	<b>11,706</b>	<b>3,562</b>	<b>20,562</b>	<b>78,701</b>

A detailed BEL Table is provided at **Annex A**.

## 2.1 Revenue Changes

In preparing the plans we have looked to minimise the revenue reductions required from the portfolio. The revenue budget has been protected with one small saving of £0.024m in the ICT Infrastructure budget arising from a reduced requirement in contract development work. This reduction is part of the wider revenue saving required from the Economy and Infrastructure MEG.

Our main revenue support is to maintain our funding of apprenticeships and traineeships in Wales. In 2017/18 the key commitment to ensure 100,000 new apprenticeship places in Taking Wales Forward 2016-21 is supported with £111m. These places will provide the right training for people of all ages to access the jobs they want to provide a meaningful contribution to society and ensure employers are able to access people with the skills they need to take their businesses forward.

The draft budget allocation further delivers on Taking Wales Forward in providing support to the economy through continued investment in science, innovation and life sciences. We are also able to continue to support public sector access to faster broadband across Wales and ensure people have the digital skills to take advantage of this technology.

## 2.2 Capital Changes

The four year capital settlement for the Economy and Infrastructure MEG is challenging and plans have therefore been prioritised across the portfolio to progress the Taking Wales Forward agenda.

For 2017/18, the increases of £2.856m for Life Sciences and £8.677m for Innovation reflect our on going commitment to fund major projects and attract high quality investments into Wales. Future years' budgets reflect reduced

funding in line with the delivery requirements for these projects. The science capital budget decreases by £1.608m in 2017/18 which is in line with the funding requirements of the projects in delivery.

The ICT Infrastructure budget has increased by £4.246m in 2017/18 which reflects our commitment to provide fast and effective broadband to all homes and premises in Wales despite the challenging budget settlement. The reductions in 2018/19 and 2019/20 and subsequent increase in 2020/21 in this budget line over future years reflects the anticipated ending of the current projects and the start of the proposed Superfast II Project.

### 3.0 Sectors and Business Budgets

<b>SPA: Sectors &amp; Business</b>					
<b>Action</b>	<b>BEL</b>	<b>Expenditure Category</b>	<b>2017/18 Revised Baseline £'000</b>	<b>2017/18 Changes £'000</b>	<b>2017/18 Draft Budget £'000</b>
Sectors	3764 - Life Sciences	Resource	2,896	0	2,896
<b>TOTAL</b>			<b>2,896</b>	<b>0</b>	<b>2,896</b>

<b>Action: Sectors</b>						
<b>BEL</b>	<b>2016/17 First Supp Budget £'000</b>	<b>2017/18 Draft Budget Allocations</b>				
		<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>Total £'000</b>
<b>Traditional Capital</b>						
3764 – Life Sciences	6,855	9,711	3,605	2,000	1,000	<b>16,316</b>
<b>TOTAL</b>	<b>6,855</b>	<b>9,711</b>	<b>3,605</b>	<b>2,000</b>	<b>1,000</b>	<b>16,316</b>

#### Life Sciences Sector - Policy & Strategy Overview

The Life Sciences sector is an important driver of economic growth and improved well being. It plays a significant part in the economy by creating jobs, increasing wealth and developing high-end skills. Encompassing pharmaceuticals, biotechnology and medical technology with wide-ranging activities such as research, testing, manufacture and provision of specialist services, Life Sciences incorporates partners from business, the NHS and academic areas. The sector in Wales has clusters of genuine excellence and with the appropriate support, this can be developed into a vibrant, sustainable, growing sector of significant economic and social benefit. The Welsh Government is committed to making Wales the best possible environment for Life Sciences innovation and business growth. Success will be based on capturing increases in sector employment (jobs created, safeguarded and assisted) and tracking the wider health and economic benefits to Wales.

## Major Programmes & Projects

The Life Sciences Sector BEL funds a range of short, medium and long term capacity building infrastructure programmes / projects and job creation through Repayable Business Finance business support activities.

In the **short term**, we will continue to provide revenue support and progress opportunities for the Life Sciences ecosystem in Wales. The Life Sciences Hub will remain at the centre of the ecosystem and will focus on hosting sector support interventions including the NHS (Wales), Life Sciences Bridging Fund, Boost Cymru and Life Sciences Investment Fund. In 2017/18 we have allocated £2.896m for these initiatives.

Benefits and opportunities originating from our current investments in this sector are being considered. Following the recent announcement that Cardiff will house a regional hub for the Precision Medicine catapult, we will work with industry to maximise the economic impact. Wales has created a demonstrable cluster of regenerative medicine businesses and we will work internationally to grow businesses.

In the **medium term**, we will facilitate trials and demonstrator links and assist with route to market opportunities for Life Sciences businesses within NHS Wales and key strategic subsectors. The capital funding of £16.316m over the four years will support the commitments for the strategic infrastructure investments, creating an enviable environment for growing regenerative medicine companies to thrive. Building on increased ecosystem integration, we will undertake activities that realise the potential of the Life Sciences Supply Chain in Wales. We will work alongside other proposition developments such as ARCH (West Wales) and the Clinical Innovation Hub (South Wales) to maximise their economic impact.

In the **long term**, we will continue to raise the international profile of the sector by creating an international brand that highlights its innovative successful nature and attracts growth and job creation to Wales. We also aim to create a clearer route to market for the long term translation and adoption of products into the NHS.

