



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Pwyllgor yr Economi, Seilwaith a Sgiliau](#)

[The Economy, Infrastructure and Skills
Committee](#)

03/11/2016

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Hannah Blythyn Bywgraffiad Biography	Llafur Labour
Hefin David Bywgraffiad Biography	Llafur Labour
Russell George Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells Bywgraffiad Biography	Llafur Labour
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles Bywgraffiad Biography	Llafur Labour
Adam Price Bywgraffiad Biography	Plaid Cymru The Party of Wales
David J. Rowlands Bywgraffiad Biography	UKIP Cymru UKIP Wales

Eraill yn bresennol
Others in attendance

Steve Hudson	Uwch Rheolwr Cyllid, Llywodraeth Cymru Senior Finance Manager, Welsh Government
Julie James Bywgraffiad Biography	Aelod Cynulliad, Llafur (Y Gweinidog Sgiliau a Gwyddoniaeth) Assembly Member, Labour (The Minister for Skills and Science)
Simon Jones	Cyfarwyddwr Trafnidiaeth a Seilwaith TGCh, Llywodraeth Cymru Director Transport and ICT Infrastructure, Welsh

	Government
Mick McGuire	Cyfarwyddwr, Cyfarwyddwr Sectorau a Busnes, Llywodraeth Cymru Director, Sectors and Business, Welsh Government
Huw Morris	Cyfarwyddwr Grŵp SAUDGO, Llywodraeth Cymru Group Director SHELL, Welsh Government
James Price	Dirprwy Ysgrifennydd Parhaol, Economi, Sgiliau a Chyfoeth Naturiol, Llywodraeth Cymru Deputy Permanent Secretary, Economy, Skills and Natural Resources, Welsh Government
Ken Skates Bywgraffiad Biography	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith) Assembly Member, Labour (The Cabinet Secretary for Economy and Infrastructure)

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Mike Lewis	Dirprwy Clerc Deputy Clerk
Andrew Minnis	Y Gwasanaeth Ymchwil Research Service
Gareth Price	Clerc Clerk
Anne Thomas	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 9:31.
The meeting began at 9:31.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introduction, Apologies, Substitutions and Declarations of Interest

[1] **Russell George:** Good morning. Welcome to the Economy,

Infrastructure and Skills Committee. I'd like to welcome Members and any members of the public.

**Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith—Craffu ar
Gyllideb Ddrafft Llywodraeth Cymru 2017–18
The Cabinet Secretary for Economy and Infrastructure—Welsh
Government Draft Budget Scrutiny 2017–18**

[2] **Russell George:** This morning, I'd like to welcome the Cabinet Secretary, Ken Skates AM—the Cabinet Secretary for Economy and Infrastructure. He's brought his officials with him, and I wonder, Cabinet Secretary, if you'd be happy to introduce your colleagues, or ask them to introduce themselves.

[3] **The Cabinet Secretary for Economy and Infrastructure (Ken Skates):** Yes, I'm happy for them to introduce themselves. I'm very pleased to be here today, Chair.

[4] **Mr Jones:** Good morning, everyone. My name is Simon Jones. I'm the director of transport and ICT infrastructure.

[5] **Mr Price:** James Price, deputy permanent secretary.

[6] **Mr McGuire:** Good morning. Mick McGuire, director of sectors and business.

[7] **Russell George:** Welcome, all, this morning. If I could just ask the first question, Cabinet Secretary: I wonder if you could outline the processes that you've applied in your department to ensure that the draft budget applies the principles of the Well-being of Future Generations (Wales) Act 2015.

[8] **Ken Skates:** Thank you, Chair. Well, this is a vital piece of legislation that ensures that what we do within Government is sustainable. I think, in the context of my portfolio responsibilities, planning for the long term is absolutely essential. So, we carried out a thorough analysis of the long-term needs of the people of Wales, in particular insofar as infrastructure is concerned. We don't wish to just pay lip service to the Act. We instead wish to ensure that, at every stage of consideration of all policies and projects, we take into full account all elements of that piece of legislation. So, whenever I'm presented with decisions, we pay respect to the Act and those principles

that I've outlined.

[9] **Russell George:** And have you got any example that you could show us in your department where you've applied those principles and we can see a tangible difference?

[10] **Ken Skates:** In terms of the budget? Yes, there are several examples. The bus service support grant, for example, is vitally important in terms of ensuring that there is a sustainable bus network, and, for that reason, we have maintained again the current level of funding at £25 million. Our assessment was such that we determined, if that was to be reduced, that would have an impact not just in the short term but could have a long-term impact on the sustainability of the network.

[11] **Russell George:** Okay, I'm grateful. Adam Price.

[12] **Adam Price:** Un o'r **Adam Price:** One of the cyfrifoldebau sydd gyda chi ar draws responsibilities that you have across y Llywodraeth yw cyfrifoldeb ar gyfer Government is responsibility for sicrhau cyfle economaidd i bawb. ensuring economic opportunities for Hoffwn i wybod, o feddwl, er everyone. I'd like to know, enghraifft, am y cyfrifoldebau o dan y considering, for example, the Ddeddf Cydraddoldeb 2010, a oes responsibilities under the Equality Act 2010, do you have any examples yr argymhellion i adlewyrchu'r of how the recommendations have cyfrifoldeb ar y Llywodraeth i sicrhau changed in order to reflect cyfle cyfartal i'r gwahanol grwpiau responsibilities that the Government sy'n cael eu nodi yn y Ddeddf honno? have to ensure equal opportunity for the different groups referred to in the Act?

[13] **Ken Skates:** Yes, well, equality impact assessments are carried out for all elements of the budget, and I've highlighted, I think, particularly, as an example, our approach to the bus network again, in terms of provision for concessionary fares. The utilisation of audio-visual facilities is now going to be built into the criteria, and I think that recognises a need to provide equal opportunity for everybody.

[14] I think it's perhaps worth saying as well that I've already outlined my intention to review our economic priorities, and one of the reasons is that I've taken a look at unemployment right across Wales. Whilst we've got an

exceptionally good story to tell about driving down unemployment, there are pockets of unemployment that really do need to be addressed with a new economic strategy, and so that will be a piece of work that I'll take forward.

[15] **Adam Price:** Rwy'n ddiolchgar i'r Ysgrifennydd am ei ateb. I'r un perwyl, hoffwn i ofyn hefyd: a oedd yna asesiad impact wedi cael ei wneud o ran yr iaith Gymraeg ynglŷn â'r argymhellion yn y gyllideb ddrafft o fewn ei faes gorchwyl ef, ac a oedd yna unrhyw newidiadau yn sgil yr asesiad effaith ar yr iaith Gymraeg?

Adam Price: Thank you, Secretary, for your answer. If we look at the same type of issue, can I ask whether an impact assessment had been done in relation to the Welsh language, and specifically the recommendations in the draft budget within the remit that you have, and were any changes made in light of that impact assessment on the Welsh language?

[16] **Ken Skates:** Yes, a Welsh language impact assessment is conducted for the Welsh Government's budget as a whole, and, in my portfolio, we consider the Welsh language in relation to the activities that we undertake throughout the process, not just at the budget planning stage. I'd be happy to provide a note of the process that we follow, perhaps, so that the committee can compare our process against those followed by other departments within Government.

[17] In terms of an example, perhaps the national transport finance plan is a means of highlighting how we have taken into consideration the Welsh language, because that has been impact-assessed for the Welsh language as well.

[18] **Adam Price:** Ac os y caf fod yn hyf, Gadeirydd, a jest gofyn cwestiwn byr sydd â—. Efallai y dylwn i ddatgan diddordeb etholaethol, oherwydd, yn y rhestr o gyfrifoldebau hirfaith sydd gan yr Ysgrifennydd, mae'r gerddi botaneg. Rwy'n ceisio gwella fy sgiliau wrth ddarllen y gyllideb ddrafft, ond nid oeddwn i cweit yn gallu gweld ble oedd y gyllideb ar gyfer y gerddi. A ydyw e yna yn y ffigurau ar gyfer y flwyddyn nesaf? A oes yna unrhyw newid wedi

Adam Price: And may I be bold, Chair, and just ask one further short additional question? Perhaps I should declare an electoral interest, because, in the long list of responsibilities that the Cabinet Secretary has, the botanic gardens are listed. I'm trying to improve my skills in reading the draft budget, but I couldn't quite see where the budget was for the gardens. Is it there in the figures for next year? Has there be any change or has any change been suggested to

bod neu yn cael ei awgrymu ar gyfer the support given by the Government
y gefnogaeth sydd yn cael ei rhoi gan to the gardens?
y Llywodraeth i'r gerddi?

[19] **Ken Skates:** It should be there in the figures for next year. In terms of the support that we're giving, I think it's worth actually saying that the botanic garden has made considerable progress in the current year in terms of commercial activities. The support that we've been able to give to the botanic garden stands at over £500,000, and I'm content that the focus that the botanic garden now has on commercial activities is driving income in the right direction. I think visitor numbers as well have improved significantly, and between our support and the work that the commercial director at the botanic garden is doing, I would hope that, in the next financial year as well, we'll see an improvement in income generation that will complement our support.

[20] **Adam Price:** Felly, jest i **Adam Price:** So, just to confirm, the gadarnhau, mae'r un lefel o same level of support will be offered gefnogaeth yn mynd i gael ei chynnig to the botanic garden for the next i'r gerddi botaneg ar gyfer y flwyddyn financial year. ariannol nesaf.

[21] **Mr Price:** I think the best thing we can do on this is to provide just a very short note to the committee. I think the budget line is below the level that is written down within the actual budget, so we'll come back with a note on that.

[22] **Adam Price:** Sorry, it's a reduced figure?

[23] **Mr Price:** No, no, sorry—the level of detail in the budget figures that has been provided. Certainly, from what I've just flicked through, I can't see all of the figures needed to give an answer to your question now. So, we need to provide a note afterwards.

[24] **Adam Price:** Okay.

[25] **Russell George:** If you could send a note, then.

[26] **Ken Skates:** Absolutely, yes.

[27] **Russell George:** Mark Isherwood.

[28] **Mark Isherwood:** Thank you. The Welsh Government accepted the Finance Committee's recommendation in July of this year that, in future, the Welsh Government should publish greater evidence setting out the rationale behind budget allocations. However, references to specific spending priorities falling within your portfolio in the strategic impact assessment do not meet this commitment. For example, on city growth deals,

[29] 'Prosperity brings security to individuals, families and communities. We will continue to support the Cardiff Capital Region City Deal...a similar deal for Swansea and a growth deal for North Wales.'

[30] On the proposed development bank, Welsh Government will

[31] 'establish a Development Bank for Wales to support Welsh businesses, especially SMEs which are the lifeblood of the Welsh economy'.

[32] On enterprise zones,

[33] 'research has shown that area based initiatives, such as enterprise zones, can have positive impacts on employment and regional GDP'.

[34] So all granny and apple pie, but not what the Finance Committee asked for and the Welsh Government committed to. And your paper to us offers no detail on the anticipated economic impact, which was requested by the Finance Committee. So, can you tell us what specific monitors your department has, and how specifically your department monitors the return on investment and economic impact of its expenditure, and how this has influenced specific allocations in this draft budget?

[35] **Ken Skates:** As an incoming Minister, I'm conscious of the need to review activities within the department, and the evidence base for making decisions on budgets is something that I am looking at and considering strengthening. We've continuously improved our internal financial approval process to focus on value for money. But, in terms of what the Member asks, with economic development, it's not an exact science in terms of how we evaluate value for money, because it's very difficult sometimes to compare one intervention with another. For example, in terms of supporting jobs, we apply a cost per job equation, whereas with supporting businesses, we would look at the impact that a business is having on an area, and we would also look at how many jobs are being created, whereas, again, if we look at trade

and investment, we would apply a formula that calculates how much we support a company that's looking at exporting to another market—how much we support them by, and compare that to the increase in the amount of investment that they're able to secure. So, it produces a ratio figure at the moment, which stands at something in the region of 25:1.

[36] That said, I am keen to ensure that the evidence base is strengthened and, as I say, that's something that I am looking at. I think it's worth remembering though that we do have a good story to tell in terms of supporting the economy. We've supported, in the fourth Assembly term, 146,000 jobs, and we now stand at a position where we have record low unemployment. I think those two figures are very important—4.3 per cent compared to 4.9 per cent for the UK.

[37] One area of work that I'm keen to look at now though is not just quantity, but also quality. We're at a position where unemployment is particularly low. I've already touched on the fact that I want to look at specific interventions for specific pockets of unemployment, but I also want to look at the quality of employment. Increasingly, as unemployment is sustained at a very low level, we need to look at the quality of the jobs that people are filling, and then ensure that the skill system matches the employment requirements of the economy.

[38] **Mark Isherwood:** [*Inaudible.*]—acknowledge that working-age worklessness is still the highest in Britain, but the question was more about meeting the Welsh Government commitment to provide and publish greater evidence on the decisions behind its budget allocations. How does this draft budget, in the context of your portfolio, improve on presentation of evidence in previous years?

