

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:	For further information contact:
Committee Room 1 – Senedd	Gareth Price
Meeting date: Thursday, 3 November 2016	Committee Clerk 0300 200 6565
Meeting time: 09.15	SeneddEIS@assembly.wales

Private pre-meeting (09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

2 Cabinet Secretary for Economy and Infrastructure – Welsh Government Draft Budget Scrutiny 2017–18

(09.30–11.00)

(Pages 1 – 61)

Ken Skates AM, Cabinet Secretary for Economy and Infrastructure
James Price, Deputy Permanent Secretary, Economy, Skills & Natural Resources
Simon Jones, Director Transport and ICT Infrastructure
Mick McGuire, Director, Sectors and Business

Attached Documents:

Research brief

EIS(5)–08–16 (p1) Cabinet Secretary for Economy and Infrastructure

3 Minister for Skills and Science – Welsh Government Draft Budget Scrutiny 2017–18

(11.00–12.00)

(Pages 62 – 105)

Julie James AM, Minister for Skills and Science
Huw Morris, Group Director SHELL
Steve Hudson, Senior Finance Manage



Attached Documents:

Research brief

EIS(5)-08-16 (p2) Minister for Skills and Science

4 Paper(s) to note

4.1 Letter to the Chair of the Petitions Committee regarding 'Petition P-04-688 TATA Steel Port Talbot Power Plant'

(Pages 106 – 107)

Attached Documents:

EIS(5)-08-16 (p3) Letter to the Chair of the Petitions Committee regarding 'Petition P-04-688 TATA Steel Port Talbot Power Plant'

4.2 Written evidence from the Minister of State for Climate Change and Industry regarding the steel industry in Wales

(Pages 108 – 111)

Attached Documents:

EIS(5)-08-16 (p4) Written evidence from the Minister of State for Climate Change and Industry regarding the steel industry in Wales

4.3 Letter from the Chair of the Economy, Infrastructure and Skills Committee to the Prime Minister regarding the steel industry in Wales

(Pages 112 – 114)

Attached Documents:

EIS(5)-08-16 (p5) Letter from the Chair of the Economy, Infrastructure and Skills Committee to the Prime Minister regarding the steel industry in Wales

4.4 Letter from the Welsh Retail Consortium regarding business rates

(Page 115)

Attached Documents:

EIS(5)-08-16 (p6) Letter from the Welsh Retail Consortium regarding business rates

- 5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

- 6 Welsh Government Draft Budget Scrutiny 2017-18 – Discussion on priorities**
(12:00-12:30)

- 7 Diamond review – Discussion on recommendations**
(12:30-12:35)

(Pages 116 – 118)

Attached Documents:

EIS(5)-08-16 (p7) Diamond review draft letter

Agenda Item 2

Document is Restricted

**Memorandum on the Economy and Infrastructure
Draft Budget Proposals for 2017-18**

Economy, Infrastructure and Skills Committee – 3 November 2016

1.0 Introduction

This paper provides information on the Economy & Infrastructure (E&I) budget proposals as outlined in the 2017-18 Draft Budget published on 18 October 2016. It does not cover the budget detail relating to Culture which the Cabinet Secretary for Economy and Infrastructure will address at the Culture, Welsh Language and Communications Committee on 2 November 2016. It also excludes the areas of Skills, ICT Infrastructure, Science, Innovation and Life Sciences which are covered in a separate paper being presented by the Minister for Skills and Science.

The Welsh Government has published Taking Wales Forward 2016-21 which sets out its priorities for the next five years to deliver more and better jobs through a stronger, fairer economy, improve and reform public services, and build a united, connected and sustainable Wales. The portfolio will contribute to the delivery of Economy and Infrastructure key priorities under the four strategies outlined in Taking Wales Forward, making the best use of the available resources.

The Well-being of Future Generations (Wales) Act 2015 has also provided the framework for developing our plan and we have adopted a long-term perspective and taken an integrated approach in our decision-making to support the seven goals contained in the Act.

