

Economy, Infrastructure and Skills Committee and Children, Young People and Education Committee

Date: 9th November 2017

Time: 10:00-11:00

Title: Evidence paper on the Draft Budget 2018-19 – to be presented to the Economy, Infrastructure and Skills Committee and Children, Young People and Education Committee

1.0 Introduction

This paper provides information to the Economy, Infrastructure and Skills Committee and the Children, Young People and Education Committee on the Minister for Skills & Science portfolio proposals outlined in Draft Budget 2018-19. The Draft Budget was published as part of a two stage process, an outline budget (stage 1) on 3 October followed by a detailed budget (stage 2) on 24 October. It also provides an update on specific areas of interest to the Committee.

2.0 Summary of budget changes

The Draft Budget 2018-19 provides a two year plan for revenue investment and a three year plan for capital investment. The tables below provide an overview of the planned revenue and capital budgets relating to the Minister for Skills & Science portfolio:

TABLE 1: OVERVIEW OF THE REVENUE BUDGET						
Action	2017-18 First Supp Budget £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue						
Sectors:						
Life Sciences	2,896	2,896	(696)	2,200	-	2,200
Science and Innovation	10,514	10,514	(8,882)	1,632	(887)	745
Skills	176,175	175,675	(7,599)	168,076	(7,596)	160,480
ICT Infrastructure	8,517	9,017	(1,536)	7,481	500	7,981
Sub Total	198,102	198,102	(18,713)	179,389	(7,983)	171,406
Non Cash						
ICT Infrastructure	1,309	1,309	-	1,309	-	1,309
TOTAL	199,411	199,411	(18,713)	180,698	(7,983)	172,715

TABLE 2: OVERVIEW OF THE CAPITAL BUDGET					
Action	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Sectors: Life Sciences	9,711	2,090	798	801	3,689
Science and Innovation	12,610	8,372	8,720	8,940	26,032
Infrastructure	20,550	12,500	1,500	19,500	33,500
TOTAL	42,871	22,962	11,018	29,241	63,221
2017-18 Final Budget	42,871	11,706	3,562	20,562	35,830
Change in New Plans (Note 1)	-	11,256	7,456	8,679	27,391

Note 1 – the changes in the new plans are explained in paragraph 4

In addition there is an Annually Managed Expenditure (AME) budget of £12m in 2018-19 and 2019-20 which makes provision for pension liabilities in Careers Wales.

3.0 Revenue Changes

Our revenue proposals reflect the challenging settlement faced by the Welsh Government and the need to re-prioritise budgets and deliver savings where possible.

Compared to the revised baseline for 2018-19 and 2019-20, the total resource DEL has decreased by £26.696m. In summary the movements for 2018-19 and 2019-20 are:

Description of Movement	2018-19 £'000	2019-20 £'000	Total £'000
Realignment of projects in line with delivery requirements <ul style="list-style-type: none"> • Life Sciences • Innovation 	(696) (1,111)	- -	(696) (1,111)
Reclassification of R&D expenditure from Revenue to Capital – to comply with HM Treasury guidance	(7,771)	(887)	(8,658)
Public Sector Broadband Aggregation - Invest to Save	(500)	500	-

repayment adjustments			
Work Based Learning – reflects drawdown of EU income entitlements	(7,599)	(7,596)	(15,195)
Public Sector Broadband Aggregation – maintenance savings from upgraded network	(1,036)	-	(1,036)
Total Movements	(18,713)	(7,983)	(26,696)

4.0 Capital Changes

Four year capital plans were published in the 2017-18 Final Budget, providing greater transparency and certainty to our key stakeholders and delivery partners. In this paper, we therefore discuss changes that have made to the four year capital plans since the publication of the last budget. There have been no changes to budgets between the 2017-18 Final Budget and the 2017-18 First Supplementary Budget (which is shown for information only).

The capital budget remains challenging and projects have had to be prioritised in line with our commitments to deliver *Taking Wales Forward* and *Prosperity for All*.

Over the three years the capital budget has increased by £27.391m. A description of movements between the plan as published in 2017-18 and this budget are summarised in the following table:

Description of Movement	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Realignment of Life Sciences projects in line with delivery requirements	(1,515)	(1,202)	(199)	(2,916)
Reclassification of R&D expenditure from Revenue to Capital – comply with HM Treasury guidance	7,771	8,658	8,878	25,307
Public Sector Broadband Aggregation – Network Upgrade	5,000	-	-	5,000
Total Changes in New plans	11,256	7,456	8,679	27,391

The detailed level budget plans for the Economy and Infrastructure MEG were published on 24 October. To aid transparency a breakdown of changes for the portfolio Budget Expenditure Lines (BEL) is provided at **Annex A**.

5.0 Priorities

I set out my priorities in my written and oral evidence at the Economy, Infrastructure and Skills Committee meeting of 27 September. The paper explains how my portfolio aligns with *Prosperity for All: the National Strategy* and will deliver against its key themes and is available at:

<http://senedd.assembly.wales/documents/s66061/EIS5-21-17p1%20Minister%20for%20Skills%20and%20Science.pdf>

6.0 Action level summary

The 2018-19 Draft Budget is published at Action and BEL level. As detailed in paragraph 2, the summary reflects changes from the revised baseline for revenue in 2018-19 and subsequent changes in 2019-20. In the 2017-18 Final Budget the capital plans were published for four years. Therefore the changes in the plans are compared to the original plans in the financial years.