[39] **Ken Skates:** Mick?

[40] **Mr McGuire:** Specifically in terms of the development bank, which was one of the questions that you asked, they are targeted in terms of the numbers of jobs that they create or assist as a result of their intervention. They are targeted in terms of the number of businesses that they support and the geographic spread of those businesses. They're targeted to leverage the public funds, including the European funding that they provide, with private sector funding. Last year, they achieved a multiplier of about one and a half times, so, for every £1 million they provided, they brought another £1.5 million-worth of private investment. This year, we're targeting them to

increase that multiple by a factor of two, and they're working towards trying to deliver that. The last measure that we used quite strongly with them is one whereby, as they reinvest their money and acquire more funds, they actually grow the funding base that they have. So, we've set them a target to increase the funding they provide this year from £45 million to £80 million going forward through this term of Government. And, as they increase those funds, they can bear down on the cost of grant aid. So there is, Members might have noticed, a reduction of almost 20 per cent—19.5 per cent—in the funding required for Finance Wales this year, and that's something else that we measure with them, to reduce the grant in aid as they generate their own fee income from the funds under management.

09:45

[41] **Mark Isherwood:** I think we welcome the fact that you're giving us some greater evidence now. The question now, related to the publication of that—

[42] **Mr McGuire:** This is published in Finance Wales's annual accounts and reports.

[43] **Mark Isherwood:** But this is in the context of the budget allocations, which is what the specific Government commitment was following the Finance Committee recommendation on the first supplementary budget, 2016–17, earlier this year. But, moving on, Cabinet Secretary, what do you consider to have been your department's greatest successes in terms of impacts on growth and jobs thus far?

[44] **Ken Skates:** Well, again, it's difficult to identify what would be specifically the greatest of the interventions that we've taken, because, as I've already said, it's not an exact science. We calculate interventions for supporting jobs on a cost-per-job basis. But, equally, it's difficult to actually calculate; purely using that equation, that formula, it's difficult to actually judge what the net impact on a community is.

[45] So, for example, whilst a job supported or a job created in the financial professional services sector, which attracts, traditionally, a higher level of pay, would on the face of it, perhaps, have a better cost-per-job ratio than a job created or supported in the tourism sector, where pay is traditionally lower, the actual net benefit could be greater for the latter, because tourism tends to attract younger people, who, traditionally, have

been more likely to be unemployed, and, therefore, the job could be filled by an unemployed person. So, it's not an exact science.

[46] I think, as I've already said, there are a number of formulae that enable us to calculate what the degree of our impact and our interventions have been, but I don't think it would be fair to identify one intervention over another as being particularly effective or beneficial over another set of Government interventions.

[47] Do you want to say anything about transport?

[48] **Mr Jones:** Can I just add to that? Just to say that transport and ICT infrastructure are actually—. Clearly, they have an impact on jobs and growth, but over a different timescale, perhaps, to some of the activities that are dealt with in the sectors and business side of the house. So, actually, it's quite hard to compare the immediacy of job creation in business and sectors versus the long-term effects of building a broadband network or improving rail services or bus services.

[49] **Mark Isherwood:** Okay. Can you confirm, whatever the expenditure might be—and, clearly, the impacts, some are short term, but a lot of them will be longer term—what interim measures you have?

[50] **Mr Jones:** So, in terms of the way that we assess our infrastructure projects, we carry out a cost-benefit analysis for all of those projects. And, particularly in the case of our transport projects, we have an assessment framework, called WelTAG, which scrutinises all the different potential approaches that we could take to building our transport infrastructure. And that will assess the intervention through a variety of different lenses—some of the things that we've talked about earlier—but, also, the impacts on the economy, clearly. And all of that lot is considered as part of how we prioritise our transport projects, and how we've created our national transport finance plan.

[51] **Ken Skates:** Just with regard to WelTAG, it's worth mentioning as well that that is being amended to take account of the Well-being of Future Generations (Wales) Act 2015, as we speak. James, you wanted to—

[52] **Mr Price:** Yes, just in more general terms, it is worth just talking about how we're trying to increase value for money year on year. So, an example of that is the jobs figures that the Cabinet Secretary has already talked about—

so, 146,000 in the last term. If you broke that down year on year, you start at about 2010 and we were seeing about 10,000 jobs a year in 2010–11. By 2015, we were looking at about 40,000. And, if you look at cost per job, at the beginning of that period it was about £15,000, but at the end of that period, it was somewhere below £5,000, and in financial and professional services it is quite often as low as £2,000 cost per job. So, we've attempted to increase the value for money on everything that we do.

[53] We do the same in transport. Another area of transport I would single out where we've tried to drive much better value for money is on roads maintenance, where we spend in the region of £100 million a year. But we've seen in the last couple of years around 6 per cent increases in efficiency in that area. So, every area is compared with itself and we try and drive better value out. And, in terms of how you compare one broad area with another broad area, that's in the realm of an economic plan, which the Cabinet Secretary is also looking at for the future.

[54] **Mr McGuire:** And I think, just by way of a bit of background, Chair, to James's point about the reducing costs per job, we're talking about an economy in deep recession five years ago and we're talking about an economy in recovery as we speak. The access to private finance, which relates to the development bank of Wales line of travel, suggests that actually there is less need for Government grants for job creation because private finance is more readily available, and that will improve efficiency and value for money.

[55] **Russell George:** I've got Hefin David then Adam Price, but Hefin first.

[56] **Hefin David:** With that in mind, we've been operating in pretty much a steady state with regard to inflation, how have you taken account of inflation in terms of value for money?

[57] **Mr Price:** Okay, I believe I'd have to double check this, but our inflation assumption is currently somewhere between 2 per cent and 3 per cent.

[58] **Hefin David:** But it's 4 per cent next year.

[59] **Mr Price:** Sorry. Our working assumption, the base for these figures, would have been somewhere between 2 per cent and 3 per cent. I've obviously seen the news, as everyone else has. Personally, I think it might go beyond 4 per cent. Exactly how that inflation falls on different sectors of the

economy is yet to be seen. The place where we would be, I suspect, most exposed, being very honest and looking historically, is on the construction side of things, where construction cost inflation used to run at 10 per cent a year. I think the figure now, Simon, is about 4 per cent. That's where it was running the last time I checked.

[60] **Mr Jones:** Yes, 4 per cent or 5 per cent.

[61] **Mr Price:** And what we wouldn't want to see is that running away with itself.

[62] **Hefin David:** Have you modelled worst case scenarios?

[63] **Mr Price:** We model that through all the work that we do—
[*Interruption.*]

[64] **Ken Skates:** Sorry. Yes, we do, with the risk and the optimism analysis that we carry out on projects.

[65] **Hefin David:** Okay.

[66] **Russell George:** Adam Price.

[67] **Adam Price:** What do you say to those who argue that using jobs created as the fundamental measure of economic strategy success is misguided at a time when, as we know, the Welsh unemployment rate is below the UK unemployment rate? The principal problem in the Welsh economy is actually not the number of jobs, but the output per worker—it's productivity, it's under-employment. Should we shift, really, to value added, increasingly?

[68] **Ken Skates:** Yes. I think you're right. That's what, very early on, drove me to determine that it was important that we did take a new, fresh look at the economic strategy. We produced something in the context of our low unemployment figures and also the reality that is Brexit. So, the two major factors that have driven me to determine that we do need to take a look are those. I think it's absolutely essential that we look at the quality of employment and the productivity of the Welsh economy now. So, I'd agree with the Member, absolutely, yes.

[69] **Russell George:** Moving on to a new subject area, priorities for

economic development, Mark Isherwood.

[70] **Mark Isherwood:** Your paper makes little reference to the programme for government or the development of the new economic strategy, which you've just referred to, which I understand you've said will be delivered by the end of 2017—so, during the budget period. Can you therefore outline how you believe your budget or your draft budget for your portfolio is aligned with the programme for government, and clarify the commitments that you're in charge of delivering within that programme and where specific allocations have been made to support that?

[71] **Ken Skates:** Everything that we do is aligned with the programme for government and, of course, our statutory responsibilities. In terms of the programme for government, I can provide you with a list if that helps. I've actually got the list. I can read it out, if that's helpful.

[72] **Russell George:** That's fine, yes.

[73] **Ken Skates:** Okay. Create a Wales development bank; drive forward inward investment, innovation and the creation of new jobs through a business accelerated scheme; promote tech hubs, especially in towns and cities where there are colleges and universities; provide tailored support for co-operatives and mutuals; promote green growth to create sustainable jobs for the future; support the development of our successful creative industries and the visitor economy; build on our record success of hosting major cultural, sporting and business events; promote Wales for investment from within the UK and from around the world, while also helping to stimulate exports, which are going to become increasingly important; establish a national infrastructure commission to provide certainty and a constant pipeline of infrastructure programmes; work alongside the UK National Infrastructure Commission to ensure that key investment decisions recognise the needs of our country; deliver an M4 relief road, and also deliver improvements to the A55 and the A40 and to other trunk roads in Wales; develop a new, not-for-profit rail franchise; deliver a more effective network of bus services once powers have been devolved—and that will be incredibly important for many parts of Wales; ensure seamless ticketing arrangements and improved marketing as part of the new travel arrangements for Wales; and ensure better access to active travel for all. We are also committing to free access to the national museum.

[74] **Mark Isherwood:** Are all those—and if not, which—specific allocations

with specific commitments? Or should I say, specific commitments with specific allocations?

[75] **Ken Skates:** All of those should be contained within the budget lines and the papers that you've been provided with. They are all contained within the various budget allocations. If it's not clear, I can certainly provide a fresh note, pointing to the allocations within the budget that we should have already provided to you.

[76] **Mark Isherwood:** Thank you. How do you intend to monitor and report on the outputs and outcomes that are achieved in support of the programme for government?

[77] **Ken Skates:** I think, first of all, that it's important to recognise that this portfolio is a delivery portfolio. So, both financial performance and delivery in terms of outputs are closely monitored—and must be closely monitored—to ensure that resources are reallocated as necessary. I can tell Members that in-depth reviews are held each quarter, down to project level. If projects aren't spending to profile or are not delivering the anticipated outputs, and it's felt that they can't get back on track, the money is then reallocated to other projects. This is an ongoing process.

[78] I think it's fair to say, and it's important to recognise, that 'Taking Wales Forward' also signals a fresh approach to the way that we operate in Government with four cross-cutting themes: a prosperous and secure Wales; a healthy and active Wales; an ambitious and learning Wales; and also a united and connected Wales. We shouldn't just be measured against the 'prosperous and secure' strategy. I think we should also be judged against the other three cross-cutting strategies as well. As I've already said, given how low unemployment is, I can see our focus will be very much in the future on the quality of employment as much as on the quantity of jobs.

[79] **Mark Isherwood:** And will that also be focused on trying to reach out to the longer term unemployed?

[80] **Ken Skates:** The longer term unemployed and identifying specific barriers because, across Wales, there will be different factors that prevent people from gaining employment; so, identifying on a regional basis as well as by demographics or by protected characteristics what the barriers are to employment, and addressing them wherever and however necessary.

[81] **Mark Isherwood:** Which will have to be across portfolios.

[82] **Ken Skates:** Sorry?

[83] **Mark Isherwood:** Which will have to be across portfolios—

[84] **Ken Skates:** Across portfolios. Yes.

[85] **Mark Isherwood:** —given the barriers that are there.

[86] **Ken Skates:** Yes. I think it's important that we operate in this way: that we are taking a fresh approach to delivery and ensuring that all departments pay respect to one another's ability to deliver. My success will be very dependent on the outcomes and outputs from other Cabinet Secretaries' departments as well. So, having cross-cutting themes makes for a more accountable Government; it makes for a Government where there are fewer silos. So, I think that it is an important approach for us to take.

[87] **Russell George:** Is this the last question, Mark?

[88] **Mark Isherwood:** It is, yes. Strictly in terms of the new economic strategy, could you clarify the timescale, advise whether you'll be seeking additional resource to deliver that if you deem that necessary, and tell us what flexibility you have to respond to the views expressed in the consultation?

10:00

[89] **Ken Skates:** Well, in terms of having a four-year budget, it helps us plan ahead and it gives us the headroom to be flexible. I don't expect a windfall to come from the development of not just the economic strategy but the other three strategies. Those strategies, the First Minister has said, he expects to be with him in the spring of next year. So, in 2017, they will be published and we will be working against all four as of next year.

[90] **Russell George:** Jeremy Miles.

[91] **Jeremy Miles:** The economic strategy is, to some extent, within the control of the department, but there are other aspects of economic strategy more broadly that are not so much so. In particular, decisions that may be taken in the autumn statement and, in fact, decisions that may emerge

through the work of the Valleys taskforce and so on—how confident are you that an analysis has been undertaken of any impact on your departmental budget of those sorts of decisions?

