



Finance Committee

Welsh Government Draft Budget Proposals 2019-2020

I refer to the Committees of the National Assembly seeking information to inform their scrutiny of the Welsh Government's 2019-20 Draft Budget proposals.

On Behalf of the Institution of Civil Engineers (ICE Wales Cymru) I believe that as our quality of life depends on infrastructure; that there would be little economic activity without energy generation and distribution, water supply and disposal, transportation by rail, road, sea & air and waste management that Wales needs a clear 'Vision for Infrastructure'. The further the development of the Wales Infrastructure Investment Plan (WIIP) and the National Infrastructure for Wales are crucial to the delivery of sustainable and effective infrastructure in Wales.

The focus for the budget should be on:

Resilience:

I consider that the lack of overview of the vulnerabilities of Wales' infrastructure networks has created gaps in our approach to defending critical infrastructure. The interdependence of our infrastructure assets must be recognised with increased levels of information sharing and joint forward planning.

Transport.

The Committee should consider if Wales has a safe, affordable, integrated and accessible transport network that supports local and regional economic growth, productivity and a vibrant society:

and establish the budget for this area.

Energy:

Energy security is one of the key issues facing Wales and the UK today. The Committee should consider if Wales:

- Has sufficient supply of electricity to avoid interruptions.
- Is reducing the production of harmful emissions.
- Is promoting energy efficiency measures:

and establish the budget for this area.

Water and waste water:

Wales has great potential to harness and benefit from its invaluable supply of water. Water is not only essential for communities, but for business and industry alike. The Committee should consider:

- How to produce innovative low carbon ways to transfer water across river catchments.
- How to Invest in and improve the existing water network – improving efficiency and security of service. Reservoirs must be upgraded to meet future water demand with a long term strategic plan for water resources in Wales.
- How to promote Wales' plentiful water supplies linked to inward development – domestic and commercial opportunities. Availability of water can be a business differentiator in some sectors.
- How to help the public to view water as a valuable resource to improve water:

and establish the budget for this area

Flood Risk management:

Effective flood risk management requires collaboration across a range of stakeholders. The Committee should consider:

- The development of a long term capital and maintenance programme.
- Strategies to improve property and building resilience and create flood resilient communities:

and establish the budget for this area.

Waste management:

There must be a fundamental shift in the way waste is addressed. The Committee should examine how:

- Waste can be treated as a resource
- Wales can shift to a circular economy

and establish the budget for this area.

Skills:

The committee should examine if Wales has the right skills in place to address the current productivity lag, to improve infrastructure delivery and yield economic growth:

and establish the budget for this area.

Infrastructure Pipeline:

Wales needs a joined up infrastructure vision for Wales, looking forward twenty five years and developed through engagement with governments, clients, investors, operators and delivery teams.

I consider that effective engagement takes place with the construction sector and others involved in the development and delivery of infrastructure in Wales, as indicated by the establishment of an Infrastructure Commission for Wales and that its initial focus should be on development of infrastructure vision and pipeline (WIIP) together with a supporting understanding of skills/resources required. It would be useful for the committee to review work to date around the WIIP and engagement with the sector with a view to determining best practice and improvements for the future.

In response to the specific responses to the consultation questions:

1. What, in your opinion, has been the impact of the Welsh Government's 2018-19 budget?

Response: The existing budget has allowed the steady progression of Wales out of the financial depression of previous years. However, there is an increasing demand on funding across all sectors and services; continued investment in the infrastructure of Wales must continue. It is however noted that there is a focus on Health, not infrastructure. Thus the economic impact of the budget is limited, for example, Local Enterprise Zones have not produced the economic benefit.

2. What expectations do you have of the 2019-20 draft budget proposals?

Response: as above, continued investment in the infrastructure of Wales must continue. However, it is more than likely that the next year's budget will in reality be more of the same with no linked strategy. For example the use of infrastructure spend could be used to improve the nation's health through better delivery of the Active Travel Act.

How financially prepared is your organisation for the 2019- 20 financial year, and how robust is your ability to plan for future years?

Response: The Institution of Civil Engineers is very well prepared for 2019-20 and indeed future years. There is an increasing importance of professional skills and qualifications.

3. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below?

- Approach to preventative spending and how is this represented in resource allocation? (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early), particularly in relation to the financing of local health boards and health and social care services.