2.0 Summary of Budget Changes

In the Draft Budget revenue spending plans are published for 2017-18 only. This allows the Welsh Government to assess the impact of the UK Autumn Statement. The four year capital plans consist of a firm budget for 2017-18 and indicative allocations for the subsequent three years. This long term approach to capital investment provides greater transparency and certainty to our key stakeholders and delivery partners across transport and the economy.

In overall terms, the 2017-18 resource allocations to support E&I (excluding Annually Managed Expenditure (AME)) have increased by £86.25m. This movement is made up of a revenue increase of £6.25m and an increase to non cash of £80m as shown in Table 1:

TABLE 1: Overview of Revenue Budget			
	2017-18 Revised Baseline £'000	2017-18 Changes £'000	2017-18 Draft Budget £'000
Revenue			
Economy	47,762	1,398	49,160
Transport	295,168	4,852	300,020
Sub Total	342,930	6,250	349,180
Non Cash			
Transport	108,691	80,000	188,691
TOTAL	451,621	86,250	537,871
AME			
AME	36,834	75,231	112,065

Over the period 2017-18 to 2020-21, the total capital budget is £1.461bn which consists of £1.354bn traditional capital funding and £107m repayable Financial Transactions Reserves Funding (FTR)¹. The summary budgets are shown in Table 2 below:

TABLE 2: Overview of the Capital Budget						
	2016-17 First Supp Budget £'000	Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital						
Economy	45,947	66,002	47,839	46,788	28,606	189,235
Transport	278,666	336,486	226,877	254,867	346,428	1,164,658
Sub Total	324,613	402,488	274,716	301,655	375,034	1,353,893
Financial Transactions Reserves						
Economy	25,000	43,605	15,720	31,500	8,000	98,825
Transport	0	5,000	2,200	1,200	0	8,400
Sub Total	25,000	48,605	17,920	32,700	8,000	107,225
Total Capital						
Economy	70,947	109,607	63,559	78,288	36,606	288,060
Transport	278,666	341,486	229,077	256,067	346,428	1,173,058
TOTAL	349,613	451,093	292,636	334,355	383,034	1,461,118

These expenditure plans are aligned to the Wales Infrastructure Investment Plan and enable us to start to deliver the key priorities set out in Taking Wales Forward 2016-21.

As some flagship projects are still in the early stages of formulating delivery plans, some funding has been earmarked in central reserves to support their

¹ Financial Transactions Reserve is available for policy lending, primarily for loan and equity investment, and is repayable to Treasury

delivery. The funding for E& I activities held in Welsh Government central reserves is shown in Table 3 below:

TABLE 3: Capital Funding held in Central Reserves					
Activity	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
M4	24,000	256,023	325,609	331,991	937,623
South Wales Metro	5,088	27,440	41,400	35,500	109,428
Total	29,088	283,463	367,009	367,491	1,047,051

2.1 Revenue

In shaping our spending plans for 2017-18 we have looked to minimise the impact of reductions on public transport services and growth and jobs in the short term. Over the longer term we will need to share resources across public services and collaborate with our partners to achieve long term efficiencies. We are involving people in the future decision making to inform our priorities.

Additional allocations of £8m have been secured to support the budget agreement with Plaid Cymru. The additional funding will support Visit Wales £5m, a Ports Infrastructure Fund £2m, feasibility study into a national cycleway £0.2m, feasibility study to re-open the Carmarthen to Aberystwyth railway line £0.3m and safer routes to schools £0.5m.

Savings of £1.75m have been achieved through identifying efficiencies, re-profiling delivery plans and re-assessing programme expenditure requirements. This has resulted in a net increase in revenue of £6.250m.

The budget has also been realigned to consolidate aviation activity for Cardiff Airport and St Athan Enterprise Zone by transferring £2.948m from the Advanced Materials and Manufacturing Sector (Economy budget) to Air Services (Transport budget).

The movements in budget allocations at an Action level from the 2016-17 First Supplementary budget to the 2017-18 Draft Budget allocations are detailed in **Annex A**.

2.2 Non Cash

The additional allocation £80m from non cash reserves supports budgetary requirements for the motorway and trunk road network.