[92] **Ken Skates:** I think the Cabinet Secretary for Finance and Local Government has said a lot about the potential implications of the autumn statement in terms of the work of the Valleys taskforce. Although, clearly, the taskforce is focusing primarily on issues of employment and unemployment, that work will also apply to all of the other departments in Government. As I've said, the move to a four-year budget does provide us with the headroom to be flexible in our approach and also in terms of the work of the Valleys taskforce—that will be taking place alongside the development of the economic strategy and the other strategies. So, the work can be complementary right across four strategies but also, importantly, with that work that Alun Davies is chairing.

[93] **Jeremy Miles:** Thanks.

[94] **Russell George:** Questions around the development bank now—Hannah Blythyn.

[95] **Hannah Blythyn:** Thanks, Chair. Cabinet Secretary, you referenced a development bank in your paper and at the top of the list of the programme of government you just relayed to us. I was just wondering what position you're in to share where we are in terms of the business plan for it and also how any costs in terms of setting up the bank can be reflected within the budget.

[96] **Ken Skates:** Well, there are a number of options proposed within the business case, which is currently being reviewed by officials. I'm planning on updating Assembly Members, and I believe that a date has now been set, in the Chamber before Christmas—I think it might be 13 December. I'm sure you'll appreciate that, at this moment in time, it's commercial in confidence, and so whilst I'm not in a position to, perhaps, provide the committee with all of the information that would be desirable, I do undertake to provide committee members with an update at the appropriate time.

[97] **Hannah Blythyn:** Thanks. You were quoted last month by Insider Media, saying it was your intention to locate the development bank in north-east Wales. Are you able to clarify whether that is still your intention and what the economic thinking is behind that?

[98] **Ken Skates:** Yes. I think, as a Member from north-east Wales, you'd recognise that during the period of devolution there has been a good degree of decentralisation, ensuring that devolution is relevant to all parts of Wales. But if we look at north-east Wales in particular, we will struggle to find any institution that we directly fund as a national sponsored body, for example, or as a Government department—we don't have a Welsh Government department in that region. For devolution to be relevant to the whole of Wales, I think it's essential that we have offices, that we have a presence, that we have opportunities that devolution provides for people to actually recognise that it's relevant to their lives.

[99] North-east Wales as well is a most significant economic area. The Mersey Dee Alliance area generates GVA that is equivalent to half of the entire Welsh economy and the growth potential is considerable, particularly amongst SMEs. Whilst it's my intention for the bank to be headquartered there, the bank would also carry an all-Wales remit, and it's essential that it continues to attract interest and provide support to businesses right across the length and breadth of Wales. I do feel the need, where possible, within my department, to make devolution more relevant to all parts of Wales. It's for the same reason that I've said that Transport for Wales should be headquartered in the Valleys. I think it's incumbent upon Cabinet Secretaries to identify where representation by Government, by the National Assembly for Wales, is not as strong as it could and perhaps should be. I think north-east Wales is one of those areas where improvements need to be made and I'm happy to be able to do what I can.

[100] **Hannah Blythyn:** Great. So, will the decision on location also be reflected in the business plan as well?

[101] **Ken Skates:** Yes, the business plan would identify any operational considerations, including headquarters. So, I would hope that the business plan would fully reflect that.

[102] **Hannah Blythyn:** Just if I may ask a very supplementary question—

[103] **Russell George:** Yes, that's fine.

[104] **Hannah Blythyn:** You raised it in your previous answer in terms of the kind of economic significance of north-east Wales and the cross-border connections, and you do reference it in your paper as well—about taking that

forward with a summit and where that goes next. I was just wondering whether that's covered in the budget in terms of actually how we kind of formalise that cross-border economic development.

[105] **Ken Skates:** Well, this work is ongoing. In particular, it's relevant right now, given that the autumn statement is almost upon us. We hope that we will have a positive message from the Treasury concerning the growth deal bid that is being submitted by the North Wales Economic Ambition Board and the North Wales Business Council. That would open the door to further negotiations. We've been able to identify, in particular insofar as infrastructure is concerned, where we are able to invest in the region, both in terms of rail and roads, so that we've got a fully integrated system—this relates to the metro project. We also wish to see that project capture more active travel. And in term of economic development on a cross-border basis, we already fund the North Wales Economic Ambition Board and provision is included within the budget for that to continue. We are also members of Mersey Dee Alliance and discussions take place on a regular basis.

[106] In terms of our spatial activity as well, we've got the Deeside enterprise zone with a board that is well connected to the Cheshire and Warrington Local Enterprise Partnership to ensure that there is complementarity of economic development across both sides of the border. But in terms of the economic strategy, I've think that I've already suggested that I wish to take a very close look at space-based economic development as part of the new economic strategy, and I think that will be particularly important for north Wales and the Valleys.

[107] **Russell George:** Adam Price.

[108] **Adam Price:** One of the criticisms the Cabinet Secretary will be aware that was made of Finance Wales by the 'Access to Finance Review' was that it was managing investment funds in regions in England and, therefore, to paraphrase, 'taking its eye off the ball' somewhat by not focusing 100 per cent on the needs of Welsh SMEs. We know, of course, that Finance Wales, through Finance Wales capital, has recently applied again to the Northern Powerhouse fund. Is the Cabinet Secretary content with that approach, which presumably he agreed through the remit letter, that that should also be carried across to the new development bank as well?

[109] **Ken Skates:** Yes, I recognise the concerns that have been raised in regard to the activities that Finance Wales is undertaking across the border. I

think the question is one of balancing capacity and the ability to deliver, not just within Wales, but also to take advantage of activity elsewhere with the potential benefits of being active across the border and in terms of becoming more self-sufficient and sustainable in terms of reducing core costs from Welsh Government. In terms of ongoing activity for the development bank, my primary concern is that the development bank serves businesses within Wales. We have the business case that we're scrutinising fully and we'll make an assessment of what is proposed, insofar as activities outside of Wales are concerned. But, as I say, my main issue is with ensuring that the development bank serves businesses within our borders, and that will be a primary concern as we scrutinise the business plan.

[110] **Russell George:** Moving on to a new area—*[Interruption.]* Sorry, yes.

[111] **Mr McGuire:** Just to add to that, because Finance Wales and the development bank for Wales are Teckals and propose to remain Teckals, there's a limit to how much they can do that is outside of Wales. That's tightly constrained and monitored by officials, and they have to be able to evidence that the fees they earn and the additional expertise that they can develop as a result of being slightly bigger because of funding from elsewhere is more than offset by the cost, which is paid, as you rightly said, by 'eye off the ball' at board level and senior management. So, we do require them to evidence that and justify why they do it and, so far, they argue that it is justified.

[112] **Russell George:** Thank you. Moving on to a new area of the promotion of Wales, David Rowlands.

[113] **David J. Rowlands:** Yes, as the Chair said, this is a new area, the promotion of Wales. Can the Cabinet Secretary outline what new activities his department will be undertaking to deliver on the Welsh Government's priority to, and I rather like this phrase—and I'm sure I'm actually paraphrasing the First Minister here—get out and sell Wales to the world like never before? And this, obviously, follows on from the Brexit vote.

[114] **Ken Skates:** I'm incredibly excited about the visitor economy and the potential for Wales to be seen as one of the most dynamic countries in Europe. We've already spoken in the Chamber about the success in terms of Lonely Planet's recognition of north Wales, just last week. That, in itself, comes off the back of recognition that was given to Wales earlier in the year, when a number of international publications deemed Wales the place to visit

in 2016, largely because of the investment in world-class attractions and facilities, and also the theming in Wales 2016 as the Year of Adventure. We do have a strategy in place, the partnership for growth strategy, which is based on Welsh Government working far more closely with the private sector to drive up investment in products and in people, as well as in promoting Wales in a dynamic and creative way. The target, the key headline target, for that strategy is to grow the visitor economy by 10 per cent by 2020. We are on course to achieve that. Visitor spend now exceeds £2.38 billion. It's at a record level, and that's been driven in part, not just by record numbers of overnight stays, but also by record numbers of spending per visitor.

[115] I think, for the first time, Wales has now overtaken the UK average in terms of spend. That, in turn, reflects actually the quality of what we now offer. We've gone beyond the point, thankfully, of being seen as a bucket-and-spade destination, and instead we've become a country that is recognised as having superlative outdoor activities, magnificent natural landscapes, some of the most innovative tourism products, whether it be zip wires, or cavern bounce bellows, or inland surfing lagoons. But we also have—and it's for this reason that we're deeming 2017 the Year of Legends—incredible heritage attached to world-class modern facilities, particularly in the cultural sphere, with Pontio and so forth. So, in terms of our budget, what I'm keen to do—and I was very pleased that we were able to reach agreement with Plaid Cymru on an additional £5 million for promoting Wales—what I'm very keen to do is to ensure that that money is spent in a way that crosses not just the Year of Legends in 2017 and the Year of the Sea in 2018, but has benefits beyond those calendar years.

[116] In terms of selling Wales abroad, an additional £0.5 million is being utilised for business marketing and international activities. A new campaign is set to commence, promoting Wales through a very simple message that this is Wales, and it is aligned with the overarching Visit Wales branding exercise. You may have noticed, over the summer, the logo that once was compared, somewhat unfavourably to a prawn in a bucket, or a seahorse, is being phased out and we're now introducing the stronger brand logo, which is the Welsh dragon, and primarily red on black. Business marketing activities are being aligned with that brand exercise, that fresh brand exercise, but in terms of extra activity, the First Minister said that we need to sell Wales more than we ever have done abroad. The marketing campaign will aim to achieve that, but also I and other Cabinet Secretaries are increasing the activity that we do with regard to supporting exports. I'll be hosting a number of export summits in the new year that will draw together experienced exporters

representing businesses of all sizes with those that haven't yet exported and need peer support in doing so. We already support, through our trade missions and through the grants that we are able to provide, new and existing exporters, but we do need to increase the number of exporters as well. So, as part of the marketing efforts, we will be looking at achieving that.

10:15

[117] **David J. Rowlands:** Right. I must admit that that was a very comprehensive answer to that. Thank you, Cabinet Secretary, for that, especially as it covered many of the issues that I was just going to raise with you. But there is just one that stands out here—the £5 million additional. Is that £5 million that we mentioned additional to what was already in the Cabinet Secretary's budget, or is it being funded by making reductions in other areas?

[118] **Ken Skates:** No, I'm pleased that it is in addition. It comes from central finance. I've not determined how that money will be spent yet. I think it's fair to say that it's too soon. Also, in terms of promoting nations and promoting business activity, we're at a point where there is a transition away from the traditional methods of promoting with print media towards digital. Digital, of course, costs less, so you can actually do more. So, I would hope that, with a greater focus in years to come on digital promotion, we'll actually be able to achieve a far greater reach and also reach more people. In terms of what I expect to realise on the back of spending an extra £5 million, clearly I want to see spending in Wales by visitors increase; more investment leads—that's going to be crucial—again, working with the UK Government on trade and investment, and particularly the trade and investment department. I'm meeting with the Minister after this committee session. And also working with the same department on international trade missions in ensuring that we don't overlap our activities—that they are complementary. I would hope that, as a result of the additional £5 million, we'll be able to also begin delivery of some of our specific manifesto pledges and programme for government pledges. So, for example, beginning the process of rolling out more social tourism. I think I've spoken about this in the past, either in this committee or in the culture committee, where you can offer opportunities to people from hard-to-reach groups—care leavers, carers—to experience tourism opportunities, whereas at the moment they can't. Also, the potential to develop the culture corridor as one of what I hope to become a series of Welsh great routes, utilising our road networks and our rail network as well. I'm also hoping, as I said earlier, that we'll be able to support the tourism

sector with this additional money, not just in 2017 and 2018 but beyond, by investing in new product development and ensuring that we also get the right investment into people. I think one of the things that define whether or not a visitor will return, not just to a country but to a hotel or to a visitor attraction, is not the experience of a product but the experience of the people as well. So, I'm keen to make sure that Wales, which we try to brand as a welcoming place, offers the best possible customer service and visitor welcome.

[119] **Russell George:** Is there one last question? Then Adam Price.

[120] **David J. Rowlands:** There was, really, a follow-up to that, but again, your comprehensive answer on that has covered the next query, which was where and how that extra funding would have gone. But, I have to say, thank you for your answers on that. I must make the comment that your enthusiasm for that obviously shows through. Thank you.

[121] **Russell George:** Adam Price.

[122] **Adam Price:** I wanted to just ask briefly about major events in the context of promoting Wales, and I would like to just place on the record a residual financial interest I have in a development company, which is set out in the register. In the context of the Commonwealth Games, you've expressed a hope that Wales would be able to bid at a later stage and develop a venue strategy in order to facilitate that. Is that reflected in the four-year capital budget, beginning to develop those kinds of facilities that we currently lack?