## 4.0 Science and Innovation Budgets

<b>SPA: Science &amp; Innovation</b>					
<b>Action</b>	<b>BEL</b>	<b>Expenditure Category</b>	<b>2017/18 Revised Baseline £'000</b>	<b>2017/18 Changes £'000</b>	<b>2017/18 Draft Budget £'000</b>
Innovation	Business Innovation	Resource	1,520	0	1,520
	Innovation Centres and R&D Facilities	Resource	2,553	0	2,553

	Academia and Business Collaboration	Resource	1,646	0	1,646
<b>Total</b>			<b>5,719</b>	<b>0</b>	<b>5,719</b>
Science	Science	Resource	4,795	0	4,795
<b>Total</b>			<b>4,795</b>	<b>0</b>	<b>4,795</b>
<b>TOTAL</b>			<b>10,514</b>	<b>0</b>	<b>10,514</b>

BEL	2016/17 First Supp Budget £'000	2017/18 Draft Budget Allocations				
		2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
<b>Traditional Capital</b>						
<b>Action: Innovation</b>						
Academia and Business Collaboration	3,062	11,739	62	62	62	<b>11,925</b>
<b>Total</b>	<b>3,062</b>	<b>11,739</b>	62	62	62	<b>11,925</b>
<b>Action: Science</b>						
Science	2,479	871	539	0	0	<b>1,410</b>
<b>Total</b>	<b>2,479</b>	<b>871</b>	<b>539</b>	<b>0</b>	<b>0</b>	<b>1,410</b>
<b>TOTAL</b>	<b>5,541</b>	<b>12,610</b>	<b>601</b>	<b>62</b>	<b>62</b>	<b>13,335</b>

### Innovation BELS

The revenue and capital funding of £17.644m for Innovation supports the EU innovation programmes, SMART Cymru and SMART Expertise. These programmes encourage businesses to invest in innovation and develop links with academia with business innovation with the aim of enhancing the competitiveness of firms and provide sustainable economic growth. The increased capital funding in 2017/18 enables us to complete our investment in the Menai Science Park and the Compound Semiconductor Foundation.

### Science BEL

The revenue and capital funding of £6.205m supports initiatives to deliver the Science for Wales Strategy.

The budget includes revenue and capital funding to support the Sêr Cymru, Sêr Cymru 2 and National Science Academy (NSA) initiatives. The future years' capital allocation of £1.410m provides for the capital requirements for Ser Cymru as the new programmes are co-financed with external funding. The Ser Cymru programmes are also supported by Health and Education budgets.

## 5.0 Skills Budgets

<b>SPA: Skills</b>					
<b>Action</b>	<b>BEL</b>	<b>Expenditure Category</b>	<b>2017/18 Revised Baseline £'000</b>	<b>2017/18 Changes £'000</b>	<b>2017/18 Draft Budget £'000</b>
Work Based Learning	Work Based Learning	Resource	111,308		111,308
Delivery Support Skills	Marketing Skills	Resource	648		648
Skills Policy	Skills Policy Engagement	Resource	1,261	(200)	1,061
Employment and Skills	Employment and Skills	Resource	28,658	200	28,858
<b>TOTAL</b>			<b>141,875</b>	<b>0</b>	<b>141,875</b>

There is a transfer of £0.200m from the Skills Policy & Engagement budget to the Employment and Skills budget. This funding will inform the development of a Welsh Government Employability Strategy and new approach to delivering skills and employability training to unemployed and under-employed people aged 16 and over.

### **Work Based Learning BEL**

The 2017/18 budget for Work Based Learning is £136.308m gross expenditure with budgeted ESF receipts of £25m, leaving a net budget of £111.308m.

The Work Based Learning budget supports:

- the delivery of all-age apprenticeships (circa £98m)
- the delivery of the Traineeship programme (the Welsh Government's youth employability programme) (circa £33m);
- support for the recruitment of apprentices aged 16-18 (circa £2.5m)
- the Inspiring Skills programme and other pilots aimed at increasing apprenticeship participation e.g. 'Have a Go' (circa £1.2m)
- Staff and marketing costs related to ESF projects (circa £2m)

Apprenticeships are funded over 2 or more financial years depending on the duration of the Apprenticeship programme. The Welsh Government has a responsibility to support apprentices until they complete their frameworks. This budget provides the funding to start delivering the 'Taking Wales Forward' commitment of 100,000 new apprenticeship places over this term of government. This will provide people of all ages with the skills to find long term employment and in businesses, the skilled workforce they need to take their business and the economy in Wales forward.

### **Marketing Skills BEL**

This budget funds marketing activity to promote the apprenticeship and traineeship programmes and support skills award events.

### **Skills Policy and Engagement BEL**

Work under Skills Policy Engagement Budget Expenditure Line is organised under three key objectives:

- Formulation and communication of Welsh Government skills policy taking account of the wider cross-UK policy landscape;
- Establishing a strong employer-led regional skills delivery agenda supported by Regional Skills Partnerships; and
- Engaging and supporting key employers through strategic relationship management to meet skills needs via employer-led projects.

The Skills Policy Engagement agenda includes: leading on retaining National Occupational Standards (NOS) as the basis for our vocational education and training systems taking account of the UK skills agenda; supporting the quality assurance, dissemination, analysis and procurement of evidence to support skills, employment and learning development via robust Labour Market Information, working closely with the Regional Skills Partnerships; and acting as the skills lead in our engagement with employers. This includes working closely with wider Sector and Business Teams and leading on the Flexible Skills Programme (FSP), to meet strategic employer skills needs where these cannot be met by mainstream provision.