6.1 Sectors Action

Revenue						
BEL	2017-18 First Supp Budget £'000	2018-19 Revised Baseline £'000	2018-19 Changes £'000	2018-19 Draft Budget £'000	2019-20 Changes £'000	2019-20 Draft Budget £'000
Life Sciences	2,896	2,896	(696)	2,200	0	2,200
Total	2,896	2,896	(696)	2,200	0	2,200

Capital					
BEL	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Life Sciences	9,711	2,090	798	801	3,689
Total	9,711	2,090	798	801	3,689

Life Sciences Sector - Policy & Strategy Overview

The explanations for the movements in the revenue and capital budgets are summarised in paragraphs 3 and 4.

The capital funding of £3.689m over the three years will support the commitments for strategic infrastructure investments, creating an environment for growing regenerative medicine companies to thrive. We will build on the strategic infrastructure investments already committed for the Advanced Therapeutic Medicinal Products facility, and the Welsh Wound Innovation Centre which are included in the 2017-18 budget provision of £9.711m. We will work alongside other

proposition developments such as ARCH (West Wales) and the Clinical Innovation Hub (South Wales) to maximise their economic impact.

The Life Sciences sector forms part of the wider Sectors Action where budgets have been re-prioritised and aligned to support capacity building and investment targeted to maximise the budget available.

In the **short term**, we will continue to provide revenue support and progress opportunities for the Life Sciences ecosystem in Wales. The Life Sciences Hub is being repurposed to develop opportunities for creating value from NHS-Industry engagement, including improved health and wellbeing outcomes for people, improved efficiency and value for health and care services and to support business growth, investment and jobs. This reflects our intention to support collaborative projects which are integral to deliver Prosperity for All.

In the **medium term**, we will facilitate trials and demonstrator links and assist with route to market opportunities for Life Sciences businesses within NHS Wales and key strategic subsectors.

In the **long term**, we will continue to raise the international profile of the sector by creating an international brand that highlights its innovative successful nature and attracts growth and job creation to Wales.

6.2 Science and Innovation Actions

Revenue						
Innovation Action						
BEL	2017-18 First Supp Budget £'000	2018-19 Revised Baseline £'000	2018-19 Changes £'000	2018-19 Draft Budget £'000	2019-20 Changes £'000	2019-20 Draft Budget £'000
Business Innovation	1,520	1,520	(1,520)	0	0	0
Innovation Centres & R&D Facilities Academia & Business Collaboration	4,199	4,199	(3,340)	859	(255)	604
Sub Total	5,719	5,719	(4,860)	859	(255)	604
Science Action						
Science	4,795	4,795	(4,022)	773	(632)	141
Total	10,514	10,514	(8,882)	1,632	(887)	745

Capital					
BEL	2017-18 First Supp Budget	2018-19 Draft Budget Allocations			
		2018-19	2019-20	2020-21	Total

	£'000	£'000	£'000	£'000	£'000
Action: Innovation					
Academia and Business Collaboration	11,739	3,811	4,066	4,066	11,943
Sub Total	11,739	3,811	4,066	4,066	11,943
Action: Science					
Science	871	4,561	4,654	4,874	14,089
Sub Total	871	4,561	4,654	4,874	14,089
TOTAL	12,610	8,372	8,720	8,940	26,032

The explanations for the movements in the revenue and capital budgets are summarised in paragraphs 3 and 4.

The total Innovation budget of £13.406m (revenue funding of £1.463m over two years and capital funding of £11.943m over three years) continues our support for the EU innovation programmes, SMART Cymru and SMART Expertise. These programmes encourage businesses to invest in innovation and develop links with academia and business innovation with the aim of enhancing the competitiveness of firms to support sustainable economic growth.

In 2018-19 there is a decrease in revenue of £4.860m compared to the 2018-19 revised baseline. There is a further decrease of £0.255m in 2019-20. Reclassification of Research & Development (R&D) expenditure from revenue to capital to comply with Treasury guidance has resulted in an adjustment between revenue and capital plans of £3.749m. In addition, activity was realigned to delivery which released £1.111m to deliver priorities in Entrepreneurship.

In 2017-18 the capital budget of £11.739m reflects the planned profile of our investment in key innovation centres such as the Semi Conductor Hub that we have invested in alongside Cardiff University. Further interventions in this area are under development with delivery partners but are not yet at the stage for investment.

The total Science budget of £14.963m (revenue £0.874m for two years and capital funding of £14.089m over three years) supports initiatives to deliver the *Science for Wales's* strategy: Sêr Cymru, Sêr Cymru 2 (which are co-financed with external funding) and National Science Academy (NSA).

There is a decrease in revenue budget of £4.022m in 2018-19 and a further £0.632m in 2019-20 as a result of reclassifying R&D expenditure.

Overall our investment in Science activities remains comparable to 2017-18 although the split between capital and revenue budgets has changed to reflect new accounting practices.