[123] **Ken Skates:** The work that's taking place with regard to the facilities study has begun. It's involving officials from the major events unit, Sport Wales, and from other departments. I believe health and sport are also contributing. In terms of delivery of any additional facilities that that identifies, that would have to come out of existing budgets. But there would also—I think it's a very important point to make—with the creation of the national infrastructure commission for Wales, need to be reflection of what the commission recommends as priority infrastructure programmes. Because that, in turn, would influence where the facilities would be based. So, in terms of any future Commonwealth Games bid, both the study and the work of the infrastructure commission will not be delivered immediately. So, we'll be taking a longer-term look at the development of facilities that could lead up to a bid, perhaps, in the middle of the 2030s or, potentially, towards the

end of the 2020s—middle of the 2030s, rather than between now and 2026. So it's going to be taking a far longer view.

[124] Where we're able to identify upgrades to existing facilities that can be carried out at relatively low cost, of course, we'd wish to ensure that they can be delivered as soon as possible. Some of the big projects would need to be financed not just by ourselves, but also, potentially, in tandem with the private sector. So, for example—and this is purely as an example—if a facility is identified as being needed in a part of Wales where there is a football club that also needs infrastructure improvements, then it may well be that we're able to identify resources within Government that also identify resources available from that football club, or from Sport Wales. So this is a complex piece of work. I wouldn't expect any major facilities to be built and completed within the next few financial years. First of all, we need to carry out a full study, and also reflect on the work of the national infrastructure commission for Wales.

[125] **Adam Price:** Thank you.

[126] **Russell George:** There's a fund—I'm not sure of the name of the fund—for supporting major events, but I'm aware that applications have closed for 2017 with regard to applying for funding for that. Is the level of funding for the next financial year being decreased?

[127] **Ken Skates:** It's approximately £3 million. I believe it's being held steady. The reason that it's closed for 2017 is because major events tend to be planned so far in advance of them taking place. If any Members have queries about events that, perhaps, might not be deemed major but that, nonetheless, could benefit or need to benefit from public resource, there are other funds available—for example, festival funds. In addition, there are resources within the arts council that can enable events to take place where they are of a community nature.

[128] **Russell George:** I'm grateful for that. And with regard to Visit Wales, how do you evaluate how effective Visit Wales is, with regard to its spend?

[129] **Ken Skates:** In a number of ways: in terms of return on investment—and I'd be happy to, as an example of this, circulate a recent report from a major investment that was made in north Wales. Members will be aware of that investment; it's the Zip World scheme. I can provide that, because it demonstrates thoroughly the return on the investment. But also, in terms of

business marketing, we're able to assess success against the number of leads that we have—investment leads—as well as any increase in business that a supported company is able to achieve. In terms of marketing Wales, we assess success against the number of people who visit our website, who are following our Facebook page and our Twitter feed, and of course, the primary statistic that we pay respect to is that figure of growth in the value of the visitor spend.

[130] **Russell George:** And how do you evaluate particular campaigns that you're running, especially with regard to how much you're spending on print, tv and media?

[131] **Ken Skates:** This is a really interesting piece of work, actually. I've spoken with other teams across Europe about how they measure success and how they allocate resources. What I was most surprised at was the approach that Berlin took. Berlin is now, I think, the third most visited city in Europe, but in terms of television advertising spend, it's zero. What Berlin have done is they decided to leapfrog the transition from traditional media promotion to digital, and they focus their resources largely on fam trips—familiarity trips—which we are increasingly doing, and also driving digital activity. The digital activity requires a good degree of creativity, but they are succeeding. It's a really interesting model to look at if the committee ever wishes to examine promotion and marketing.

[132] We measure the success of our interventions, as I say, by a number of criteria. In terms of marketing, it would be how many visitors to the website and social media sites and the value for money from equivalent advertising. For example, if we spend money on a new product and that product attracts exposure through print media, we'd be able to ascertain what the advertising equivalent would be for 'Wales plc', if you like. For example, at the start of the year, when we kicked off the Year of Adventure scheme, we basically stopped counting at—I think it was £1 million advertising equivalent, after just a couple of days, because we couldn't keep track of the exposure that we were getting, not just in print media, but online as well. In terms of—

[133] **Russell George:** Sorry, I was going to say—

[134] **Ken Skates:** Can I give you a note on this?

[135] **Russell George:** Yes, please.

[136] **Ken Skates:** I'm conscious that I could probably talk for too long.

[137] **Russell George:** I'm grateful, but one of the specific questions I had is that I recently wrote to Visit Wales and yourself with regard to the advertising spend of Visit Wales—how much they spend on print, how much they spend on tv and online—by each campaign. Visit Wales and yourself responded to say that you couldn't give that detail. I was rather surprised, because I thought, surely, that you, in scrutinising Visit Wales, would need to know that information.

[138] **Ken Skates:** It's very difficult to give a comprehensive figure when the spend, for example, in terms of digital activity, can't be quantified. It's very difficult to say that you spent x amount on a tweet that then has been retweeted around the world, because you're actually quantifying the tweet cost as the amount of time it takes an official to send it, and it's very difficult to then calculate that against what we would deem to be the advertising equivalent, which is the retweet that it then has around the world. I can provide a—

[139] **Russell George:** It's not the effectiveness I was thinking of; it's the spend. The effectiveness is another question again, I suppose, but it does seem to me strange that you can't get that information. Is it something that you're willing to look at?

[140] **Ken Skates:** Yes, absolutely, because what I could do is disaggregate the areas of spend and marketing and provide figures, perhaps, for how much we spend on print media and tv media. Would that—?

[141] **Russell George:** Against each campaign. That's what I was particularly—

[142] **Ken Skates:** Yes. Would that suffice?

[143] **Russell George:** I would be grateful for that, and, if that is difficult to provide, whether you could consider asking Visit Wales to change their accounting processes in order to provide that in future years, perhaps. That would also be useful.

[144] **Ken Skates:** Yes. I'm happy to consider that and also to provide that note and look at how we can separate out some of the spending lines. But I do think it's really important that we recognise that, increasingly, in terms of

promotion and marketing, the greatest value that we get is through the promotion online of new products and innovations, rather than in the traditional sense of having advertisements in newspapers, magazines or in—

[145] **Russell George:** I'm grateful. I'm conscious we've got about six subject areas left in just over quarter of an hour, so I just ask Members to be succinct and the Cabinet Secretary—

[146] **Ken Skates:** I do apologise for—

[147] **Russell George:** I'm grateful for your detailed answers, but we've got to get through six subject areas. So, next is the delivery of the national transport finance plan. Jeremy Miles.

[148] **Jeremy Miles:** Just to confirm the relevant iteration applies, is it still the first plan of last year? There hasn't been an update to the delivery profile yet.

[149] **Ken Skates:** Yes.

[150] **Jeremy Miles:** So, it's against that plan.

[151] **Ken Skates:** Against that plan, yes.

[152] **Jeremy Miles:** The question, really, is in terms of what's expected to be developed or delivered in the next financial year. Are there any reservations that you have about the affordability to deliver those projects?

10:30

[153] **Ken Skates:** I'm content that the schemes that we are planning to deliver are affordable in the context of the budget settlement. I think it's also important, though, that we recognise that we're looking at some innovative projects that could lever in resource from beyond Welsh Government—for example, the Menai crossing is an important example of this—and that we are not responsible for delivering all of what is contained within the plan. For example, UK Government is responsible for delivery of key rail infrastructure that will be of vital importance to Wales in years to come.

[154] **Jeremy Miles:** So, there's a category of projects that require third party financing, which you're saying is outside your control, but, apart from that

category, you're confident that there's no affordability risk with the rest of the portfolio.

[155] **Ken Skates:** Confidence in that—Simon.

[156] **Mr Jones:** So, just to expand on the Cabinet Secretary's point, there will be external funding that will actually help us deliver our projects. So, the Cabinet Secretary's mentioned the Menai crossing; we're hoping to get funding from third parties there. But we shouldn't forget that we've still got access to structural funds as well, which isn't included in the figures in the budget. So, structural funds will play an important role in some particular projects. The metro in south Wales is a good example of that. The metro in south Wales also has a funding contribution from UK Government that was made available through a deal a few years ago for Valleys lines electrification, so that levers in a further £125 million to that product as well. So, there are a range of funding sources to help us deliver our own projects on top of what's in the budget and then, as the Cabinet Secretary says, there are other projects that are described in the national transport finance plan, which are the responsibility of others, because, particularly in the case of rail infrastructure, UK Government has chosen, so far, not to devolve powers and funding for rail infrastructure to Wales.

[157] **Jeremy Miles:** But, so far as the Government's responsible for the funding, you're confident about affordability.

[158] **Mr Jones:** Yes.

[159] **Jeremy Miles:** Thank you.

[160] **Russell George:** There are four Members who've got questions on major transport capital investments, so Vikki Howells first.

[161] **Vikki Howells:** Thank you, Chair. Thank you, Cabinet Secretary. I'd like to ask you a question about the M4 relief road. It's a project that I keep a close eye on myself because I'm aware of the strategic and economic importance of it, not just to the immediate area but to the whole of the economy of south Wales. I notice in your paper that you say that £937.6 million of capital funding is currently held in central reserves for that project, but I also note that it's less than the estimated total cost of the project as published by the Welsh Government in March of this year, which currently stands at £1.9 billion, excluding VAT and inflation. So, I wonder if you could

update us, please, about how you've arrived at the cost estimates on which the draft budget allocations for the M4 are based and maybe give us some assurance about the affordability of the scheme as well.

[162] **Ken Skates:** Yes, I can do that. It's largely about timing. I'll ask Simon to go into the technicalities of how the timing and the sequencing work relates to the budget, but it does provide us—the budget that we've published does provide us—with the funding to meet the current estimated full cost of delivery during the budget period. You're right, the overall scheme is estimated to cost £1.09 billion, which excludes VAT; including VAT would bring it up to £1.2 billion, and we're still working with UK Government and colleagues within the Treasury to determine whether the scheme can be completely exempt from VAT. But the quoted costs include allowances for optimism risks and bias, and the application has been made in such a way that it includes fees associated with commercial, technical and legal costs. So, we are confident that the funding does meet the current estimated full cost, but, in terms of that difference in the two prices quoted, Simon, can you—

[163] **Mr Jones:** Yes, of course. So, we've spent some money prior to this budget round on the M4, because the project's been alive for a while. In fact, we're aiming to complete the scheme in line with the published programme, but there will continue to be expenditure after the scheme is opened, because we'll have a whole series of ongoing environmental commitments—

[164] **Ken Skates:** That's at the tail—there's going to be a tail of activity afterwards.

[165] **Mr Jones:** Yes. So, all of those elements comprise to make the total cost for the scheme, so the budget is a window into a part of the scheme, but actually the scheme is bigger than that.

[166] **Vikki Howells:** Thank you. And, in relation to the public local inquiry that will soon be held, what about if any cost overruns or any changes to the scheme occur as a result of that? Are you confident that you have the reserves to cope with that, too?

[167] **Ken Skates:** We are confident. We've got the risk optimism pot of £150 million, but, with regard to the public local inquiry, there should be minimum disruption from this because we've been able to maintain our commitment to commence the work, subject to the public open inquiry, in 2021, so we're

able to address the timings accordingly and therefore this should not incur any significant additional costs. If it does, we're able to accommodate them within the current budget.

[168] **Vikki Howells:** Thank you.

[169] **Russell George:** Thank you. David Rowlands.

[170] **David J. Rowlands:** Forgive me, but, given the time restrictions, I'm going to try to link several questions in, and try to précis them, if I may, and just pick out the biggest ones. So, if they don't flow perfectly well, please forgive me.

[171] The first one is: I'd like to know your comments on the integrated contract for the rail franchise and the metro, because obviously we're giving a very unique approach in this contract, aren't we, so, are you happy that you'll be able to deliver on that contract? Could you make any comments on that?

[172] **Ken Skates:** Yes. James, do you want to give an update on the latest on the contract? It is a very novel way of doing it. We've been there before with Superfast Cymru and we did it with public sector broadband aggregation as well, didn't we? So, we've got experience, but this is the first time with rail. So, I think it's a very pertinent question right now.

[173] **Mr Price:** So, we're in quite a good place, where we stand now. We've got more bidders than we thought we were going to have. In fact, we're doing better than the Department for Transport would do with their, in inverted commas, 'tried and tested' models, which don't always work very well. We have all the expertise we need, I believe, on board to ensure this is successful, and the two aspects of procurement that we're using, one of which is the negotiated procedure, we've used, as the Cabinet Secretary said, on IT projects before, and the construction elements—early contractor involvement—we've used for about a decade now on all of our major highway schemes. So, I am confident that we're doing everything that we can do to ensure this is a success.

[174] The other thing that's worth mentioning is the quality of the external advice, which includes probably the two best rail professionals in Europe, and we're also going to bring onto the board of Transport for Wales a further non-exec director, just to ensure we've got all the scrutiny we can in this

area.

[175] **David J. Rowlands:** Okay, thanks very much.

[176] **Ken Skates:** I'm happy to provide a note that provides a comparison between the process that we're following and that which has been followed by UK Government, just so that you can familiarise yourselves with the respective benefits and risks that are incurred.

[177] **Russell George:** I'd be very grateful.