### **Employment and Skills BEL**

The Employment and Skills BEL 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. The core budget of £28.858m draws in EU funding of £20m per year to support a substantial amount of activity, either directly or indirectly.

The budget delivers a range of existing employability and skills support programmes and activities, including ReAct, Jobs Growth Wales, Employability Skills Programme, Skills Priorities Programme, Flexible Skills Programme, Wales Union Learning Fund, Skills Gateway, and manages core funding for Wales TUC Education and Learning Services and Chwarae Teg.

## 6.0 Infrastructure Budgets

<b>SPA: Infrastructure</b>					
<b>Action</b>	<b>BEL</b>	<b>Expenditure Category</b>	<b>2017/18 Revised Baseline £'000</b>	<b>2017/18 Changes £'000</b>	<b>2017/18 Draft Budget £'000</b>
Deliver ICT Infrastructure	Digital Inclusion	Resource	1,250		1,250
	Public Sector Broadband Aggregation	Resource	5,740		5,740
	ICT Infrastructure Operations	Resource	2,051	(24)	2,027
<b>Total</b>			<b>9,041</b>	<b>(24)</b>	<b>9,017</b>
Deliver ICT Infrastructure	ICT Infrastructure Operations	Non Cash	1,309		1,309
<b>Total</b>			<b>1,309</b>	<b>0</b>	<b>1,309</b>
<b>Total</b>			<b>10,350</b>	<b>(24)</b>	<b>10,326</b>

<b>Action: Deliver ICT Infrastructure</b>						
<b>BEL</b>	<b>2016/17 First Supp Budget £'000</b>	<b>2017/18 Draft Budget Allocations</b>				
		<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>Total £'000</b>
<b>Traditional Capital</b>						
ICT Infrastructure Operations	16,304	20,550	7,500	1,500	19,500	<b>49,050</b>
	<b>16,304</b>	<b>20,550</b>	<b>7,500</b>	<b>1,500</b>	<b>19,500</b>	<b>49,050</b>

### **Policy and Strategy Overview**

The funding will progress Taking Wales Forward by supporting projects and programmes that develop and improve access to the broadband infrastructure and communications network throughout Wales.

### **Digital Inclusion BEL**

A contract has been awarded to the Wales Co-operative Centre to help support more people to benefit fully from the opportunities offered by using digital technologies. The Digital Communities Wales programme supports partner organisations which work with those individuals most likely to be digitally excluded to help them improve their lives. The contract runs until March 2017, with an option to extend to 2019 and consideration will be given to this option over the next twelve months.



### **Public Sector Broadband Aggregation BEL**

This budget supports the contract awarded to BT in October 2014 for a minimum of seven years that provides a mechanism for collaborative purchasing of wide area networking services and service integration. It currently supports over 80 public sector organisations providing over 4,000 site services.

### **ICT Infrastructure Operations BEL**

The four main programmes of activity are:

- **Superfast Exploitation (revenue)** – contracts awarded to different providers to help businesses gain commercial benefit from superfast broadband infrastructure and create economic dividend for Wales. This is a five year project, which commenced in late 2015. The project utilises both Welsh Government and EU funding.
- **Superfast Cymru (capital)** – contract awarded to BT to develop superfast broadband infrastructure throughout Wales capable of delivering 30mbps or more. The project utilises Welsh Government, EU and BDUK funding. The project is expected to complete in 2017.
- **Superfast Infill (capital)** – contract awarded to Airband to develop satellite and wireless infrastructure to business parks in Wales capable of delivering 30mbps or more. The project utilised domestic and BDUK funding.
- **Access Broadband Cymru (capital)** – a demand led scheme that provides grant to support access to alternative broadband solutions capable of delivering stable superfast download speeds.

An additional phase of Superfast Cymru is being explored for 2017/18. This project will build on the infrastructure created in the first phase and will provide options for reaching those premises not included in the first phase. The project will utilise Welsh Government and EU funding. Work is ongoing with BT to release revenue funding generated from the first phase to support this additional activity.

The revenue reduction of £0.024m reflects a reduced requirement for contract development work.

## **7.0 Welsh Government Priorities for the Fifth Assembly**

The priorities for the Welsh Government are developed around four cross-cutting themes which will set the framework for how our priorities are delivered. These are:

- A secure and prosperous Wales
- A healthy and active Wales
- An ambitious and learning Wales;
- A united and connected Wales.

The Welsh Government has published Taking Wales Forward which sets out its priorities for the next five years to deliver more and better jobs through a stronger, fairer economy, improve and reform public services, and build a united, connected and sustainable Wales. The Skills and Science portfolio is responsible for taking forward several of these priorities including 100,000 apprenticeship places and the provision of broadband for all.

## **8.0 Budget Monitoring and Evaluation**

### **8.1 Budget Monitoring**

All spending areas are challenged on a monthly basis and quarterly in-depth reviews are undertaken by officials to consider the latest forecasts and agree budget movements as necessary. The Cabinet Secretary for Economy and Infrastructure and the Minister for Skills and Science are provided with regular financial updates on the portfolio to ensure the budget remains on track to deliver on the priorities for Wales.

### **8.2 Evaluation**

The need for and scope of evaluation is considered on a case by case basis during policy and programme development having regard to the risk, size and scale, existing evidence base and other factors. Evaluation of projects and programmes are undertaken during and on completion of projects and can be undertaken by internally or by external contractors depending on the degree of expertise and independence required.