2.3 Capital

Affordability of capital programmes over the four year budget period will continue to be challenging. We will continue to adopt a preventative spend approach, evaluating the long term benefits and outcomes of our strategic

investments to maximise economic benefits and improve public services. Innovative finance and other opportunities to enhance our financial resource will be important, as will prioritisation and a flexible approach to our investment planning in delivering optimal results.

The Welsh Government has made full use of the capital borrowing powers provided by the Wales Act 2014 to boost our available capital funding, in particular to support the financing of the new M4 subject to the outcome of the public inquiry.

The establishment of a new National Infrastructure Commission for Wales will be important in assessing the priorities for capital investment.

The total Economy budget is approximately £288m and will support a wide range of priorities. We will continue to provide access to finance for SMEs through our business development funds including those within Finance Wales. The creation of the new Development Bank for Wales will strengthen this policy initiative and is supported by £46m of financial transaction funding over the next four years. The budget also provides for Repayable Business Finance and business confidence measures such as the Growth and Prosperity Fund.

In creating the right conditions for sustainable growth and employment opportunities, capital funding of £52m over the four years is available to develop strategic sites which are integral to our offer to business in encouraging investment in Wales.

Transport connectivity at a national, regional and local level is vital to social cohesion and access to employment opportunities. Over the next four years £1.173bn is allocated for the prioritisation of schemes set out in the National Transport Finance Plan 2015. In addition, £938m is held within Welsh Government central reserves to develop the M4 relief road, pending the outcome of the public inquiry. Recognising the development of integrated transport systems is also a key driver for economic growth, total funding of £369m (including £109m in Welsh Government central reserves) is available for the South Wales Metro and funding is available to develop the North Wales Metro. The Transport spending plans also include almost £300m for roads maintenance and improvement.

The Budget Expenditure Line tables attached at **Annex B** provide a full breakdown of the portfolio's revenue and capital budgets.

The E&I MEG also includes a budget allocation for AME, which provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, joint ventures, investments and the roads network.

3.0 STRATEGIC INTEGRATED IMPACT ASSESSMENT

The key considerations in making our budget decisions and how equality, sustainability and Welsh language impacts have influenced allocations are outlined at **Annex C**. It also outlines the long term commitment to reduce the impact of deprivation and poverty.

4.0 ECONOMY - FUNDING OF SPENDING PROGRAMME AREAS

Compared to the 2017-18 revised baseline budget, there is a net increase in the revenue allocation of £1.398m within the overall programme area. The total capital allocation over the period 2017-18 to 2020-21 is £288.06m.

Economy	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	47,762	1,398	49,160

Economy	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	45,947	66,002	47,839	46,788	28,606	189,235
FTR	25,000	43,605	15,720	31,500	8,000	98,825
Total	70,947	109,607	63,559	78,288	36,606	288,060

Our budget allocations will drive investment in the economy as we start to deliver the key priorities in Taking Wales Forward. Although future revenue financial settlements are not yet determined, resources are focused on activities to deliver the best opportunities for all individuals in the immediate term.

4.1 Sectors & Business

Sectors & Business SPA ¹	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue ¹	33,541	1,952	35,493

¹ Excludes Science, Innovation and Life Sciences

Sectors & Business ¹	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	61,672	59,857	44,314	44,073	25,061	173,305
FTR	25,000	25,750	8,500	25,400	3,000	62,650
Total	86,672	85,607	52,814	69,473	28,061	235,955

¹ Excludes Science, Innovation and Life Sciences

The Sectors and Business budgets are key to delivering growth and sustainable jobs, and also contribute towards the tackling poverty, education and equality of opportunity agendas. The budget supports delivery in industry-led Priority Sectors, Entrepreneurship, Trade and Inward Investment and Enterprise Zones.

4.1.1 Sectors

Sectors Action ¹	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	29,310	1,952	31,262

¹ Excludes Life Sciences

Sectors	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	61,672	59,857	44,314	44,073	25,061	173,305
FTR	25,000	25,750	8,500	25,400	3,000	62,650
Total	86,672	85,607	52,814	69,473	28,061	235,955

The detailed breakdown of the activities by Budget Expenditure Line is shown at **Annex B**.