6.3 Deliver ICT Infrastructure Action

Revenue						
BEL	2017-18 First Supp Budget £'000	2018-19 Revised Baseline £'000	2018-19 Changes £'000	2018-19 Draft Budget £'000	2019-20 Changes £'000	2019-20 Draft Budget £'000
Digital Inclusion	1,250	1,250	0	1,250	0	1,250
Public Sector Broadband Aggregation	5,240	5,740	(1,536)	4,204	500	4,704
ICT Infrastructure Operations	2,027	2,027	0	2,027	0	2,027
Sub Total	8,517	9,017	(1,536)	7,481	500	7,981
Non Cash						
ICT Infrastructure Operations	1,309	1,309	0	1,309	0	1,309
Sub Total	1,309	1,309	0	1,309	0	1,309
TOTAL	9,826	10,326	(1,536)	8,790	500	9,290
Capital						
BEL	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations				
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000	
ICT Infrastructure Operations	20,550	7,500	1,500	19,500	28,500	
Total	20,550	7,500	1,500	19,500	28,500	

The ICT Infrastructure budget continues to reflect our commitment to provide fast and effective broadband to all homes and premises in Wales despite the challenging budget settlement. Delivering digital skills and providing fast, reliable broadband with mobile coverage across Wales supports our commitments in *Prosperity for All*.

The explanations for the movements in the revenue and capital budgets are summarised in paragraphs 3 and 4.

The profiled capital expenditure for Superfast over the four years reflects the anticipated end of the current project in 2017-18 and commencement in 2018-19 for the follow on programme. The core budget requirement is higher in the final year and European funding and match funding was drawdown in the early delivery stages. From 2018-19 the core budget requirement for Superfast II is managed in line with European match funding is managed in line with the delivery requirements

In 2018-19, an additional capital allocation of £5m supports the upgrade of the Public Sector Broadband Aggregation network which will help to save over £1m in 2018-19 which is built into future baselines for revenue maintenance costs.

Digital Inclusion BEL

Digital Communities Wales (DCW) trains and supports organisations to engage digitally excluded people with technologies, assists with embedding digital inclusion within the organisation and encourages recruitment of volunteers to act as digital champions. It works closely with partner organisations, including libraries, to ensure free access and support to the internet for those who need it most. Following an independent evaluation, DCW was extended until 31 March 2019 and maintained at current levels.

Public Sector Broadband Aggregation BEL

This budget supports the contract awarded to BT in October 2014 for a minimum of seven years that provides a mechanism for collaborative purchasing of wide area networking services for the public sector. It currently supports over 110 organisations providing over 4,500 site services. In 2018-19, there is a decrease in revenue budget resulting from a repayment of £0.5m for previous Invest to Save funding and c£1m in savings in maintenance anticipated from capital investment of £5m to upgrade the network. Therefore the changes have no impact on delivery.

ICT Infrastructure Operations BEL

The four main programmes of activity are:

- **Superfast Exploitation (revenue)** – contracts and grants awarded to different providers to help businesses gain commercial benefit from superfast broadband infrastructure and create economic dividend for Wales. This is a five year project, which commenced in late 2015. The project utilises both Welsh Government and EU funding.
- **Superfast Cymru (capital)** – contract awarded to BT to develop superfast broadband infrastructure throughout Wales capable of delivering 30mbps or more. The project utilises Welsh Government, EU and BDUK funding and will be completed in 2017-18.
- An **additional phase** of Superfast Cymru will be implemented within 2018-19 and will build on the infrastructure created in the first phase to provide options for reaching those premises not included in the first phase. The project will utilise Welsh Government and EU funding.
- **Access Broadband Cymru and Ultrafast Connectivity Schemes (capital)** Demand led schemes that provide grant support to access alternative broadband solutions capable of delivering stable superfast download speeds to both residential and business premises.

7.0 Skills Actions

Action	BEL	2017-18 First Supp Budget £'000	2018-19 Revised Baseline £'000	2018-19 Changes £'000	2018-19 Draft Budget £'000	2019-20 Changes £'000	2019-20 Draft Budget £'000
Work -based Learning	Work Based Learning	126,808	126,308	(7,599)	118,709	(7,596)	111,113
Delivery Support Skills	Marketing and Skills	648	648	0	648	0	648
Skills Policy	Skills Policy and Engagement	1,061	1,061	0	1,061	0	1,061
Employment and Skills	Employability and Skills	28,858	28,858	0	28,858	0	28,858
Educational and Careers Choice	Careers Wales	18,800	18,800	0	18,800		18,800
Total		176,175	175,675	(7,599)	168,076	(7,596)	160,480

The explanations for the movements in the revenue and capital budgets are summarised in paragraphs 3 and 4.

Work-based Learning BEL

The 2018-19 revised baseline excludes non recurrent funding of £0.500m for a one-year allocation to support Police Forces in Wales.

We recognise the broader role that skills and lifelong learning play in economic development and have maintained funding levels facilitated by optimising European funding. Whilst the net budget of £118.7m in 2018-19 and £111m in 2019-20 supporting Apprenticeships and Traineeships reflects reductions this is offset by increased European funding of the same value. European funding is managed based on Welsh Government requirements over the life of the projects with support from WEFO to ensure that it effectively supports the *Taking Wales Forward* commitments.