Commissioning evaluations and research is one way of gathering evidence on policies and programmes, but is not the only way and is not always the most appropriate. The portfolio therefore uses a variety of approaches to inform the process through expert advice and learning. For example, sometimes the existing evidence base is used to shape programmes and policy and there is not always a need, or a good value for money argument to produce new evidence.

Feasibility studies are often undertaken prior to the commencement of some projects to assess suitability for going forward. Gateway reviews for large projects are undertaken to assess value for money and both internal and external audits may be undertaken, which provide further evidence to support policy outcomes.

Outcomes and performance are continually monitored for each of the projects and contracts that are managed within the portfolio.

## **9.0 Preventative Spending**

The entire budget for Science and Skills aims to strengthen the conditions that will enable business to create jobs and sustainable economic growth. The

Well-being of Future Generations (Wales) Act 2015 is integral to our approach in ensuring Wales becomes more prosperous, resilient, healthier, fairer and more equal society.

The approach of prevention in acting to prevent problems from occurring or getting worse has continued to underpin our decision making. There is evidence that well paid work is the best route out of poverty and the greatest protection against poverty for those at risk. We continue to create opportunities for individuals and families with initiatives and targeted investment across Wales.

In delivering better outcomes preventative spending measures are important for the long-term. The majority of Skills and Science portfolio expenditure may be attributed as preventative spend. For example, the Work Based Learning entire budget is considered to be preventative. This is due to the aim of the budget being to provide learning opportunities to enable people to raise their skill levels and, thereby, gain employment or improve their employment chances. The programme helps to keep unemployment at a low rate, thus reducing dependency on welfare benefits. Research indicates that those people who achieve a Level 3 qualification, in business skills etc (or higher) improve their life prospects and increase individual aspirations.

Also, our employment and skills support programmes are designed to address skills and employability issues with the aim of helping individuals access, remain in and progress within the workplace. They also provide employers with the required advice and support not only to expand and grow their businesses but also to sustain their current turnover and profit margins.

Those programmes targeted at unemployed individuals have a significant impact on preventative spend, as for each individual gaining employment and leaving the unemployment register there is an exchequer net gain. In addition, once employment has been secured, there will a reduction in the demand for subsidiary benefits.

Reducing the inequality of educational outcomes between different groups is one of the main objectives we seek to achieve. In the medium to long term, this will lift children and young people out of poverty, reduce the likelihood of them becoming not in employment, education or training (NEET) or entering the criminal justice system and give them the best opportunity to have improved health and life outcomes. Many of our programmes are built around the needs of young people and the accountability of different agencies, thereby strengthening and delivering better outcomes for this group.

## **10.0 Impact of Britain Leaving the EU**

In total, the Skills and Science portfolio manages 20 EU funded projects with total project costs of £646m. We aim to draw down £252m of EU funding up to 2021 and use Welsh Government match funding(subject to the approval of future budgets) of £394m.

In the Skills part of the portfolio, there are 9 revenue ESF projects under the new 2014-2020 round of Funding, including ReAct, Apprenticeships, Traineeships and Jobs Growth Wales. The value of ESF approved to date is circa £150m, and this is expected to increase to around £190m in line with transition agreements with WEFO between the 2007-13 and 2014-20 funded programmes. These projects are expected to support around 137,000 participants.

There are two Infrastructure EU capital projects to help deliver the broadband agenda. There are three Science EU projects under the SER Cymru revenue programme and the six Innovations EU projects which have a mixture of capital and revenue requirements.

A UK Treasury guarantee on funding for current Structural Funds and other EU programmes goes some way towards our funding demands but we will continue to press to ensure Wales does not lose a penny of current EU funding and future funding that would have been anticipated.

## **11.0 Costs of Legislation**

Costs of legislation being taken forward which impact on the portfolio are highlighted in section 11.1 to 11.3 below.

### **11.1 The Well Being of Future Generations Act**

The Well-being of Future Generations (Wales) Act is about improving the social, economic, environmental and cultural well-being of Wales, now and in the future. The Act will mean that policies are delivered in a sustainable way and make the listed public bodies (including the Welsh Government) think more about the long term, work better with people, communities and each other, look to prevent problems, and take a more joined-up approach.

By establishing a single binding legal framework, the Act provides a means of directly addressing the over-complexity identified by the Commission for Public Services and will provide a way of building our future capability to deliver. In planning for the Draft Budget 2017/18, we have taken the opportunity to look ahead to target investment in sustainable outcomes and adopt the five key ways of working established by the Act and balanced our potential long-term impacts of our decisions against our short-term needs.

The Well-being and Future Generations Act places a duty on the Welsh Government and other public bodies to realise the seven well-being goals identified by the Act. There is also a requirement to evidence that the approach to delivering the goals utilises the five principles of sustainable development.

The Skills and Science portfolio is already planning much of its operational activities so that they are in line with these requirements. Work is ongoing to

review and refine programmes and activities to ensure we are delivering our obligations under the Act.

The anticipated outcomes are that all parts of society will have the rights skills to access services (health & education), employment and leisure that people need.

## **11.2 The Wales Bill**

The Wales Bill is not anticipated to come into force until April 2018 and there will be no financial implications for this portfolio in 2017/18, other than staff resources required to prepare to deliver the new functions.

## **11.3 UK Government Legislation**

There are a number of UK Government bills which are under consideration and could impact on devolved policy areas in Wales when they come into force. These include the Higher Education and Research Bill and the Digital Economy Bill.