[178] **David J. Rowlands:** Absolutely. Now, we'll just turn very quickly to the borders rail franchise. Obviously it's coming to the end of its franchise. Can you give us current assurance that the finances are in place to keep that going until the franchise ends?

[179] **Ken Skates:** Yes. Officials have assured me that there's no issue with affordability in the current franchise.

[180] **David J. Rowlands:** Okay. Thank you very much.

[181] **Russell George:** Hefin David, did you want to come in?

[182] **Hefin David:** Yes. Going back to David's first question, can I ask a bit more on specifics? You've got a very specific figure of £734 million for the metro. How did you arrive at that? I didn't get enough detail there.

[183] **Mr Price:** You're absolutely correct that we've got a very specific figure, which is obviously needed in terms of any real budget planning. But, equally, you could say to me, 'How do you know that something's going to cost exactly £734 million at this particular time in the process?' There are two reasons why I can be relatively confident about that, and the first is the amount of work that we have done to date. So, we're building on work now that goes back six or seven years in terms of business cases and different plans that we had for electrification of the Valleys, and then various iterations of that. But the second reason is the way that we're going out to procure, which basically takes all of that business case information in and then says to the market, 'Here's a figure that we're going to spend. What we want you to do is to demonstrate how you will exceed these outputs within that figure', and points will be awarded for exceeding them massively by going down below that figure. So, it's a capped figure that we cannot go beyond.

[184] **Hefin David:** I'm going to be lobbying the Cabinet Secretary for health for a stop at the metro for the newly-announced major critical care hospital near Cwmbran. That's an unexpected development; he only announced it on Tuesday. How are you accounting for those kinds of things?

[185] **Ken Skates:** In terms of metro stops, there are flexible foundations upon which the metro is being built. So, it allows us to provide new services as local and strategic needs develop. So, it may well be that we are able to see a facility, a stop, developed where there is a new piece of social infrastructure that's introduced into a community, such as the one that you've identified.

[186] **Mr Jones:** Can I just add to that? If you look at the tram system in Manchester just as an example of a metro, that's been in development for 20 years. We're into a similar thing with the metro here; it's not going to be, 'This procurement is going to deliver everything that we expect from metro, and that's the end of it'.

[187] **Hefin David:** It's a process, not an event.

[188] **Mr Jones:** Exactly right. So, what we're buying now is what we are calling phase 2, so phase 2 will build the foundations, as the Cabinet Secretary says, of a flexible 'turn up and go' system for south-east Wales. But that system will be expanded over time. So—

[189] **Hefin David:** What's the timescale for phase 2?

[190] **Mr Jones:** I think we need to draw down all of the European money by 2022, so phase 2 will need to be concluded by then.

[191] **Mr Price:** A bit before then, actually.

[192] **Mr Jones:** Yes. So, we've got a hard stop to phase 2, but then there will be other phases. The city deal have got a pot of money—the local authorities—and that might form phase 3, and then the local authorities might decide how they're going to spend their money, and that might result in other stations and other lines being built as well as part of this.

[193] **Hefin David:** Thank you.

[194] **Russell George:** Hannah Blythyn.

[195] **Hannah Blythyn:** Thanks. The Welsh Government's draft budget narrative refers to the additional £50 million to advance the development of a north Wales metro system, and your paper adds to this by saying that:

[196] 'The project will deliver transport modernisation across North Wales with a focus on development of a metro solution in the more urbanised parts of North East Wales.

[197] The £50 million allocated in the budget—is that specifically for the metro or will it also cover other projects as well?

[198] **Ken Skates:** We're going to be building the north Wales metro concept learning lessons from the south Wales metro. The £50 million that we've been able to allocate to this project is clearly not going to be sufficient to deliver the entire metro, and this is a long-term objective, but what it will do is enable us to develop the early stages of the metro. The £50 million budget is very welcome, but, in the long run, the entire metro is going to cost significantly more, and it's therefore too early to say precisely what the projects will be in terms of a timeframe for delivery. I've already spoken of the need to examine whether we can introduce additional stops for the rail network in Deeside Industrial Park, the need to upgrade Shotton station, where there's an interchange, and also the need to better incorporate active travel into many of the station facilities and bus station facilities in north Wales, and to also integrate the bus station facilities into the railway station facilities as well.

[199] In terms of the £50 million that's been allocated and whether that's being spent wholly on new projects, Simon, are you able to identify how the money is going to be spent?

[200] **Mr Jones:** Well, I think, as you said earlier, Cabinet Secretary, it's a long-term project and it's difficult to say as we sit here now what the projects are going to be. So, there's a need to pull together a proper plan. If we compare where we are now with where we were on the south Wales metro, as James said, that was six years ago when we were in the same sort of state there. So, it's too early to say specifically what the projects will be, but that will evolve over the budget period and we'll get greater clarity later on.

[201] **Hannah Blythyn:** So, some of this, actually, in terms of advancement of the metro system, is actually making some of the existing infrastructure, for want of a better phrase, metro-ready.

[202] **Ken Skates:** Yes.

[203] **Mr Jones:** Yes. And I suppose if you think about what we did in phase 1 of the metro in south Wales, quite a lot of that was about improving access for buses—improving the infrastructure to make the bus network more straightforward, because that's what the bus companies are telling us that they need; they need highway improvements. So, it's perfectly conceivable that that will be an early part of what we do with the north Wales metro.

10:45

[204] **Ken Skates:** I meet regularly with the taskforce, which was successful in putting together the Growth Track 360 prospectus—a very important piece of work that also identifies the need for significant additional resource to be invested by UK Government in the rail network in north Wales, and across the border as well. So, I would hope that, as part of UK Treasury activities concerning the growth deal, that they would recognise the need for a modern, integrated transport service and system in north Wales and across the border, to incorporate electrification of the north Wales main line and upgrades to cross-border services. I've said on numerous occasions now that it's not acceptable that we should have experienced less investment by National Rail than we could and rightly should have expected, and I believe that should be addressed in the next control period.

[205] **Russell George:** There is one last supplementary question on this area, and you'll have to be fairly succinct on the answer. Mark Isherwood.

[206] **Mark Isherwood:** You referred to the growth vision for north Wales earlier—nearly four years in the making, backed by all local government, by all parties, the Business Council, third sector, academia, stipulating and detailing what transport links north Wales requires. How will your proposals correlate with what they're telling you, collectively, north Wales needs?

[207] **Ken Skates:** They correlate, I think it's fair to say, pretty perfectly. The, if you like, map of the metro system, which was designed by us, could quite easily be mapped over the proposals that have been put forward by the north Wales economic ambitions board and the rail taskforce. And, so, I would

expect there to be unanimous agreement between Welsh Government, the local authorities and the business community, and, as you say, higher and further education, on what it is that we need to invest in, in terms of an integrated transport system in north Wales.

[208] **Russell George:** On the next subject area, you may have already answered many of the questions, but, David, have you got any questions on the current franchise and investment you want to follow up on?

[209] **David J. Rowlands:** Basically, what we're asking is that whether you're absolutely certain that you've got the organisation in place to make sure that this is going to deliver on, how can I say, a basis of value for money. That's what matters really, isn't it?

[210] **Ken Skates:** Absolutely. And I think, in regard to value for money, we should never underestimate the potential for competitive pressure to drive best value. James, is there anything you'd like to provide in terms of an update on Transport for Wales and what is being done?

[211] **Mr Price:** Very quickly, we created Transport for Wales on purpose to do this, outside the core civil service because we knew we needed to bring on expertise very quickly in a way that's very difficult to do within the civil service. We're still doing that. I think we're probably 80 per cent of the way there to creating the team that we need to deliver this. There's still a couple of gaps. We are on it all the time. We're well aware of the risks of this going wrong, and the significant opportunities of this going right. If this goes right, certainly in terms of what we're proposing for south Wales, we will be doing something that no other part of the UK has ever done, basically, in terms of a vertically integrated railway solution, delivering 'turn up and go' services at a marginally lower unit cost than what we're delivering what we have today.

[212] **David J. Rowlands:** Thank you.

[213] **Russell George:** James mentioned that you created Transport for Wales to bring in expertise quickly, but just explain why that is, because, surely, the civil service could also bring in expertise quickly? What's the mechanism there?

[214] **Mr Price:** So, the biggest difference is that, as a result of austerity cuts, and as a result of the way the civil service system works, recruiting people and moving people around currently, in my view, as an additional accounting

officer, was too slow a way to deliver something as innovative as the franchising. Of course, if you look across the UK, these things wouldn't be delivered within the civil service either. So, HS2 has been set up separately, and Transport for London is set up separately. So, we're following a kind of tried and tested model in terms of taking it outside the civil service. But what we're doing, which is very different, is holding it much more clearly to account. So, whilst it's technically an arm's-length company, I am chairing that arm's-length company, such that if it goes wrong, I can't say, 'It was them over there that did it'.

[215] **Russell George:** And, in terms of arm's length, can we as Members contact Transport for Wales, and are they—

[216] **Mr Price:** There's a website that's available, and, increasingly, there will be a presence, of them, which is distinct from the Welsh Government. I mean, the biggest time that that would occur is at the point when the franchise goes live, and then they'll be dealing with things that go right and things that go wrong. When someone wants to complain about services not running on time, it will be them that will be the first port for that.

[217] **Russell George:** Sure. Okay, thank you. Jeremy Miles.

[218] **Jeremy Miles:** You mentioned Transport for London. They publish board papers, so there's an element of transparency. Would you commit to doing that with regard to Transport for Wales, and also the management agreement and the delegation letter?

[219] **Ken Skates:** Well, the business plan and the remit letter are published on the Transport for Wales website. Because we're in a procurement process at the moment, I don't think it would be appropriate to publish the board papers for the company, but I am keen to be open and transparent in the way that you've identified Transport for London is. And so, I'm going to be reviewing the position once the franchise has been let, with a view to being able to publish those important papers.

[220] **Jeremy Miles:** On an ongoing basis, I assume.

[221] **Ken Skates:** Yes.

[222] **Jeremy Miles:** Okay. And, in terms of the budget of £7.1 million, what diligence has the department done around that budget? Are you confident

that's a robust figure?

[223] **Ken Skates:** Yes.

[224] **Mr Price:** Yes, we did quite a lot of diligence in terms of the cost of that. I haven't got the entire figures in my head—we could give you a note—but we are running at a lower cost than equivalents across Europe would be running to procure something similar.

[225] **Jeremy Miles:** And is the plan, ultimately, to do multi-year funding deals with them so that they can plan long term?

[226] **Ken Skates:** I'm yet to make a decision on the funding approach for Transport for Wales, beyond its support in the procurement process, because I'm going to have to consider how Transport for Wales takes account of our annual budget approach for revenue. As soon as I reach a decision on that, I will let the committee know.

[227] **Jeremy Miles:** Thank you.

[228] **Russell George:** Mark Isherwood, you have questions on the franchise.

[229] **Mark Isherwood:** I think some of those have actually just been answered. But, just specifically, what steps are you taking to ensure that the franchise will be affordable throughout its lifetime? To give an example, I know you've recently had a letter from rail users in north-east Wales about the Shrewsbury-Wrexham-Bidston leaf-fall impact. And that, I know, has led to proposals to you from Arriva for alternative stock, which the next provider—whether it's Arriva, or otherwise—would be requiring if we're going to maintain those timetables.

[230] **Ken Skates:** Okay. Well, I can tell you that because, as part of the procurement process, we're expecting bidders to actually submit the proposals against a fixed and affordable subsidy. And so, bidders—and they are fully aware of this—are making bids on the basis of being expected to improve efficiency overall, and either deliver the rail service for a reduced net subsidy or deliver improvements to the rail service within the maximum net subsidy—that envelope that is available. So, there is a finance subsidy that they are aware of, and, within that, services must be run, and the bidders are fully aware of the process.

[231] **Mark Isherwood:** What about flexibility in the event of unforeseen events? We know, currently, there's holdback, because nobody can invest unless they know they're going to have the franchise in the future. So, how can you build in the flexibility to allow for unforeseen development?

[232] **Mr Price:** This is one area that we're, obviously, thinking about quite carefully. I think it's probably the biggest criticism of the current franchise, that there is no incentive structure within the franchise set up for Arriva to invest. They have invested, actually. If you look back five years ago, they invested for a period of about five years, but, now we're running to the end, they're not. And most of the increases in capacity have been fully paid for by the Welsh Government, not by the franchise operator.

[233] So, we're considering a range of different models, whereby changes such as that can be introduced at a much lower cost than we're currently seeing, but within a not-for-profit model. So, there's a whole range of different things we're currently considering. I wouldn't want to go into too much detail at the minute, because we are beginning to get into negotiations on all of this stuff, but it is high in our minds—how do we arrive in a position where we can have change without always paying for it, and, when we do have to pay for it, without paying a punitive charge for it?

[234] **Mark Isherwood:** Will you publish the gateway review of procurement arrangements? More specifically, can you identify risks that you have identified in adopting an innovative approach to procuring both the franchise and the south Wales metro, and how do you propose to mitigate those?