The BEL supports the following activities:

- The delivery of all-age apprenticeships (including framework development) (Circa £110m)
- The delivery of the Traineeship programme (Circa £35m)
- Support for the recruitment of apprentices aged 16-18 (Circa £2m)

- The inspiring Skills programme and other pilots aimed at increasing apprenticeship participation e.g. "Have a Go" (Circa £2m)
- Staff and marketing costs related to European funded projects (Circa £2m).
- Anticipated income of £25mESF receipts, however this could vary each year due to activity levels.

The budget supports initiatives to encourage employers to recruit young learners, particularly at key points during the year. Support for young apprentices is a priority area. It also supports the Traineeship programme which is aimed at young people who are (or at risk of) becoming NEET (Not in Education, Employment, or Training).

Junior Apprenticeships; and particularly 16-19 years olds

Junior Apprenticeships are not included in the Work -based Learning BEL but are supported in the Education MEG.

The Welsh Government monitors the outcomes for both the Traineeship and the Apprenticeship programmes. Outcomes are measured in relation to framework completion rates for Apprenticeships and progression rates (in relation to moving into a job or higher learning) for the Traineeship programme. Contracts can be terminated where the outcomes are unacceptable.

The outcomes information is determined from comprehensive learner data submitted to the Welsh Government by each contracted provider.

Marketing and Skills BEL

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

Skills Policy and Engagement BEL

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

This budget supports:

- Formulation and communication of Welsh Government skills policy taking account of the wider cross-UK policy landscape;

- Establishing a strong employer-led regional skills delivery agenda supported by Regional Skills Partnerships; and
- Engaging and supporting key employers through strategic relationship management to meet skills needs via employer-led projects.

Budgets relating to skills policy support a range of work including:

- Labour market intelligence – the quality assurance, dissemination, analysis and procurement of evidence to support skills, employment and learning development and ensure better informed decisions regarding the labour market.
- Wales Employment and Skills Board (WESB) - WESB serves as an independent, employer-led advisory board for Welsh Government on all matters relating to post-16 employment and skills policy to ensure delivery is better aligned to the needs of employers and individuals across Wales. WESB reports directly to the Council for Economic Development (CED). This new working arrangement is providing the Welsh Government with a robust challenge and enhanced strategic perspective on skills, apprenticeships, higher education and lifelong learning matters.
- Age of Investment campaign – this campaign focuses on actively encouraging employers to retain and employ older workers and recognise the value of older workers as part of a multigenerational workforce, working closely with the Older People’s Commissioner’s office. The campaign will also emphasise the message of co-investment and promote the benefits of investing in workforce skills to employers.

Budgets relating to Regional Skills Partnerships (RSPs) provide a mechanism for ensuring skills provision in Wales matches the needs to employers, helping them access the skills they need. There are three RSPs:

- North Wales Economic Ambition Board – Regional Skills Partnership North Wales (NWEAB - RSP)
- South West and Mid Wales Regional Learning and Skills Partnership (RLSP); and
- South East Wales Learning, Skills and Innovation Partnership (LSkip).

The RSPs have developed robust employer engagement strategies to capture the skills needs of the region and, in particular, the skills needs associated with regional infrastructure projects and priority sectors. This work has proved to be timely, informing the development of regional proposals for City/ Growth Deals to UK Government. Each RSP produces an annual employment and skills plan, identifying priorities for their region based upon employer need. Regional employment and skills plans identify key economic sectors and providing a critical evidence base

from which to make skills investment decisions. The most recent set of employment and skills plans were published in August 2017.

Budgets relating to Employer Engagement and sectors provide the skills element of wider Welsh Government packages of support for employer-led projects that support high quality job creation and/or safeguarding. This work includes achieving broader and deeper relationships between strategic employers and schools, FE and HE; facilitating and increasing take up amongst strategic employers of Welsh Government-led skills programmes and projects such as apprenticeships, Business Class, FSP, and Skills Priority Programme; facilitating RSP engagement with key employers; providing 'live' intelligence from employers; communicating Welsh Government skills priorities and key messages to business; and the policy and delivery lead for the FSP.

Employability and Skills BEL

This BEL funds the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in and progress at work through skills and training support. It facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs in priority areas which are important for the economy of Wales.

Both the Jobs Growth Wales and React programmes attract European Social Funding under the current 2014 – 2020 round of programmes. Our new employability offer is expected to begin delivery in April 2019. This will be positioned as a single offer under the name, 'Working Wales', and will replace our current suite of programmes: ReAct, Jobs Growth Wales, the Employability Skills Programme and Traineeships. Between now and April 2019 these programmes will be reconfigured to inform the new delivery approach.

Careers Wales BEL

Annual revenue funding of £18.800m for ports Careers Wales activity has been maintained.

In 2016, Welsh Ministers invited Careers Wales to bring forward a vision for the future delivery of careers services in Wales. Following consultation with stakeholders, in June 2016 the company published its vision *Changing Lives* which sets out how the service will be developed over the next three years. The key messages within *Changing Lives* are:

- The refocus on young people and a prevention rather than cure approach;
- A much greater use of technology in the support of delivery;
- Enhanced support to partners including employers and schools; and
- To support adults back into employment.