## **12.0 Capital Expenditure**

This is covered in sections above.

## **13.0 Cross Cutting Considerations**

The Integrated Impact Assessment (IIA) for the Economy and Infrastructure MEG which includes the Skills and Science portfolio, is attached at Annex C to this evidence paper.

The assessment covers the equality impact of our spending decisions on the protected characteristics together with the impacts on Welsh Language, Rights of the Child, Tackling Poverty aligned under the umbrella of well-being, as set out in the *Well-being of Future Generations (Wales) Act 2015*. We have ensured that policies and programmes reflect our commitment to sustainability, by considering investment that we can make now to prevent more expensive action in the future.

Under the Rights of Children and Young Persons (Wales) Measure 2011, we have given balanced consideration to the rights set out in the UNCRC. A separate Children's Rights Impact Assessment for the overall Draft Budget 2017/18 and for Economy and Infrastructure MEG has not been published separately, but forms part of this IIA.

## **14.0 Specific Areas – Science Research and Evaluation**

### **Policy and Strategy Overview**

Science in Wales is high quality, but Wales has too few scientists. There is an estimated shortfall of 600 researchers in areas crucial to the development of the Welsh economy including clinical medicine, engineering, mathematics and physics, ICT and applied social science. The Sêr Cymru 2 programme aims to remedy this through attracting scientists to Wales as Senior and Junior Fellows through a Marie Skłodowska-Curie Actions COFUND fellowship scheme and an application for the European Regional Development Fund (ERDF) support. Match funders will include: EST, HEFCW, Health and Care Research Wales, Universities, Industry and Charities.

#### **14.1 Funding for science policy**

The Welsh Government provides funding for science policy in Wales. The core budgets match fund European projects as follows:

Marie Skłodowska-Curie Actions COFUND Research Fellowships. Research Fellowships will be aimed at stellar candidates; 3-5 years post PhD, from anywhere outside of the UK to come to work in Wales. We aim to support approximately 90 fellowships of approximately three years in duration. The total value of this grant is €24.1 million (€9.5 million coming from the European Commission).

We have secured EU Structural Funds support for the Sêr Cymru II programme. This proposal has been described as a 'backbone' project for WEFO with a total value of £39m (£23m from Structural Funds). The project will be made up of the following two forms of fellowships.

- 'Rising Star' fellowships will be very prestigious and highly competitive positions, designed to attract the very best 'rising stars' of academic research. We plan to facilitate approximately 26 five-year rising star fellowship packages each funded at £0.2m per annum.
- 'Welsh Fellowships' scheme Research Fellowships will be aimed at stellar Candidates, 3-5 years post PhD, from anywhere in the world including the UK to come to work in Wales. We aim to support approximately 30 fellowships of approximately three years in duration.

This is in addition to the current £30m Ser Cymru 1 scheme.

#### **14.2 Science for Wales, the Ser Cymru programmes and the promotion of STEM skills.**

Formal education in Science, Technology, Engineering & Maths (STEM) subjects (curriculum, assessment and qualifications and teacher training and development) are all matters for the Cabinet Secretary for Education.

In March 2016, a STEM in Education and Training delivery plan was published, showing how these subjects will be supported for pupils and

students from 3 to 19 years. An internal group, chaired by our Chief Scientific Adviser, is overseeing how this is taken forward.

## 15.0 Specific areas – Skills

### 15.1 Support to help people into work, including Jobs Growth Wales

Support to help people into work is provided through a number of adult employability programmes and services, comprising:

- ReAct
- Employability Skills Programme
- Jobs Growth Wales
- Traineeships
- Skills Gateway

The **ReAct** programme is designed to complement and supplement the service offered to redundant workers by JCP and Careers Wales through a series of measures designed to remove the barriers to obtaining employment. The ReAct programme is part ESF funded.

The **Employability Skills Programme** reflects a different approach to delivery with a greater focus on a work placement and a continuation of support once an individual secures employment. The core content of the programme is a high quality work placement or employer specific training which is combined with work preparation training and essential skills provision. The programme will challenge Wales' provider network to deliver differently, forging closer links with employers, with the aim of providing sustainable employment outcomes for participants.

**Jobs Growth Wales** provides unemployed young people with a job opportunity for a six month period paid at or above the National Minimum Wage for a minimum of 25 hours per week.

**Traineeships** The Welsh Government flagship Traineeship Programme is a non-employed status training programme for 16-18 year olds not otherwise engaged in post-16 education or employment. The programme offers three defined pathways or strands:

- An entry level 'Engagement' training option for learners who need to confirm an occupational focus:
- A Level 1 training option for those learners who are occupationally focused and able to follow a learning programme at National Qualification Level (NVQ) 1 or equivalent; and
- A Level 2 training option (known as the Bridge-to-Employment) which aims to link employment-ready young people who have completed the

Level 1 learning (as above) and who are still eligible for the Traineeships programme, but have not secured employment or further learning at a higher level.

The **Skills Gateway** programme delivers an engagement, assessment and referral system that provides a seamless service for businesses and individuals seeking skills support in Wales.

We are scoping a new all-age employability programme in 2018 to support individuals of all ages to find good quality employment. We want this support to be tailored to individual need and, where appropriate, aligned with emerging job opportunities in local communities. Our aim is to bring together the activities from our main employability programmes – Jobs Growth Wales, ReAct, Traineeships and our new Employability Skills Programme – into a single employability support programme that will better meet the needs of those requiring support to gain, retain and progress within work.