[235] **Ken Skates:** In terms of the risks, I don't think I'm able to provide detail on the risks to procurement that we have identified; doing so now would potentially undermine our commercial position. But, again, I can assure the committee that we have a detailed risk and programme management process in place, and the necessary controls are regularly reviewed by my officials. I am going to keep under review publication of the gateway review. Again, at this stage in the procurement, it would not be possible to publish it, but I will keep that consideration under review.

[236] **Russell George:** Will the tender specification be published as part of the January public consultation?

[237] **Mr Price:** I don't see any reason why we can't do that.

[238] **Mr Jones:** So, what we have set out to bidders at the moment is a series of high-level objectives and a series of questions that ask the bidders what their outline solution is going to be. The next stage of the process is to actually, based on those outline solutions, sit down with the bidders and create the detailed specification collaboratively. So, that's what this competitive dialogue process is all about: sitting down and working out a specification that meets our needs but can be delivered by the different technical solutions.

[239] **Mr Price:** We can provide a note on—. We can give you the maximum available without betraying any confidences, which is quite a lot, I think.

[240] **Mr Jones:** I think the key is that the process we are going through will develop the detailed specification, but there are some headlines that I am sure we can look at.

[241] **Russell George:** Okay, I'm grateful. Moving on, have you finished your line of questioning?

[242] **Mark Isherwood:** Yes, I think we have already—

[243] **Russell George:** We need to be very succinct because we have not got long left.

[244] **Mark Isherwood:** You have already answered questions on Transport for Wales. If we move to funding for bus services, you have already confirmed the £25 million frozen budget, which has been fixed since 2013-14. How would you respond to the suggestion that the Welsh Government hasn't sufficiently valued bus services in comparison to rail, which receives significantly higher funding for fewer passengers? What assessment have you made of the total funding needed by local authorities to provide the services, given the downward trend in bus services and passengers in recent years?

[245] **Ken Skates:** I don't think it's fair to approach the question of value for money from rail and bus services because the two are so complementary. In many instances, the same passengers will use both a bus and a rail service. In terms of the support that we give to bus services, I think it's considerable. In spite of the fact that we have had incredibly difficult budget settlements, we have been able to maintain the level of the bus service support grant at £25 million for a number of financial years now. What's essential is that local authorities take responsibility as well. Some local authorities in Wales have

cut their support to pretty much zero in some cases during the same period that we have stayed steady and firm in our support for buses. In addition, though, I think that the bus service support grant is to be considered alongside other elements of support that the Welsh Government offers to bus service providers—for example, the TrawsCymru service; the provision of concessionary fares; learner travel; and the sort of support that we give through the department for health. It is important that all levels of support are considered. In sum total, that level of support is very considerable indeed.

[246] I am conscious of the pressure, though, that many companies are under at the moment, particularly the smaller and family-owned bus services. That was the reason for publishing the five-point plan. I think it's fair to say that that five-point plan has been welcomed not just within Wales, but actually across the border, where of course it is a very contemporary issue, given the Bus Services Bill. The points within that plan have been welcomed by all bus companies, I think, that recognise the difficulty that the sector is facing. I'm also going to be holding a summit in January where we will be discussing bus service support grants alongside a whole raft of issues that the sector is currently having to grapple with. I would hope that, at that summit, the role of local authority support will be analysed as well.

11:00

[247] **Mark Isherwood:** Thank you. Just very, very shortly, if I may—

[248] **Russell George:** The last one.

[249] **Mark Isherwood:** You know that providers wrote to you after your appointment expressing that their major concern was the late payment by Welsh Government of the BSSG, and they warned that that would risk services and, of course, some services did go. And this hasn't just happened this year, it's happened over a number of years. How will you address that to ensure in future that the cash-flow problem for those smaller family companies you referred to isn't repeated?

[250] **Ken Skates:** I don't think any of the closures were due to any late payments—

[251] **Mark Isherwood:** In part.

[252] **Ken Skates:** All of the evidence would point to other factors influencing the failure of those companies. In terms of when the payments are granted, there's nothing that actually states that the payments are granted by a specific date. However, I would hope that we would be able to get the money out of the door in such a way that supports those companies, particularly those ones that are most vulnerable.

[253] **Russell George:** Can I ask, Cabinet Secretary, is the mytravelpass funding continuing next year?

[254] **Ken Skates:** We are going to carry out an evaluation once the pilot programme reaches conclusion. At the same time, we're working with bus operators to determine what the appetite is for commercial bus providers to offer similar schemes. At the moment, one problem with the scheme that I'm conscious of is that actually, in some respects, it's a competing scheme, because many operators already offer a similar concessionary system. So, as part of the evaluation, I think it's essential that we look at not just where there is unnecessary competition, but also we should examine where there is an appetite for a mytravelpass scheme as such to be operated by commercial carriers.

[255] **Russell George:** So, the mytravelpass scheme, is there a budget figure for that?

[256] **Mr Jones:** As the Cabinet Secretary says, there are a range of support measures that are given to the bus industry. We'll be talking with the bus industry about how that can be integrated, especially given that commercial providers are providing this service themselves and the take-up of the mytravelpass scheme hasn't been as high as we initially anticipated.

[257] **Ken Skates:** It's been relatively low. I think that about 8,000 mytravelpasses have been issued against an overall population of, just off the top of my head, 120,000. So, the actual take-up is very low and take-up in some areas is basically duplicated where there's our pass and there's also a pass available from a commercial operator. That's why I think it's essential we take stock of the pilot scheme, carry out a thorough evaluation, liaise with the bus service operators themselves and then determine what the most beneficial system that captures as much value for money as possible is for the future.

[258] **Russell George:** Thank you, Cabinet Secretary, are there any final

questions on funding for bus services or concessionary travel from Members that are urgent? No. In that case, I'm very grateful for your time this morning, Cabinet Secretary. We'll take a five minute break, so we'll be back just before 11.10 a.m.

*Gohiriwyd y cyfarfod rhwng 11:03 ac 11:10.
The meeting adjourned between 11:03 and 11:10.*

**Y Gweinidog Sgiliau a Gwyddoniaeth—Craffu ar Gyllideb Ddrafft
Llywodraeth Cymru 2017–18
The Minister for Skills and Science—Welsh Government Draft Budget
Scrutiny 2017–18**

[259] **Russell George:** I'd like to welcome the Minister for Skills and Science this morning. I'm grateful for you being with us this morning for scrutiny of the Government's draft budget. I would like to go the first set of questions, to Hannah Blythyn.

[260] **Hannah Blythyn:** Thanks, Chair. I was going to open up on apprenticeships. In 'Taking Wales Forward', the top commitment is 100,000 apprenticeships. I'll ask how much of an increase that is in the draft budget of £98 million per annum compared to previous years, but moreover actually that we continue to ensure the quality of apprenticeships because I'm conscious that in England—and I might get this wrong—they no longer adhere to the national occupational standards.

[261] **The Minister for Skills and Science (Julie James):** Thank you for that question. I'm very happy with the budget settlement that we have of £111 million to take the commitment forward. You'll all be aware, and I won't go through it for time purposes, that we've got a one-year revenue settlement and a longer capital settlement, so obviously we're happy with what we've got to go forward. The Government is in the process of also looking at an all-age employability programme, which we will be coming back to the Assembly and to committees with once we've got that sorted. That will take us forward past the one-year revenue settlement.

[262] In terms of how many starts it is a year it's quite a difficult equation because we do the starts in academic years and we do the money in financial years, so it's not an easy thing to compare exactly. But it's a slight increase on the starts for last year because we've rolled another £5 million into the

base. Members from the fourth Assembly—and apologies to Members who weren't here in the fourth Assembly—will remember that there was a budget deal by Welsh Government with the Liberal Democrats and the £5 million for that has gone into the base for the apprenticeship programme. So, I'm very happy with that.

[263] In terms of the national occupational standards, this is connected, I'm afraid, with the dreaded apprenticeship levy, which I'm sure some other Members will ask me about in a minute. Unfortunately the English Government, as it is in this case, has come off the national occupational standards and we are very unhappy about that. We've arranged with the other devolved nations to continue that process. Our unhappiness is this: we think that an apprenticeship should be a recognised qualification and should have parity of esteem with academic qualifications. It's very difficult to see how you do that unless you understand what it is that you're getting in that qualification. So, we want people to be able to be proud of what's on their CV: if they have an apprenticeship qualification that it carries recognised qualifications with it, you know what it is, it's a recognised programme of study of high quality, and so on. What we don't want is a situation where an employer can have an apprenticeship programme of its own with its own internal arrangements, and you can qualify in that programme but if, for whatever reason, you need to find another job, actually nobody has the least idea what that might have entailed. So, we're unhappy about that. We're keeping a weather eye on what the new institute for apprentices that's been announced as part of the levy might be doing with it and if there are any English Ministers listening, I hope they'll see sense in the near future.

[264] **Hannah Blythyn:** Thanks. You touched on the apprenticeship levy in your answer there, so I may as well just go straight on to that. Where are we now in terms of—? How do you consider how that is going to impact on us in Wales, or benefit or not?

[265] **Julie James:** The short answer is: we don't really know until the autumn statement exactly what the Barnett formula will produce for Wales. Until we see the absolutes we won't know. At the moment, the situation is that, although it looks like there's a slight increase in the line that the apprenticeship levy is in for Barnett, there are corresponding decreases in the line for the Department for Business, Innovation and Skills—or the Department for Business, Energy and Industrial Strategy as it's now called—for example, which offset it, but until we see the final autumn statement we won't see that. My working assumption is that there is no extra money in the

budget for this.

[266] **Russell George:** Jeremy Miles, then Hefin David. Jeremy first.

[267] **Jeremy Miles:** You mentioned the English Government coming off the national standards. Are there resource implications for the Welsh Government of that decision by the English Government?

[268] **Julie James:** Well, we've arranged temporarily for the Scotland arrangements to take over and run it for us, but in terms of the nitty-gritty of the arrangements, I'll ask Huw to explain exactly how we're funding that because I can't remember.

[269] **Mr Morris:** Skills Development Scotland will take over the running of the national occupational standards—they define the benchmark for apprenticeship standards.

11:15

[270] What we're also doing is talking to employers through regional skills partnerships to find out what they want in terms of qualifications, and with Qualifications Wales we're making sure that the quality of those apprenticeship frameworks, as they operate in Wales, meet the needs of learners and meet the needs of the employers.

[271] **Jeremy Miles:** So, you've not had to make budgetary provision for any changes that have come as a result of that?

[272] **Mr Morris:** The total amount of money for maintaining national occupational standards is a relatively small amount. We can provide you with that in writing.

[273] **Russell George:** Hefin David.

[274] **Hefin David:** I'd like to come back to Hannah's question on the impact of the apprenticeship levy. You said in your submission on page 17 to us that

[275] 'We will also continue with our efforts to gain clarity from the UK Government on the impact for Wales of their Apprenticeship Levy',

[276] which you've already discussed, but you also say that there are some

cross-border and funding issues that remain unclear. Have you covered that in your answer or are there more things you want to say on that?

[277] **Julie James:** No, there are some cross-border issues. Well, there are two or three of them and if I miss something out, I'm sure Huw will remind me. For example, we have some courses that are given by English providers to Welsh companies. So, one of the ones I am aware of, for example, is the people who fix the overhead high-tension electricity lines—the programmes are delivered in England. It's not clear how we'll get those delivered with this new system. So, that's one of them. There are others; that's just one small example.

[278] We have an issue about whether our providers—so, our FE colleges and so on—can provide in the English system because a lot of them are close to the border. So, Coleg Cambria, for example, is very concerned and I believe that they've got accreditation in the English system to deliver it. We're still not clear how the voucher system will work in England really. We know that employers have been led to believe that they'll be able to spend the money. It's obvious that they won't be able to spend all of the money. So, Airbus, for example, have expressed a view that they are very happy with their apprenticeship programme. They're unlikely to be able to spend all the money that they are having to give to the levy as that's more than they currently commit. So, will they be able to spend it on their supply chains, for example, and how will that work? And it's not yet clear how any of that will work.

[279] The other thing that's happened here is that we have employers who are both cross-border and entirely in Wales, and they have to pay into the levy because it's a tax, but apprenticeship provision and schools provision is devolved. So, what you've effectively got, I'm afraid, is the replacement of general taxation with a specific tax on employers without any mechanism for redistribution other than the old Barnett formula, which clearly isn't fit for purpose given that this is a specific tax.

[280] **Hefin David:** It sounds like a nightmare.

[281] **Julie James:** It is a nightmare. We will have employers in Wales who will pay the levy, but we don't have the money to give them back any provision. And because of the way we have our apprenticeships organised and we have priority sectors and so on, we will have employers who are not in priority sectors who will have a decreased provision as a result.

[282] **Hefin David:** So, the consequences for FE colleges, if they provided for the English system, could it be that the English providers just wouldn't want to bother with Wales?