Changing Lives proposes a fundamental redesign of services, with digital transformation realising fully blended services to clients. Careers Wales is investing

in digital platforms and services not to replace face-to-face services, but to ensure career adviser time is effectively employed in high value activities. Informed by consultation with young people, Careers Wales have developed an innovative new approach to delivery. The world has moved on from 'one size fits all solutions' and that is reflected in the way Careers Wales delivers a highly differentiated approach to service delivery – using face to face contact, emails, web chats, webinars, social media and other channels.

As Careers Wales implement their new vision, they will be evaluating and testing new approaches with customers to ensure client needs are being addressed in service development and design. Careers Wales is investing in digital platforms and services not to replace face-to-face services, but to ensure career adviser time is effectively employed in high value activities. Informed by consultation with young people, Careers Wales have developed an innovative new approach to delivery. The Career Discovery Model will address individual needs through a range of coordinated and complementary services delivered digitally and face-to-face. Built on three complementary processes, Diagnosis, Discovery and Delivery, the model combines professional expertise with innovation, to meet the needs of individuals through the most appropriate delivery channels. This is a holistic and well rounded approach that combines individual support with engaging and inspiring activities.

Changes to the Careers Wales remit in previous years have resulted in a reduced service to young people in schools. The new delivery vision is seeking to redress this with the agreed business plan for 2017-18 re-focusing resources toward school-based delivery. Changes which are being introduced include a far stronger emphasis on support to young people in schools, both directly, through capacity building with partners, and through new resources to help teachers make connections between curriculum delivery and the world of work.

Services to adults outside of specific contracted services (such as the Individual Skills Gateway and ReAct) have been scaled back, though these clients continue to have services accessible via Careers Wales centres, the phone service, and online. The remit letter offers discretion to offer services to adults within available resource to give Careers Wales some discretion in how most appropriately to support adult clients as part of the universal offer. The lack of complaints that are made against an organisation of its size is notable and is linked to the flexibility of approach in terms of the work they undertake with adults.

There is growing evidence around the impact of Careers Information Advice and Guidance (CIAG) services to young people.

Careers Wales support for NEETs:

Careers Wales is a key partner in the Youth Engagement and Progression Framework. Careers Wales staff provide a lead in support of young people who are disengaged from Education, Employment and Training (EET) without extensive barriers. Careers Wales provide detailed reports to Welsh Government detailing the numbers of young people supported, how long it has taken to re-engage them in EET activity, and movement between tiers in the 5 Tier model. Careers Wales also

undertakes a destinations survey in October each year which is used as the basis for the NEET statistics.

The provision of CIAG services support young people to make successful transitions from compulsory to post-compulsory education and training (or employment), preventing enrolment onto inappropriate courses and reducing drop-out rates. Greater focus on engagement with young people while they are in school will feed through to reduced churn and drop-out post-16 and a reduced NEETs.

Two separate research projects reviewed the services provided by Careers Wales to clients who were NEET or in danger of becoming NEET, and the links between these services and client progression. Findings demonstrate that the work of Careers Wales helps to reduce the number and proportion of young people in Wales who are (NEET, and furthermore helps to reduce the number of clients who are at risk of leaving EET prematurely.

During 2017-2018 Careers Wales will continue to support young people in Tier 3 (up to the age of 18) where their primary requirement is careers related support until they are in an outcome or no longer require our support. Careers Wales will also be looking to improving links with partner organisation who offer support to the client group with a view to identifying appropriate support activities for individuals' to develop their career management abilities.

During 2016–17, Careers Wales developed a system of performance measures intended to trial the harmonisation of indicators of success at Company level and for specified job roles. The system developed focuses on careers advisers working with clients in education and covers three aspects of performance measurement that also exist on a pan Company basis. There will be three approaches to measuring progress and performance in 2017-18. These will include agreed key performance indicators and piloting the measurement of the outcomes outlined in the vision. In addition Careers Wales has proposed a series of aspirational achievement metrics within their business plan which will be used to inform discussions on performance and will provide some baselines for future performance.

Some examples of these metrics include:

- All KS4 learners will complete Career Check
- All Year 11 learners will be on the Careers Adviser caseload until they are settled in their post 16 destination
- 70% pupils receiving services in KS4 will receive at least 2 personalised Digital interactions
- 20% clients in Tier 3 to progress to Tier 2
- 80 % clients in Tier 3 progress within 90 days
- 10.000 employers logged in the employer database by March 2018
- 214 World of Work events – a minimum 1 per secondary school

Assessing the cost-effectiveness of Careers Wales services delivered on behalf of the Welsh Government is challenging because:

- Careers Wales is required to carry out tasks and delivery services, the end-product of which is often outside their control;
- The spread of responsibilities across the ‘careers family’: responsibility for the control and cost of outcomes is not clearly allocated; and
- The lack of readily available comparators against which to benchmark service delivery.

In light of this, in setting the remit for 2018-19, the Welsh Government will look to be more specific about its inputs and the investment it is making and the outcomes (for example, a reduction in NEET by a specific amount), allowing Careers Wales to determine the approach that is most appropriate to create achievement, then reporting back to Welsh Government on the outcomes – rather than on the detailed processes deployed to achieve them.

8.0 Budget Monitoring and Evaluation

8.1 Budget monitoring

All spending areas are challenged on a monthly basis and quarterly in-depth reviews are undertaken by officials to consider the latest forecasts and agree changes to budgets. The Cabinet Secretary for Economy and Infrastructure and the Minister for Skills and Science are provided with regular financial updates on the portfolio to ensure the budget remains on track to ensure that value for money outcomes are being achieved and that we continue to deliver the portfolio priorities.