The new programme is being developed using the most recent evidence and research into the delivery of effective labour market programmes. It will be informed by evaluations of the Work Ready, Jobs Growth Wales and ReAct Programmes, the Skills Conditionality pilots which we conducted with the Department for Work and Pensions, and the Traineeships evaluation and review.

## **15.2 Support specifically aimed at young people who are not in education, employment or training (NEET)**

The Youth Engagement & Progression Framework is one of the Welsh Government's key delivery drivers for reducing the number of young people 16-18 who are NEET or at risk of becoming so. Positive progress has been made since its launch in October 2013. Key to its success is the early identification and tracking of progress of young people at risk of becoming NEET. Although the two year implementation phase has come to an end, this certainly does not mean the end of the Framework. Embedding systems takes time and the Framework is creating cultural change within local authorities.

We are continuing to support local authorities to develop structures and systems at a local level to build upon the good work to date. Our support is focusing on data collection and analysis and coordination of the Framework within other key priority areas and between a wide range of partners. We are taking a more targeted approach, focussing on harder to reach and more vulnerable groups, such as Looked After Children, those within educational provision outside of mainstream school and young people in the youth justice system.

However, the economic climate has changed and our suite of employability support needs to adapt to reflect the new environment in which we are



operating. We therefore outlined in Taking Wales Forward, as stated in paragraph 15.1, that we would create a new employability program to support individuals of all ages to find good quality employment.

Changes are being made to some of our existing programmes to enable us to transition smoothly to delivery of the new all-age programme. The changes to Jobs Growth Wales are a key part of this transition plan - the wage subsidy was reduced from 100% to 50% from the 1<sup>st</sup> August 2016.

The immediate changes to Job Growth Wales II will ensure that the offer continues to meet the needs of young people seeking employment.

### **15.3 Support to help people (all ages) into work, including the new Employability Skills Programme for Wales**

Covered by Section 15.1 above

### **15.4 Apprenticeships and other work-based learning**

Apprenticeships continue to be our flagship programme. They have proven their effectiveness in the marketplace and are highly valued by both employers and apprentices with framework completion rates remaining consistently high at over 80 per cent. In 2014/15 there were just over 19,500 new apprenticeship learning programme starts and over 44,000 apprentices in training. We are keen to engage more employers to take on apprentices in the future, recognising that only 13% of employers in Wales are currently engaged with apprenticeships.

Central to our planning is the work to make available 100,000 all-age apprenticeship places over the current Assembly term. This commitment will seek to ensure that we are able to align the skills people gain through an apprenticeship with the skills that the economy needs. We will also be seeking to extend the scope of apprenticeships, particularly in growth sectors and in sectors where future job opportunities will emerge, as well as to build on our work in delivering Higher Level apprenticeships.

We will also continue with our efforts to gain clarity from the UK Government on the impact for Wales of their Apprenticeship Levy. There are some cross-border and funding issues which remain unclear.

Reflecting our strong commitment to apprenticeships, our delivery priorities for 2016 to 2021 include:

- strengthening employer engagement with apprenticeship learning;
- expanding the take-up of apprenticeships amongst 16-19 year olds and increasing the number of school leavers going on to high quality apprenticeships;

- extending the scope of apprenticeships, particularly in growth sectors and emerging job categories, in line with priorities determined by Regional Skills Partnerships;
- developing higher level skills by focusing on apprenticeships at level 3 and above where returns tend to be better, including Higher Apprenticeships which support technical and professional opportunities at Level 4 and above, and, in tandem, continue with the phased reduction in Foundation (Level 2) Apprenticeships; and
- enhancing those skills pathways that integrate apprenticeships into the wider education system, which include the opportunities to work closely with higher education.

### **15.5 Workforce skills development**

The Policy Statement on Skills (January 2014) set out a vision for employment and skills policy in Wales over the next 10 years and the responsible action needed by all stakeholders to develop a resilient, responsive and sustainable post-19 skills system. It also highlighted the tough choices ahead if Wales is to deliver the skills needed to raise productivity levels and reduce barriers into employment.

To ensure we deliver our aspiration for a competitive and sustainable skills system in Wales, we will continue developing approaches which provide individuals with the foundation for progression into work or further learning and higher skills and for employers, we will continue to seek their engagement and investment in skills and training. To that end, the Framework for Co-investment in Skills (November 2014) will be updated to reflect the commitments identified in Taking Wales Forward.

It is anticipated that skills and post-16 learning will feature across all of four cross cutting strategies within Taking Wales Forward as an integral feature in delivering economic growth, job creation and tackling poverty.

### **15.6 Skills policy including: Regional Skills partnership, sector skills policies and the Wales Employment and Skills Board**

Regional skills delivery not only remains a key policy focus going forward but is part of a growing agenda set against a context of a strengthened UK Government-driven, regionally focused skills landscape.

The annual regional employment and skills plans drawn up by the Regional Skills Partnerships will continue to drive planning decisions for providers and offer a critical evidence base from which to make future skills investment decisions. This approach will also enable Welsh Government to align regional skills provision to investment and growth opportunities, including the priorities identified by Enterprise Zones, City Regions and potential cross-border collaborations.

## **16.0 Specific areas – Digital Provision**

### **16.1 Digital infrastructure (including for Superfast Broadband Cymru, Access Broadband Cymru and demand stimulation)**

We are delivering digital infrastructure through a number of projects and schemes aimed at improving connectivity for residential premises, businesses of all sizes and public services. The projects are described in section 6 above.