[283] **Julie James:** It's possible; we don't yet know really. Until we see the real colour of how the voucher system will work and so on, it's difficult to say. But you see it's difficult to plan in those circumstances. And Members will be aware that I have announced that we were simply going ahead with our own plans in the teeth of this because, otherwise, we'd pause for rather a long time and we felt that people in Wales needed clarity.

[284] **Russell George:** Thank you. Anybody else on this subject area before we move on?

[285] **Mark Isherwood:** I will ask one if I may.

[286] **Russell George:** So, Mark Isherwood, then back to Jeremy Miles. Mark Isherwood.

[287] **Mark Isherwood:** What provision has been made or considered for apprenticeships specifically for people with autism or for disabled people?

[288] **Julie James:** In the programme we take careful account of equalities and we make sure that we have provision in place to support people with all kinds of disabilities, including autism. In the all-age employability plan that we're looking at, we will be specifically looking at targeting individuals on an individual level to ensure that we get specific provision for each individual, both to get them into an apprenticeship or actually any employment that they feel is suitable, but more importantly, Mark, to keep them there. As you'll be aware, I know, with many people on the autistic spectrum, it's not just getting the job, it's actually staying in the job and getting the employer to make the reasonable adjustments necessary to keep the person there. So, our programme will be very much aimed at making sure that people with specific barriers, such as autism spectrum disorder, get the help they need, both to get into their apprenticeship in the first place, or indeed any other job, and, more importantly I think, to actually stay there and progress.

[289] **Russell George:** Jeremy Miles.

[290] **Jeremy Miles:** Just on a point of clarity. Do you have any expectation

that the autumn statement might give any further clarity around the value of the—

[291] **Julie James:** Well, I have a hope rather than an expectation.

[292] **Jeremy Miles:** Okay. Right.

[293] **Russell George:** Okay, thank you. Moving on to a new subject area, David Rowlands.

[294] **David J. Rowlands:** Yes. The Minister lists three key objectives for the skills policy engagement resource—a lot of money; I read this figure twice—which is £1 million. The specific things are formulation and communication of the Welsh Government skills policy, employer-led regional skills delivery policy, and employer-led projects to meet skills needs. What outputs and projects will be funded by the budget expenditure line, and how will the Minister evaluate whether they are good value for money?

[295] **Julie James:** So, what we have for our skills delivery is we have a regionalised system. So, we will have a national strategy regionally delivered and locally provided. The way that we will do that is we will be funding the engagement with employers at a skills level regionally. So, we have three skills partnerships that—I've said in this committee before, and I'm still struggling with—have all, very helpfully, had different names. So, poor Minister struggles to remember exactly which is the name in which region, but, anyway the local skills partnerships. I've launched the plans for the north and the south-east partnerships and I'm due to launch the plan for the west partnership in two weeks' time, I think it is. We fund them to produce the local market information that we need, which drives our decisions on how we fund particular skills in that area. The output is just the number of jobs that those skills produce. So, just to give an anecdote to the committee, I recently had the privilege to attend a dinner where the head of Aston Martin in Wales was sitting, and he made it very clear in a speech to the dinner that the reason he had come to Wales was not because we had a particularly excellent financial offer on the table but because he was so impressed by the skills arrangements and the talent and ability of the engineers that he could find in the area. I think that's a very good demonstration of what we'd be looking at for output.

[296] **David J. Rowlands:** Fine. Thank you.

[297] **Russell George:** Vikki Howells.

[298] **Vikki Howells:** Thank you, Chair. Thank you, Minister. I'd like to ask a question about employment and skills. I notice that the resource budget allocation for employment and skills for 2017 to 2018 is just shy of £29 million, and this draws in then an additional £20 million of European funding. I wonder whether you would be able to give us a breakdown, within that budget allocation, of each of the adult employability programmes: for example, Jobs Growth Wales, ReAct, Chwarae Teg and Skills Gateway—

[299] **Julie James:** I don't have those figures with me but I'm happy to provide the committee with a note. One of the things, though, that I think the committee should be aware of is that one of the purposes of the new employability programme is to take away the edges of those particular programmes. So, as I said in my remarks to Mark Isherwood, we're very aware that the person applying for support does not care which budget it comes out of or where the edges are. So, we're looking to make, through the Skills Gateway, a seamless provision. So, somebody applying for help and support will be able to get it because we've rearranged the programmes behind that support to give the maximum flexibility. So, I'm very happy to provide you with the individual figures. For the moment I want the committee to be aware that we're working very hard to actually take away some of the rigid edges that have caused, I think, all Assembly Members problems. One of the classic ones is the number of letters I receive about ReAct funding where somebody hasn't realised that they were eligible until after the deadline. I think everybody in the committee has written to me about that, or a Jobs Growth Wales applicant that is 25 and two days. So, you know, those things are very frustrating. The programmes themselves are very good, but those edges are frustrating. So, we're going to work very hard to see if we can stop that being an issue.

[300] **Vikki Howells:** Thank you. Because my next question was going to be if there was any increase or decrease around each of those projects, and the reasons for any changes, but your answer, really, has clarified that for me. So, just to close, then, I think the thing that's concerning me the most is that, currently, we're drawing in around £20 million of EU funding to support those schemes. What alternative sources of funding might you be able to use once that EU funding is no longer available to us?

[301] **Julie James:** Well, we're very pleased that the Chancellor has agreed that anything that's been approved before the autumn statement will

definitely go ahead. I just want to back up the First Minister in his call for Wales to be funded properly, with a proper formula, once we've left the European Union, because it's quite clear that there's a big gap in our budgets otherwise. So, our strategy is very much that the UK Government needs to reform the funding formula to reflect the needs in Wales.

[302] **Vikki Howells:** Thank you.

[303] **Russell George:** Minister, the cut in funding to Jobs Growth Wales, too, you said isn't a reduction exercise in cutting costs, so where's that money going to be—

[304] **Julie James:** As I said, we're developing the all-age employability programme, so there isn't a budget cut to the employability programme, and, as I've said, it's rare, in my experience, that people care which particular programme they're funded from, only that they get the funding. So, we're working on a transition plan, and then an all-age employability programme to follow that up. The budget is there for that, and we aren't particularly specifying where it's coming from.

[305] In terms of the Jobs Growth Wales, you mean the income support cuts, so it's—we're funding it at 50 per cent. Yes. I mean, that's—. Wage support is a very expensive way to do employment support. It was very successful in the recession, but we know that the economy's in a very different place now than it was five years ago. We're obviously keeping a weather eye on what's happening with Brexit and all the rest of it, but it seems to us that Jobs Growth Wales was so successful, and people are so pleased with the brand, that, actually, they're very happy to take it at 50 per cent income support. We're not experiencing a real problem with that. Bear in mind what it is: it's a first step on the rung of a ladder of an employment-ready youngster. So, we still need to ensure that cohorts coming out of schools get the support they need. But we don't have the high levels of youth unemployment that we saw when the scheme was put in place.

[306] **Russell George:** Thank you, Cabinet Secretary. David Rowlands.

[307] **David J. Rowlands:** Just a quick follow-up. You happened to mention the application dates: are you saying there'll be some flexibility in application dates—

[308] **Julie James:** Yes, what we're doing—and I'm not in a position to tell

you exactly how it will work at the moment, because we're currently working on it, but what we're doing is we're looking to get a seamless all-age employability programme that is specific to the needs of the individual. So, we're looking to have a process by which an individual can help us articulate exactly what their barriers and needs are, to get them back into employment—this is not just for unemployed people, this is for people who are economically inactive, which is a much bigger problem in Wales, actually, than unemployment now—so that we can get a tailored programme in place for them to get them back in to suitable levels of employment. Full-time commercial employment will not be suitable for everybody with disability or mental health difficulties, for example, but some level of employment is usually possible, and we know that drives health benefits. So, the programme will be designed to be much more flexible in that way and, yes, behind the scenes we will have some tramlines over European funding and so on, of course we will. But what we will do is we will look to see that Welsh Government money blurs the edges off, so that we meet the needs for the European Union programmes, and we have the correct audit process for that, but we have other schemes in place to make sure people who fall outside of those are picked up anyway.

[309] **Russell George:** Okay. Thank you, David. Adam Price on subjects around science.

[310] **Adam Price:** Yes. Minister, there's a 65 per cent reduction in the science capital budget, which is explained as being in line with projects and delivery. Could you just say a little bit more about why there is that—

[311] **Julie James:** I'll tell you the policy reason, and then I'm going to hand over to Steve to tell give you the technical explanation in accountancy terms. But, effectively, there's an argument going on in Europe, the UK and in Wales—three separate arguments and one overarching argument—about whether science should be paid for out of capital or revenue. So, it's easier to move revenue to capital than it is to move capital to revenue, so it's currently in the revenue budget, but I'll hand over to Steve to explain the intricacies of the accountancy that goes with that.

[312] **Mr Hudson:** Thank you. So, our overarching aim was to make sure the Minister had the total amount of money needed to deliver the rest of the science programmes. When you come to look at how you fund science programmes, it's a question of looking at the type of research that is done—is it applied research, is it pure research—and also the type of costs that are

funded from it as well. Are we supporting wage supports of professors or post-grad students or are we providing support to buy pieces of equipment as well? Looking over all of that, as well, is: what's the end product from all of this? Is it just a piece of pure research, or is it something that a company could, for example, capitalise and put on its balance sheet? And there's no easy answer to this, because of the range of research that's conducted. So, these discussions have been going on for quite a while now, as to how to treat this properly. As the Minister said earlier, companies don't really mind which budget it comes from from the Welsh Government, whether it's a revenue or capital budget, as long they get the money from us. It does matter to us, because we've got to make sure we've got the right funds in the right pots. Whatever the consensus is at the end of this discussion, whether we should treat research as a capital or revenue cost, we've then got the flexibility to manage that through in-year budget management to make sure we've got the right funds in the right place to pay the claims as they come in.

[313] **Adam Price:** Okay. So, a little bit of creative accounting in the best possible sense may be going on, but, more broadly, could you just say a little bit about the other sources of funding available to realise the objectives of the Welsh Government's science policy, and particularly—obviously we're all focusing on Brexit these days, particularly this morning—the impact of the loss of EU funding on the very successful, it seems, *Sêr Cymru I* and *II* programmes?

11:30

[314] **Julie James:** Both of which, I'm happy to say, are funded and we've already got the approval through. So, the Chancellor's offer to continue the funding afterwards is welcome and they both fall into the category of schemes that are approved and running. It's the same answer, I'm afraid, as before. Clearly, we look to maximise our science impact and we're keeping a very weather eye on the current Higher Education and Research Bill going through Parliament at the moment, and there've been a few shenanigans I think the Member is aware of about how that is structured and whether that will impact Wales and whether or not we can access UK-level funding. At the moment, we don't punch our full weight in that and we're very anxious to ensure that our structures make sure that we do do that. I have a very regular meeting with the chief science adviser and with Huw here about how we can maximise that.

[315] To make sure that we continue to be able to participate, as part of the negotiations for Brexit, in things like the COFUND projects and so on is an absolute essential for us, as is, I'm afraid, the free movement of academics. The Sêr Cymru programme is a very good example of that; we are attracting academics from all over the world and from Europe as well. It's essential to Wales's ability to produce high-level research, and therefore the funding that goes with it, that we can attract those academics and continue to do so. Sêr Cymru's been very instrumental in that. It's a very good programme and I've been very pleased to have the privilege to welcome some very seriously world-class academics to Wales in the few months since I've been doing this portfolio, and we very much want that to continue. So, those things are essential to us in the negotiation.

[316] **Adam Price:** Could you say a little bit about the position of women in science? There's a good example, isn't there, of the new chair of the advanced semiconductor centre in Cardiff? But could you say a little bit about how we're going to encourage more women into science at every level?

[317] **Julie James:** We have a particular strand of Sêr Cymru that is called 'recapturing talent', and that is particularly designed to capture people, not just women, although we anticipate it will be predominantly women, who've gone out of a science career for whatever reason, and we can get them back in and give them additional support to get there. We've just appointed the first one of those down in Swansea, actually—a woman who is coming back to science after a break. So, we're very specifically focusing on that. One of the big issues for women in science—well, there are several big issues for women in science, but one of them is that those few women who get through into science careers tend to leave once they have children; there's a big drop off. So, our big aim is to recapture that talent and make sure that they have the support necessary to do the world-class research that they're capable of. So, I'm very pleased and proud that Sêr Cymru is going to do that.

[318] We also have our Rising Stars programme. Sêr Cymru rewards people who are already doing world-class research and attracts them to Wales. But we also give people who are rising stars, i.e. are likely to be the next generation of that, support through the Rising Stars programme in Sêr Cymru. We're looking to make sure that we have a diverse mix of academics in that programme, because part of this is about attracting the very best talent from whatever source into Wales.

[319] **Adam Price:** Moving on to innovation, all told, there's about £5.5

million, I think, on the revenue side under the three different innovation headings. How are you measuring the impact of those different areas—for instance, the investment in innovation centres versus the ABC, academia and business collaboration? Taking the three areas, are we able to say that one is delivering more successfully than the others?