Response: Continued investment in the maintenance of the infrastructure of Wales is required to avoid future degradation and erosion. Planned asset management spending is necessary to avoid extremely costly reconstruction. Preventative spend should consider better asset management and the better use of data. Producing a policy on Building Information Management will deliver enhanced preventative spend. Undertaking a lowest cost procurement strategy will not result in better value and lower longer term preventative spend requirements.

- Sustainability of public services, innovation and service transformation.

Response: This is a vital area as we move into climate change and the need to make considerable changes to the modal split of transport movements - more walking, cycling and using public transport. The budget should be spent on identifying performance indicators that can support and direct the Welsh economy in a sustainable manner.

- Welsh Government policies to promote economic growth, reduce poverty, gender inequality and mitigate welfare reform.

Response: All Welsh Government Departments need to work coherently in delivering this strategy. Money spend in infrastructure may have a better return in providing jobs and long term prosperity, leading to better health, than a shorter term solution of providing money directly to healthcare. Vital sectors would include transport, water, flood risk management, sanitation and energy.

- The Welsh Government's planning and preparedness for Brexit.

Response: It is vital that funds are secured to invest in the vital infrastructure of Wales – the Nation had received major structural funds and alternative sources of funds will be required; there are major issues relating to the skills agenda including funding for education & research, the ability to resource the necessary skills; and issues related to rules and regulations: simplistically Wales / the UK should examine the impact of European Legislation and adopt those with a positive benefit to Wales and discard those with a negative impact.

There are important trade routes between the UK generally through Wales. Wales should be a facilitator in these routes and improve the port infrastructure. Wales should also should continue to receive suitable funds to offset any losses in the level of current European funds. In conclusion, there is a need to protect the best interests of the Welsh economy.

There is no visible Welsh Planning for the unknown. Scenario modelling should currently be undertaken. Should a Welsh Investment Fund be set up to replace some of that money previously received from the EU? Do we consider placing a tariff on one of our greatest assets – water? Do we charge England for our Water?

- How the Welsh Government should use taxation and borrowing powers, particularly in relation to the Welsh Rate of Income Tax.

Response: These funds should be used to invest in the skills and infrastructure of Wales. Wales should look at the potential for Development Taxation, for example the Welsh Government taxes development following an initial catalyst investment in infrastructure to allow development to occur.

The Welsh Government should look to create an R&D tax relief system. The Welsh Government should consider if a Foreign Investment tax relief scheme would be of value, or the creating of tax free geographic areas, or industrial sectors.

- How evidence is driving Welsh Government priority setting and budget allocations.

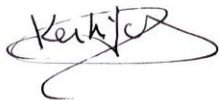
Response: The Welsh Government need to provide case studies and examples of how evidence is driving policy. It is necessary to develop and maintain the Welsh Infrastructure. ICE would be delighted to assist in the development of the evidence base and work with the National Infrastructure Commission for Wales to this goal.

- The Welsh Government policies to strengthen the economy and promote innovation.

Response: The Welsh Government recognises the clear and strong links between the economy of Wales and the condition of the Infrastructure of Wales – and invests in the vital infrastructure. ICE Wales Cymru calls for a continuation of these policies. The Welsh Government promotes innovation, ICE Wales Cymru gives a forum for innovative ideas and topics to be promoted via its Learned Society meetings. ICE Wales Cymru is pleased to work with the Welsh Government in providing a platform for these. There is a need better knowledge of the use of the Construction Levy. Currently academic institutions are paying the Levy for that to be spent in other parts of the UK. Similarly, companies based in Wales are paying the levy and starting to send their staff to England.

- How the Future Generations Act is influencing policy making.

Response: ICE Wales Cymru is a strong supporter of the Wellbeing of Future Generations Act and would be delighted to see the evidence when available. There should be better use of data and having that data open to scrutiny will allow a better understanding of the long term effects and trends of the Future Generations Act.



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Notes: The Institution of Civil Engineers (ICE) was founded in 1818 to ensure professionalism in civil engineering.

It represents 92,000 qualified and student civil engineers in the UK and across the globe and has over 3,600 members in Wales

ICE has long worked with governments of the day to help it to achieve its objectives, and has worked with industry to ensure that construction and civil engineering remain major contributors to the Welsh and UK economy together with Welsh and UK exports