### **16.2 Digital service transformation for the Welsh public sector**

The Welsh Government's approach to driving digital transformation across the public sector is set out in 'Digital First', published in April 2015. Digital First is supported by sector specific digital strategies such as 'Informed health and care - a digital health and social care strategy for Wales' which was published last year and the forthcoming Digital Strategy for Education.

Leadership for Digital First is provided through Digital and Data Group (formerly called the Digital Public Services Working Group) and is chaired by the Minister for Skills and Science. This Group also provides leadership and steers the Welsh Government's own Digital Action Plan.

### **16.3 Digital Inclusion**

The refreshed Digital Inclusion Strategic Framework for Wales and Delivery Plan published in March 2016, sets out our ongoing commitment to providing the strategic leadership to help tackle digital exclusion. It reflects the challenges Welsh Government and its partners continue to face in encouraging more people to gain maximum benefit from the life changing opportunities digital technologies can offer. Taking Wales Forward sets an ambitious commitment to help 95% of people gain at least the basic digital skills needed for the 21<sup>st</sup> century by 2021.

**ANNEX A**  
**Detailed BEL Tables**

Departmental Structure			REVENUE		2017/18	2017/18
GROUP	SPA	ACTION	BEL	BEL Name	Revised Baseline £'000	Draft Budget £'000
	Sectors	Sectors	3764	Life sciences	2,896	2,896
	Science and innovation	Innovation	3742	Business Innovation	1,520	1,520
			3744	Innovation Centres and R&D Facilities	2,553	2,553
				Academia and Business Collaboration	1,646	1,646
			3746	Total Innovation	5,719	5,719
		Science	3745	Science	4,795	4,795
	Skills	Work Based Learning Delivery Support Skills Policy Employment and Skills	4762	Work Based Learning	111,308	111,308
			4750	Marketing Skills	648	648
			4759	Skills Policy Engagement	1,261	1,061
			4464	Employment and Skills	28,658	28,858
				Total Skills		141,875
	Infrastructure	Deliver ICT Infrastructure	1084	Digital Inclusion	1,250	1,250
				Public Sector Broadband		
			3822	Aggregation	5,740	5,740
			3860	ICT Infrastructure Operations	2,051	2,027
	Total Deliver ICT Infrastructure			9,041	9,017	
<b>Total Revenue</b>					<b>164,326</b>	<b>164,302</b>

Departmental Structure			CAPITAL		2016/17	2017/18	2018/19	2019/20	2020/21	Total
GROUP	SPA	ACTION	BEL	BEL Name	First Supp Budget £'000	Draft Budget £'000	£'000	£'000	£'000	£'000
<b>Traditional Capital</b>										
Sectors & Business	Sectors & Business	Sectors	3764	Life Sciences	6,855	9,711	3,605	2,000	1,000	<b>16,316</b>
	Science and Innovation	Innovation	3746	Academia and Business Collaboration	3,062	11,739	62	62	62	<b>11,925</b>
		Science	3745	Science	2,479	871	539	0	0	<b>1,410</b>
	Infrastructure	Deliver ICT Infrastructure	3860	ICT Infrastructure	16,304	20,550	7,500	1,500	19,500	<b>49,050</b>
					<b>21,845</b>	<b>33,160</b>	<b>8,101</b>	<b>1,562</b>	<b>19,562</b>	<b>62,385</b>
				<b>Traditional Capital Total</b>	<b>28,700</b>	<b>42,871</b>	<b>11,706</b>	<b>3,562</b>	<b>20,562</b>	<b>78,701</b>

**ANNEX B**  
**RECONCILIATION FROM SUPPLEMENTARY BUDGET TO BASELINE BUDGET**

			2016/17 Supp Budget £'000	Movement £'000	2017/18 Baseline Budget £'000
<b>SPA</b>	<b>Action</b>	<b>BEL</b>			
Sectors and Business	Sectors	Life Sciences	2,896		2,896
		Business Innovation	1,520		1,520
	Innovation	Innovation Centres and R&D Facilities	2,553		2,553
		Academia and Business Collaboration	1,646		1,646
Science and Innovation	Science	Science	4,795		4,795
	WBL	WBL	111,308		111,308
	Delivery Support Skills	Marketing Skills	648		648
	Skills Policy	Skills Policy Engagement	1,261	0	1,261
Skills	Employment and Skills	Employment and Skills	32,148	-3,490	28,658
		Digital Inclusion	1,250		1,250
		PSBA	4,740	1,000	5,740
Infrastructure	Deliver ICT Infrastructure	ICT Infrastructure Operations	2,051		2,051
			<b>166,816</b>	<b>-2,490</b>	<b>164,326</b>
Sectors and Business	Sectors	Life Sciences	6,855		6,855
	Innovation	Academia and Business Collaboration	3,062		3,062
Science and Innovation	Science	Science	2,479		2,479
Infrastructure	Deliver ICT Infrastructure	ICT Infrastructure Operations	16,304		16,304
			<b>28,700</b>	<b>0</b>	<b>28,700</b>
Infrastructure	Deliver ICT Infrastructure	ICT Infrastructure Operations	1,309		1,309
			<b>1,309</b>	<b>0</b>	<b>1,309</b>
			<b>196,825</b>	<b>-2,490</b>	<b>194,335</b>

## **Annex C**

### **Strategic Integrated Impact Assessment**

#### **Overview**

The portfolio's future spending plan focuses on our priorities of building a stronger, fairer economy that delivers sustainable economic growth and jobs and opportunities for people across Wales.