[320] **Julie James:** I think that's a very difficult comparison to make, isn't it? The point about innovation, as Adam Price well knows—he probably knows more about it than I do—is that you need to take a very long-term view of it. So, we have three levels of help for innovative companies: we have translating research into something that you might be able to commercialise, then we have the growing of commercialisation and then we have the scaling of it. So, we have some measures around jobs and impact and so on, but, actually, we've been in discussion with the chief scientific adviser—innovation and education—about developing a better set of criteria for that, because jobs are not a good indicator in this instance, because you might only make three or four jobs in the first stage of commercialisation of research, but the thing itself might have the capability of being a proton-beam treatment for the NHS and creating millions of jobs at the other end. So, we have to devise a mechanism to understand what the potential impact of the research might be, then what the commercialisation demands might be, and then what leverage the Government money might have to get private sector involvement in. So, I think it's a difficult thing. Nobody's really solved it, but we're having a good look at it at the moment. I don't know if Huw wants to add anything to that.

[321] **Mr Morris:** No, I support what you said.

[322] **Julie James:** You know yourself, Adam, how difficult it is to come up with that. What we're anxious not to do is compare it with not like for like. So, if you were to say, 'How many jobs has the apprenticeship money produced as compared with the innovation money?', then you'd be tempted to put a lot more money into apprenticeships and a lot less money into innovation, just on that measure, but it wouldn't be telling you anything, because they're not the same sort of jobs. They're not the same economic levers in the economy and they don't produce a strategy for science in quite the same way. So, we're trying to develop a proper evaluation strategy for all of those three areas, which allows us to take that longer term view, but also allows us to lever in private funding as and when we can.

[323] **Adam Price:** Arguably, of course, the potential role of the Welsh

Government in driving innovation in the economy and, indeed, in society as a whole is much greater when we look at the entire budget, and the Welsh Government's procurement budget and its activities in areas like health et cetera. That role of public service innovation and the opportunities that it affords isn't really captured, that I can see, at the moment in the budget. Is there a role for creating an innovation fund, actually within the Welsh Government's procurement, and using that? It's probably a bigger amount of money than the £5 million that you have—

[324] **Julie James:** We haven't characterised it in quite the way that you've said there, but we've thought of doing that. I chair the Government digital working group—it's called the digital and data group now—and the reason for that is because we are looking at doing exactly that. We have long discussions about how we can best lever private enterprise and innovation into the use of Government data, for example. We support the small business research initiative programme and we're looking to see whether we can have other programmes in place to drive that innovation, so we are doing it, but it's not been quite the way that you said.

[325] The other thing I would like to say is that we are looking at all of the hooks in Government money across the piece—for procurement, grant in aid and so on—because we give out sums of money for commercialisation projects and so on, but we don't necessarily put any other hooks into that, so we don't have diversity targets or we don't have local employment targets, and we don't have supply chain targets and so on in all of our areas. We have them in some—we do very well in construction in procurement, for example, but I don't see any real reason why we couldn't do that across the piece. So, we have got a piece of work going on at the moment to see what is possible with that.

[326] **Adam Price:** Finally, I asked last time about the national innovation body that—

[327] **Julie James:** I'm still waiting for my research report.

[328] **Adam Price:** Okay. Presumably, in budgetary terms, then, there's nothing in the budget that would preclude a positive decision on—

[329] **Julie James:** No, and the revenue budget's only a year anyway, so, when we get the report, we'll have to have a look at it and then we can take it forward from there. I haven't got it yet.

[330] **Russell George:** Vikki Howells.

[331] **Vikki Howells:** Thank you. I'd like to focus on female entrepreneurs. We know that the economies that perform strongest in the world are ones that tap into a diverse range of skills, and female entrepreneurs are certainly a huge chunk of that. Now, the Global Entrepreneurship Monitor for 2015, which I believe is the most recent one, found that total early-stage entrepreneurial activity in Wales was 9 per cent for men, but just 4.6 per cent for women. The gender gap in Scotland, for example, comparably, is much less. So, what I was wondering is: how would budget decisions around innovation and entrepreneurial skills be targeted at women in order to encourage us to tap into that resource?

[332] **Julie James:** We do a whole range of things in this area. Only last night, I was at a dinner to discuss REAP, which is the regional entrepreneurship accelerator programme, which Wales has been lucky enough to get on to, which is sponsored by MIT. We had a range of stakeholders around the table last night, many of whom are entrepreneurs. We had all of the FE heads there, we had all of the HE sector heads there, and we had employers and Government, and so on. And the purpose of that programme is to—I think it was described as 'start a movement', which is basically to drive entrepreneurial skills through the whole of the economy in Wales, with a view to doing exactly as you said. We were talking about identifying groups where entrepreneurial activity is lower, and what we might do to do that, and a range of ideas were put forward. There's a team of people taking those things forward.

[333] At the same time inside the Government, as you know, we're changing the curriculum, and I hope you've come across an entrepreneur called James Taylor who runs SuperStars. If you haven't, you should get in touch with him; he's very inspirational and he spoke last night. He was saying about the difference between the way that those skills will be taught in the Donaldson era to the way that he experienced it when he was at school. He said he had been an entrepreneur for several years before he had ever heard the word, and he didn't know he was one—he just thought he was running a business, and so on. He runs a pupil deprivation grant programme, for example, in many of the Valleys of Wales, and part of what he does is teach entrepreneurial skills, which are really just about taking an idea and learning how to run with it. We're also sponsoring a whole pile of things like Welsh ICE and TechHubs, and simple spaces that were talked about last night—a

space where you can and go and get good Wi-Fi and decent coffee and meet with some people who also have ideas, and bounce off each other, and so on. So, we'll be doing a lot of those things.

[334] As part of the Valleys taskforce as well, we'll be making sure that the barriers for women to go along to those things are taken away, and that they're also not only hospitable places for young geeks, but hospitable places for women who have a really good business idea and don't know how to take it forward.

[335] **Vikki Howells:** Thank you.

[336] **Russell George:** I'm aware that the Minister has to be away by 11:50, so the last subject area around broadband—Jeremy Miles.

[337] **Jeremy Miles:** As we get towards hitting the 96 per cent coverage target, focus then will shift inevitably to the question of take-up within that. What assessment have you done of take-up to date, and what budgetary implications might that have?

[338] **Julie James:** In the way that the contract is structured, we have what's called a gainshare. As soon as the take-up in any area goes over 21 per cent, we get money back, so it's obviously incumbent on us to drive that up. We did have, as part of the Superfast Cymru programme, a part of it with BT that was to drive take-up, and so on. We've taken that back in-house, and we've just started to roll out a programme, using an advertising agency called Golley Slater, in various areas of Wales. I'm just looking around to see if I've got someone—I think probably Mark and Hannah might have encountered it in their areas. So, we've started in the north of Wales, and we're rolling it out county by county as we hit the superfast target. We've tailored the message very much to encourage people to take it up, to show them what can be done online once you've got superfast speeds, what businesses can do, and so on.

[339] Members will also be pleased to know that one of the reasons we've taken it in-house is we felt that the BT message was overoptimistic. I often had a postbag—as I'm sure Members did—full of people saying, 'This is all very well, but I haven't got it'. So, what it says is it tells you what percentage of people have got it in your area, it highlights people who have got it and what they're doing to use it, and we give individual real examples of actual human beings who are doing things with it in your area that you can get in touch with. Our experience has been that once somebody on your street has

it, then the whole street kind of goes because people don't realise what they can do with it until they have it. But, clearly, the more people who take it up, the more economic activity we get around it, the better businesses do, the better individuals do, but, actually, the better gainshare we get. We're hoping to announce—I won't pre-empt it—but I'm hoping to work out a programme soon to say how we can use that gainshare to increase coverage in Wales as well.

[340] **Jeremy Miles:** So, on that point, you mentioned that, once we've got to the 96 per cent, an additional period of roll-out beyond that, which you're currently discussing—is that what you're referring to in your announcement?

[341] **Julie James:** Yes. As part of our manifesto commitment, we have a manifesto commitment to get superfast access to everybody in Wales. That's not cabled access, I will say; in some places in Wales, cabled access will probably always be impossible, but it is access. In the debate yesterday, I did mention to Members that we're working very hard with the mobile industry, for example, to see what we can do.

11:45

[342] I have a round-table discussion with them shortly, about how we can roll out some of the mobile infrastructure. And we're taking a close interest, obviously, in the negotiations around 5G, because, as I said yesterday, and I've said repeatedly, the technology has moved on. So, when we started this conversation, broadband and mobile were two different things, and now they're not. So, we're looking to do things in the innovation sector, actually, to stimulate SMEs in Wales to be able to provide new technology solutions to people who are likely to stay off the cable grid, if I can call it that. And they're very good; I've seen some very good examples of that. But, yes, we'll be announcing plans to do that.

[343] I'll just take this opportunity—sorry, Chair, I know you're trying to get me to be succinct, but it's worth saying—we are also doing a market review for technology companies, to see how we can maximise the money in superfast, to re-cover some of the ground that's been covered. I will be happy to report back to the committee about how that goes. That is things like recapacitating cabinets, and that sort of thing, because that's obviously a big issue, as raised yesterday in the debate. You know, we enable the cabinet, but you live too far away from it, so what can we do to put nodes in, and all the rest of it. So, we are looking at that as well, as part of the current

superfast roll-out, but this is the additional bit.

[344] **Jeremy Miles:** Do you envisage maybe needing to use EU funds, to close the gap between 96 and 100?

[345] **Julie James:** Yes. We'll be looking to draw down European funding to do that. I'm hoping to make some announcements about that in the not-too-far future.

[346] **Jeremy Miles:** Okay.

[347] **Russell George:** Mark Isherwood.

[348] **Mark Isherwood:** Referring to that final 4 per cent, you've referred in the Chamber to the agreement we've had with BT, which, through take-up, will release, I think you said, £12.9 million, which, presumably, will go towards that 4 per cent, but you said that alone wouldn't cover it. Will that, plus the EU money that you referred to, cover the full 4 per cent? And, noting that the UK Government have a similar agreement in respect of England, and they invested £10 million of that in a pilot scheme to reach the hardest-to-reach areas, what consideration are you going to give to something similar? And, a final related one, again on business, in terms of the multiplier effect—not just connectivity but how we can maximise the economic impact—I referred yesterday to the fibre on demand programme, which Welsh Government has launched, only being available, in practice, as businesses have found, from a company in England. How can we engage that Welsh expenditure, so that it is being spent in the Welsh economy?

[349] **Julie James:** Taking that one first, we're very aware of that, and we'll be looking, as I said, to drive some innovation into Welsh SMEs, and so on, to help them take up the slack, and we're having a look at the market, and what we can do about the market in some areas. We have some companies working in that space, and it may well be—and this is what I was actually talking about in my answer to Adam Price—looking wider across the Welsh Government piece, to see what other help we're giving to small innovative SMEs, and whether we can lever that money to make sure that we have a market in other areas of Welsh Government. Expenditure is one of the pieces we are looking at.

[350] On the first point that you made, you're dragging me down the path of making an announcement that I don't plan to make in the committee. So, all

I'm going to say is that all of the things that you listed there are very much part of the consideration, and, when I do make the announcement about the rest of it, you'll be able to see that we've taken all of those issues into account.

[351] **Russell George:** Have you said when you'll make that announcement, Minister, sorry?

[352] **Julie James:** In the not-too-distant future.

[353] **Russell George:** Is that this year?

[354] **Julie James:** Yes.

[355] **Russell George:** This year. Thank you. Have any Members got any pressing, urgent questions before we close? David Rowlands.

[356] **David J. Rowlands:** Chair, just very, very quickly—I'm sure it will be a quick answer. The Catapult zone status has come now, in two areas, as we know. Has that helped you recruit the very best people? I know it's very early—

[357] **Julie James:** Oh, yes, definitely. I mean, Professor Diana Huffaker, who is a force of nature—if you haven't met her, you should—only came because we have the Catapult status; there's absolutely no doubt about that. And attracting world-class researchers of her status, of course, attracts others. I mean, that's the whole point of a cluster. And you can see it in action on the ground, actually. So, if the committee hasn't met with Professor Huffaker, she's well worth talking to.

[358] **David J. Rowlands:** Thank you.

[359] **Russell George:** I'm grateful. Thank you very much, Cabinet Secretary. Minister, I appreciate your time this morning—I'm very grateful. I know you've got a pressing engagement to go off to. Thank you.

11:49

Papurau i'w Nodi
Papers to Note

[360] **Russell George:** Can I move to item 4, and ask Members to note four letters, either to or from the committee? Are Members happy to note those items? Okay.

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in
17.42(vi).*

*accordance with Standing Order
17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[361] **Russell George:** Moving to item 5, under Standing Order 17.42, can I resolve that we go into private session for the remainder of the meeting? Members are happy with that. We'll just wait for the gallery to be cleared.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 11:50.

The public part of the meeting ended at 11:50.