8.2 Evaluation

The need for and scope of evaluation is considered on a case basis during policy and programme development having regard to risk, size and scale, existing evidence and relevant factors. I have for example recently commissioned a review of the five year Ser Cymru science programme. The review will focus on the objectives and targets achieved by the programme and will help shape our key priorities about options for the future of government funded science research in Wales whilst ensuring sufficient flexibility to enable local and regional priorities to be addressed, depending on their particular needs.

The Superfast Cymru programme was evaluated in 2016 and informed delivery priorities for Superfast 2. Available at:

<http://gov.wales/statistics-and-research/evaluation-next-generation-broadband-wales-programme/?lang=en>

9.0 Preventative Spending

The entire budget for Skills and Science aims to strengthen the conditions that will enable business to create jobs and sustainable economic growth. The Well-being of Future Generations (Wales) Act 2015 is integral to our approach in ensuring Wales becomes a more prosperous, resilient, healthier, fairer and equal society.

Investment in CIAG is preventative in so much that these services support a reduction on NEET individuals. The provision of CIAG services support young people to make successful transitions from compulsory to post-compulsory education and training, preventing enrolment onto inappropriate courses and reducing drop-out rates.

All programmes within the Employability and Skills BEL aim to enhance the skills and employability of individuals both in and out of the workforce in Wales and thereby improve individuals' position within the labour market. A number of programmes/activities are specifically focussed on raising essential skills levels of those in and out of employment and on engaging individuals with low or no skills who may not have participated in learning for some time.

The circular economy development in innovation provides an example of how we are working collaboratively to embed processes to achieve positive impacts in the long term. It is a key concept of the green economy, based on optimising systems rather than components, away from 'Resource to Waste' to resilient and productive circular systems. Strategic alliances with organisations such as Ellen MacArthur Foundation, McKinsey Company and multinational enterprises are at the forefront of circular economy exploration and application. The SMART team and companies assess key elements such as recyclability, re-use, greater utility, reduced obsolescence, reduced waste, and design for manufacture and material selection. This is in conjunction with the development of new products, processes and designs and will support delivery of a prosperous, resilient and globally responsible Wales.

10.0 Impact of Britain leaving the EU

The European Social Fund is used to support a number of projects aimed at raising skills and job prospects across Wales's increasing employment by giving unemployed and disadvantaged people the training and support they need to enter jobs.

While the UK Government has largely guaranteed funding for projects agreed prior to 2020, it is crucial in the longer term that EU funding is replaced by a revision to the Block Grant. During the referendum campaign voters in Wales were assured that leaving the EU would not result in Wales being worse off and it is vital to public faith in political process that this promise is honoured.

Extensive work is underway across the Welsh Government to ensure we maximise our influence in discussions within the UK and, in turn, in formal EU negotiations and thereby secure the best possible outcome for Wales. We are working closely with the UK Government and other devolved governments to ensure the interests of Wales are heard and protected.

In addition, our £115m SMART suite of funding and support for Welsh businesses and universities is entirely EU funded and all their match-funding is from the private sector – so they provide incredible value for the Welsh pound. Although they were in place before the Autumn 2016 Statement and are therefore

guaranteed by the UK Treasury until 2020, but what will replace them, post-Structural Funds is far from clear. We are committed to working with UK Government to secure appropriate funding for Wales, as a responsibility of Welsh Ministers accountable to the National Assembly for Wales.

Our businesses and universities have benefited from competitive EU R&D funds like Horizon 2020. As of the end of July 2017, Horizon 2020 funding to Wales had reached €66m.

These funding streams have a side benefit in connecting our businesses and universities with the wider innovation landscape. There is already some anecdotal evidence on a UK basis that since the referendum, potential European partner organisations are being more reluctant to team up with British counterparts.

On a UK level, in November 2016 the UK Government announced an increase of £4.7 billion in R&D spending over the life of this parliament. Much of it will be delivered by the new Industrial Strategy Challenge Fund on a competitive basis.

It is not 'Barnetised' and there is the possibility that Wales will not receive a proportional share. This is an opportunity for Wales as well as a threat. Global challenges - an ageing population; climate change; the digital world - pose challenges and opportunities for Wales in the longer term.

11.0 Costs of Legislation

My portfolio has a particular interest in the delivery of the Higher Education (Wales) Act 2015 and the [Further and Higher Education \(Governance and Information\) \(Wales\) Act 2014](#). The budgetary responsibilities fall to the Cabinet Secretary for Education.

We are also closely monitoring the impact of the UK Government's Higher Education and Research Act 2017 and the Digital Economy Act 2017 in particular.

The Digital Infrastructure element of the Act contains two important changes to legislation; a revised Electronic Communications Code and the introduction of powers to create a Universal Service Obligation (USO) for broadband. The Welsh Government has been working closely with the Department for Culture, Media and Sport (DCMS) on the implications. Work to implement the new Revised Electronic Communications Code by DCMS is also ongoing.

There are no budgetary implications anticipated for either the USO or revised Electronic Communications Code.

