

Ken Skates AM
Cabinet Secretary for Economy and Transport

10 December 2018

Dear Cabinet Secretary,

Following the Economy, Infrastructure and Skills Committee's scrutiny session, which you attended on 21 November 2018, the Committee would like to draw the following points to your attention.

Brexit preparedness

The Committee heard that no contingency plans were in place for transition to a post-Brexit environment, and that the Cabinet Secretary is counting on the UK Government to "make funding available to assist in the transition to a post-EU exit environment."¹

Given the uncertainty surrounding Brexit at time of writing, the Committee can only keep this situation under review in its in-year financial scrutiny.

Active Travel

The Cabinet Secretary agreed to send a note on the guidance and criteria – based on the Integrated Network Maps produced by local authorities – used to allocate funding from the Active Travel Fund. The Committee would welcome further clarification of how this funding links to other active travel funding streams (including those outside the Transport MEG).

The Cabinet Secretary offered to provide a note "on the guidance that informs the actual investment and then how they'll be monitored."² This will give the Committee more information to assess whether this approach provides value for money.

¹ Letter to the EIS Committee

² Para 144, EIS Committee, 21 November 2018



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State of Roads

The Committee heard that the view set out in its “The State of Roads” report, which said maintenance of the network should be prioritised over new road building, has been considered and rejected by the Cabinet Secretary. There will be further opportunities to discuss this when the Committee’s report is debated on the floor of the Senedd in the new year.

During the session, the Cabinet Secretary said that the £60m allocated to local authorities for highway maintenance was allocated via the local government budget into the Revenue Support Grant (RSG)³. The RSG is unhypothecated so local authorities can spend that money on whatever they choose, regardless of the purpose for which it is allocated. Given the scale of the backlog of local highway maintenance the Committee found in its inquiry, and the need for preventative spending to avoid excessive future costs and deterioration in the network. There appears to be no mechanism for the Welsh Government to ensure this money is additional to existing local authority spend. Given the pressure on local authority budgets we consider there is a risk that this funding may displace existing local authority funding commitments for maintenance rather than be used to provide the much needed additional spending required. We ask the Welsh Government to provide clarity on how it intends to ensure this funding is additional.

Rail disruption

TfWRail passengers have experienced significant disruption during the first Autumn of TfW running Wales’ rail franchise. It is not clear how this budget addresses this. The Committee has taken further evidence from TfW and the Cabinet Secretary in recent weeks.

The Future of Transport for Wales

The Committee launched a consultation on 26 November to begin a detailed inquiry looking at the development of, and governance arrangements for, TfW. The Committee expects to report in April 2019.

Business support and the Economic Futures Fund

The Cabinet Secretary has set a clear direction of travel, moving towards consolidating business support in the Economic Future Fund. While the Committee agrees that this will

³ Para 160, EIS Committee, 21 November 2018



make seeking support simpler for business, there is a corresponding loss of transparency for those seeking to scrutinise the Welsh Government.

While the consolidation of funding streams is a work in progress, there is no firm date for consolidation to be achieved. The Cabinet Secretary and his officials talked a great deal about the importance of “agility” and “flexibility”. For Members seeking to scrutinise the Government’s activity, these qualities are difficult to scrutinise and run the risk of losing transparency.

The Committee notes that at present just 8% of business support funding is being allocated through the EFF. That means more than 90% is not necessarily applying the “something for something” philosophy that the Cabinet Secretary has, rightly, championed in his economic contract and the EFF. When pressed on timing, the Cabinet Secretary said getting it right was more important than getting it done tomorrow. The Welsh Government has put great store in the “new operating model” where companies have to sign up to the Economic Contract as a condition of receiving Government support. If the overwhelming majority of Welsh Government funding is available outside the EFF, then there will be little incentive for firms to sign up to the Economic Contract.

The Committee would like to see greater urgency in moving towards a greater proportion of funding going through the EFF, and would urge Welsh Government to consider how best to ensure the allocations to, and the outputs achieved by the consolidated fund are open and transparent.

During the discussion the Cabinet Secretary recalled that he had agreed to provide a “briefing note of assessing and then signing up to the contract”⁴. He has also committed to sharing an anonymised example of the Economic Contract. These documents have yet been received by the Committee.

Foundational economy

The Committee was concerned to hear that no progress had been made in spending money committed to support enabling the foundational economy in Wales, and that plans for spending it in the coming year were vague.

The Committee has taken a great interest in this area, and looks forward to hearing what pilot schemes will be taken forward. The Committee has agreed to conduct further scrutiny in the new year once the enabling plan for the Foundational Economy is published. The

⁴ Para 316, EIS Committee, 21 November 2018



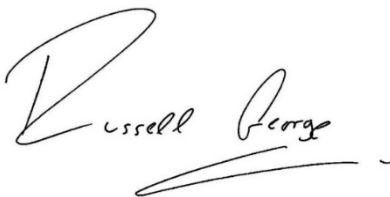
Cabinet Secretary has previously informed the Committee⁵ that he expected the draft enabling plan would be published for consultation in December. The Committee would be grateful for confirmation that this is still the Cabinet Secretary's intended timeline.

Matters not reached

Due to the shorter than initially agreed session, there were a number of matters not reached during our budget scrutiny session. The Committee has written to the Cabinet Secretary on a number of issues and will publish the responses in due course.

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a large initial 'R' and a long horizontal flourish at the end.

Russell George
Chair, Economy, Infrastructure and Skills Committee

⁵ Paper for EIS on 19 Spetember.