With employment and inward investment having hit record highs, and with an unemployment rate lower than the rest of the UK as a whole, the foundations are in place to deliver against the challenges and opportunities ahead. We are taking forward a range of well-targeted activities to support inclusive access to jobs and opportunities to ensure individuals are able to benefit from economic growth and include actions to tackle poverty and promote equality and diversity.

The Well-being of Future Generations (Wales) Act ("the Act") has provided the framework for developing the plan and we have adopted a long-term perspective and taken an integrated approach in our decision-making.

Sustainable development is at the heart of the Act and is the central organising principle of our plan, ensuring that our decisions take account of the social and environmental objectives and impacts. In so doing, we are adopting an approach to embed engagement, integration, long term investment and prevention into our policies and delivery.

We are working with key stakeholders exploring the transition to a low carbon, resource efficient, innovative economy as a means of delivering long term economic growth and prosperity. This approach does not replace sustainable development; it puts it into action, helping to embed social and environmental objectives into our way of working.

The portfolio recognises the important significance of the Welsh language to the economy of Wales and the key role of the Welsh Language Standards and Welsh language impact assessment in framing our approach to promoting the use of the Welsh language. The plan makes the connections in service areas to increase economic, social, cultural and environmental well-being.

Our plans also give due regard to the requirements of the United Nations Convention on the Rights of the Child (UNCRC) and the requirement in Wales to assess the impact of Ministers' actions on the rights of children and young people.

The Well-being of Future Generations Act places a duty on the Welsh Government and other public bodies to apply the seven well-being goals that are identified by the Act and to do so by utilising its five ways of working.

#### **Long-Term**

- We are already taking actions that are consistent with our duty under the sustainable development principle. For example, our investment in infrastructure projects such as Superfast Cymru and support for innovation will help create the right conditions to generate economic prosperity for Wales both now and in the long term.

### **Prevention**

- We cannot afford to waste the skills and talents of any of our citizens, now or in the future. Poverty damages both individuals and the economic and social health of our country. Creating jobs and growth is central to our efforts to help tackle poverty in Wales and we recognise that well-paid employment offers the best protection against poverty.
- We are taking actions to promote the living wage in Wales, supporting progress to a more equal Wales.

### **Integration**

- Our skills support is integral in helping young people in Wales access employment and training opportunities which will not only improve current and future economic prosperity but will also improve the connectivity of our communities and support progress to a more equal Wales.

### **Collaboration**

- We are supporting initiatives which are aimed at encouraging supply chains to innovate and grow responsibly such as the responsible business web zone on the Business Wales web site.

### **Involvement**

- We are seeking the views of stakeholders across Wales in deciding the economic priorities for Wales. We are seeking to involve and collaborate with others so that we focus on the things that make a real and lasting difference.

### **Tackling poverty**

Our programmes and projects reflect the Welsh Government's long-term commitment to reduce the impact of deprivation and poverty. Our focus is on supporting the creation and retention of jobs that allow people in poverty, or at risk of poverty, to engage in a positive way with the labour market, recognising that jobs strongly protect people from poverty, particularly persistent poverty.

We take a balanced approach, focusing our skills support for example on a range of industries and sectors to stimulate demand for all types of jobs. Our aim is to support opportunities for highly skilled individuals, as well as entry level and progression opportunities for those further from the labour market.

Our programmes and projects are also helping to address some of the challenges faced by people when accessing employment and training, to ensure those in, or at risk of poverty are able to benefit from opportunities realised from economic growth. This includes support for skills development to equip people to take



advantage of employment opportunities, delivery of an effective and affordable transport network that enables people to access jobs and training, and efforts to encourage responsible employment practices, such as flexible working arrangements, that allow people to work around caring responsibilities, or take on more hours and increase the wages they are able to earn.

### **Welsh Language Impact Assessment**

Welsh language requirements are considered routinely for programmes and projects. The principles are embedded into delivery to reinforce that the importance of the Welsh language in creating a stable and favourable business environment, promoting skills and investing in economic infrastructure including transport and communications.

### **Skills**

There is strong evidence to support investment in skills for example, the London School of Economics' Growth commission and OECD, 2012 both highlighted the importance of investment in Human Capital for economic growth<sup>1</sup>.

Examination of the actual distribution of Work Based Learning (WBL) placements over the period from 2007-2011 is available: <http://dera.ioe.ac.uk/19749/1/140319-evaluation-work-based-learning-wales-2007-2011a-en.pdf>

The number of places affected will vary depending on the type of apprenticeship places funded. A policy decision has been made to move towards level 3 and 4 apprenticeships which are more expensive but support better quality jobs than the level 2 foundation apprenticeships.

There are a number of equality impact assessment considerations. Apprenticeship places are key drivers to the tackling poverty agenda. Providing people with the skills they need to secure and remain in employment is key to reducing poverty levels, especially amongst those who are not in employment, education of training (NEETS). Apprenticeship policy is also an all age policy. There is some evidence to suggest this policy impacts more on some Black and Ethnic Minorities and disadvantaged people as some of these groups are more likely to be in poverty if they are not in employment or training.

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<sup>1</sup> OECD (2012). Promoting Growth in All Regions. Lessons from Across the OECD). [www.oecd.org/site/govrdpc/50138839.pdf](http://www.oecd.org/site/govrdpc/50138839.pdf)