12.0 Cross-cutting considerations

12.1 Equality

A number of Employability and Skills programmes involve working with employers. When working with employers offering work experience placements we ensure that they are offering equality in their workplace and contributing to gender mainstreaming by reviewing and monitoring the work experience placement offer and challenging traditional employment roles where gender stereotypes may exist and assist people to take up and retain employment in non-traditional areas or industries where specific genders are underrepresented. Attention will also be placed on the type of training being requested by the employer for individuals undertaking work experience placements to ensure that occupational segregation is eliminated and opportunity is provided for training in non-traditional areas, focusing on areas where there are skills shortages.

Chwarae Teg is a pan-Wales organisation created to expand the role of women in the Welsh economy. It offers expert comment and advice on government strategy and policy, and provides gender sensitive advice and analysis. The Chwarae Teg Programme aims to ensure there is gender equality in the workplace and equal opportunity for women in business. It works with women and girls to broaden horizons and build confidence and skills; works with employers to create modern workplaces that are successful in harnessing everyone's contribution; and with influencers, educators and decision makers to build a society that values, supports and benefits both women and men equally. We also recognise the importance of our Apprenticeship programme and have maintained the funding for this activity in order to deliver the manifesto commitment of 100,000 Apprenticeships over the Assembly term. Any reduction in level 2 non-priority Apprenticeships is likely to disproportionately impact on females accessing the programme. Any reduction in available apprenticeship places will reduce the opportunities for Welsh employees to improve their skill levels and their ability to command a higher income and an improved quality of life as a direct consequence.

It has been identified that there is an issue of employers over-looking their older employees when it comes to skills development and older people being unaware of the consequences of not keeping their skills up-to-date. This, coupled with increases to the pension age and a reduction in young people entering the labour market, has led to the identification of older workers as a key focus for skills policy. The Enterprise and Business Committee investigated this issue during the previous Assembly term. This has been considered in budget decisions, with £0.100m dedicated to a communications campaign to raise awareness of these issues amongst both employers and individuals as a way of mitigating emerging issues. Labour Market Intelligence funding from the Employability and Skills BEL has also been used to assist with this, providing further evidence to inform policy decisions and to monitor progress in this area.

12.2 Well being of Future Generation (Wales) Act 2015

I consider my priorities and spend in the context of how my policies will contribute to the delivery of the seven National Goals and the Sustainable Development Principles:

- Thinking about the long-term;
- Taking an integrated approach;
- Collaborating together with others;
- Involving people and communities affected by their decisions;
- Focusing on taking preventative measures

My policies will contribute to the delivery of the seven National Goals.

Take Employability and Skills policy for example:

- **A prosperous Wales:** Supporting investment in pursuit of jobs, growth and tackling poverty
- **A resilient Wales:** Increasing private investment in skills
- **A healthier Wales:** Realising the health benefits brought about through jobs and growth
- **A more equal Wales:** Delivering a responsive and flexible all-age employability offer
- **A Wales of cohesive communities:** Strong regional collaboration via Regional Skills Partnerships
- **A Wales of a vibrant culture and thriving Welsh language:** Provision of bilingual skills and learning
- **A globally responsible Wales:** Raising performance and delivering better economic outcomes

The basis for determining my priorities is always how they will improve our economy, society, environment and culture.

12.3 Welsh Language

We recognise the importance of the Welsh language in developing our Plans and compliance with the Welsh Language standards. It is embedded in our delivery, for example Careers Wales services are delivered of bi-lingually. A thriving economy will support our target of one million Welsh speakers by 2050. Good quality jobs and sustainable growth will provide people with a reason to remain or return to work and live in local communities where the language thrives. The investment in broadband connectivity is a key intervention to support this ambition.

12.4 Reducing the impact of deprivation and poverty

It is widely recognised that moving people into work has a dramatic impact on their health and ability to function in every day society. Up-skilling, particularly improving essential skills, and supporting in work progression and new employment opportunities makes a significant contribution to the Tackling Poverty agenda.

As a Government, we are ensuring that every aspect of Government policy – education, health, housing and communities – works together to support people into sustainable jobs.

Our cross-Welsh Government Employability Delivery Plan for Wales will provide the opportunity to ensure that Working Wales can benefit from, and align with, programmes led by other departments. We are working closely with colleagues from across Welsh Government in line with the agenda set out by the National Strategy, Prosperity for All. The Employability Delivery Plan is taking a systems based approach, taking into consideration all the levers that government has to affect change in area of employability. This will be an outline of our vision for the future; it will highlight areas we know need to be changed, and where we'd like to get to.

Employability is not just about jobs and skills, it is about getting every aspect of Government policy – education, health, housing and communities – working together to support people into sustainable jobs.

We are considering our current suite of programmes and developing Working Wales to ensure there is no duplication or inefficiency, but also to ensure people can access support in an appropriate manner, that they are tracked through the system to demonstrate progression and that other structural barriers to employment are tackled, such as transport or childcare availability.

Officials drafting the Employability Delivery Plan are working closely with those producing the Economic Delivery Plan, and indeed the relevant Health and Education plans, so that all of these are truly joined up and include complementary objectives. The Employability Delivery Plan will meet the Skills and Employability commitment outlined in the National Strategy.

Upon publication, we will begin a consultation exercise with key partners and stakeholders, to ensure that the implementation of the Delivery Plan takes place with the full support and buy in of industry professionals. Working with employers, including social businesses is critical to the success of our employability strategy. It is only by linking the requirements of businesses to the skills of the workforce that we can move more people into employment, and help them to thrive in work.

While we transition to delivery of Working Wales we are testing a number of new approaches to address the 'eligibility' lottery, and the delivery of support which allows an individual's needs to be addressed instead of focusing on their eligibility for a particular programme.

We are trialling a package of support for individuals and businesses within the Valleys Task Force Area. We will address existing gaps in our support provision for adults who are short-term unemployed, under employed and those who churn in and out of temporary employment.

We will focus on the individual's barriers to employment and incentivise their recruitment with the offer of careers advice, pre employment training support, on the job training and an employment incentive for recruiting employers.

13.0 Summary

The written evidence for Draft Budget 2018-19 is presented to the Economy, Infrastructure and Skills Committee for consideration.

Julie James AM
Minister for Skills & Science

ECONOMY AND INFRASTRUCTURE - MINISTER FOR SKILLS & SCIENCE PORTFOLIO						
RESOURCE						
Budget Expenditure Line	2017-18 Supplementary Budget June 2017 £000s	2018-19 Revised Baseline £000s	Change £000s	2018-19 New Plans Draft Budget £000s	Change £000s	2019-20 New Plans Draft Budget £000s
Life Sciences	2,896	2,896	(696)	2,200	0	2,200
Action: Sectors	2,896	2,896	(696)	2,200	0	2,200
Business Innovation	1,520	1,520	(1,520)	0	0	0
Innovation Centres & R&D Facilities	2,553	2,553	(2,553)	0	0	0
Academia & Business Collaboration	1,646	1,646	(787)	859	(255)	604
Action: Innovation	5,719	5,719	(4,860)	859	(255)	604
Science	4,795	4,795	(4,022)	773	(632)	141
Action: Science	4,795	4,795	(4,022)	773	(632)	141
Digital Inclusion	1,250	1,250	0	1,250	0	1,250
Public Sector Broadband Aggregation	5,240	5,740	(1,536)	4,204	500	4,704
ICT Infrastructure Operations	2,027	2,027	0	2,027	0	2,027
Action: Deliver ICT Infrastructure	8,517	9,017	(1,536)	7,481	500	7,981
ICT Infrastructure Operations	1,309	1,309	0	1,309	0	1,309
Action: Deliver ICT Infrastructure - Non Cash	1,309	1,309	0	1,309	0	1,309
Work Based Learning	126,808	126,308	(7,599)	118,709	(7,596)	111,113
Action: Work Based Learning	126,808	126,308	(7,599)	118,709	(7,596)	111,113
Marketing Skills	648	648	0	648	0	648
Action: Delivery Support - Skills	648	648	0	648	0	648
Skills Policy Engagement	1,061	1,061	0	1,061	0	1,061
Action: Skills Policy	1,061	1,061	0	1,061	0	1,061
Employability and Skills	28,858	28,858	0	28,858	0	28,858
Action: Employment and Skills	28,858	28,858	0	28,858	0	28,858
Careers Wales	18,800	18,800	0	18,800	0	18,800
Action: Educational and Careers Choice	18,800	18,800	0	18,800	0	18,800
TOTAL	199,411	199,411	(18,713)	180,698	(7,983)	172,715

ECONOMY AND INFRASTRUCTURE - MINISTER FOR SKILLS & SCIENCE PORTFOLIO										
CAPITAL										
Budget Expenditure Line	2017-18 Supp Budget June 2017 £000s	2018-19			2019-20			2020-21		
		Capital Plans 2017-18 Final Budget £000s	Change £000s	New Plans Draft Budget £000s	Capital Plans 2017-18 Final Budget £000s	Change £000s	New Plans Draft Budget £000s	Capital Plans 2017-18 Final Budget £000s	Change £000s	New Plans Draft Budget £000s
Life Sciences	9,711	3,605	(1,515)	2,090	2,000	(1,202)	798	1,000	(199)	801
Action: Sectors	9,711	3,605	(1,515)	2,090	2,000	(1,202)	798	1,000	(199)	801
Business Innovation	-	-	1,254	1,254	-	1,254	1,254	-	1,254	1,254
Innovation Centres and R&D Facilities	-	-	945	945	-	1,200	1,200	-	1,200	1,200
Academia & Business Collaboration	11,739	62	1,550	1,612	62	1,550	1,612	62	1,550	1,612
Action: Innovation	11,739	62	3,749	3,811	62	4,004	4,066	62	4,004	4,066
Science	871	539	4,022	4,561	-	4,654	4,654	-	4,874	4,874
Action: Science	871	539	4,022	4,561	-	4,654	4,654	-	4,874	4,874
Public Sector Broadband Aggregation	-	-	5,000	5,000	-	0	-	-	0	-
ICT Infrastructure Operations	20,550	7,500	0	7,500	1,500	0	1,500	19,500	0	19,500
Action: Deliver ICT Infrastructure	20,550	7,500	5,000	12,500	1,500	0	1,500	19,500	0	19,500
TOTAL	42,871	11,706	11,256	22,962	3,562	7,456	11,018	20,562	8,679	29,241