The increase in the Sectors revenue budget of £1.952m, as detailed in **Annex A**, relates to an additional allocation as part of the budget agreement of £5m for Visit Wales activities to promote Wales as a first class place to visit, live and study, which is offset by a budget transfer of £2.948m to the Rail & Air Services Action for aviation activities and a £0.1m saving that is anticipated following a review of programmes.

The Sectors capital budget of £235.955m supports strategic projects in delivery, the Growth and Prosperity Fund and the Development Bank for Wales investment funds.

4.1.2 Entrepreneurship

Entrepreneurship & Business Information Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	4,231	0	4,231

The Entrepreneurship and Business Information budget of £4.231m supports youth entrepreneurship, start-ups, micro-businesses, SMEs, social enterprise and responsible business practices. Responsible business practices will facilitate corporate social responsibility commitments by requiring businesses to behave ethically and contribute positively to the economy. The budget also levers in a total of £39m of EU funding through the £65m Business Wales 2014-

2020 programme. EU funding is managed in line with core budget requirements over the programme.

4.2 Major Events

Major Events Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	3,918	0	3,918

The £3.918m budget for Major Events will support work to attract more major international events to Wales, as well as developing a strong portfolio of 'home grown' 'signature' events.

4.3 Property Related Infrastructure

Deliver Property Related Infrastructure Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	4,026	0	4,026

Deliver Property Related Infrastructure	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	(15,815)	6,041	3,405	2,577	3,386	15,409
FTR	0	17,855	7,220	6,100	5,000	36,175
Total	(15,815)	23,896	10,625	8,677	8,386	51,584

The revenue budget of £4.026m covers the management and development of the property portfolio, land reclamation activity and property offers to business. In 2016-17, there were significant planned capital receipts from the sale of strategic sites resulting in a net additional income of £15.815m to support budget priorities. The capital budget of £51.584m will provide for the development of strategic sites to support sector and spatial priorities across Wales.

4.4 Strategy & Corporate Programmes

Strategy & Corporate Programmes SPA	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	6,277	(554)	5,723

	2016-17	2017-18 Draft Budget Allocations
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Corporate Programmes Action	First Supp Budget £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	90	104	120	138	159	521

The budget includes the operational grant for Finance Wales, Health Challenge Wales Programme, National Loans Fund repayments, and strategy support activity.

4.4.1 Corporate Programmes

Corporate Programmes Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	4,117	(134)	3,983

Corporate Programmes Action	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	90	104	120	138	159	521

The revenue budget supports Health Challenge Wales, National Loans Fund repayments, economic analysis and strategic engagement. The decrease of £0.134m is in relation to a reduced interest requirement on the National Loan Fund debt and a reduction in requirement for corporate reviews.

The capital budget relates to repayments to the National Loan Fund in line with previously agreed repayment schedules.

4.4.2 Finance Wales

Finance Wales Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	2,160	(420)	1,740

This budget provides an operating grant to Finance Wales who support the administration of investment funds for businesses. The grant has been reduced by £0.420m following operational efficiencies.

5.0 ECONOMY & INFRASTRUCTURE – KEY POLICIES

Additional information has been provided in response to the specific areas highlighted by the Committee as follows:

5.1 Priorities for Economic Development

The new Programme for Government – Taking Wales Forward 2016-21 sets out the Welsh Government's priorities for the next five years and can be accessed at: <http://gov.wales/docs/strategies/160920-taking-wales-forward-en.pdf>.

Our ambition is to build a stronger and more secure economy, and initial views on the priorities for the economy are being sought from people, businesses and organisations across Wales to feed in their views on their priorities for future growth. <http://gov.wales/topics/businessandconomy/welsh-economy/priorities-for-the-economy/?lang=en>

5.2 Growth and Prosperity Fund

The Growth and Prosperity Fund of £5m was launched on 18 September 2016 with provision to support SMEs in the 2017-18 financial year.

<http://gov.wales/newsroom/businessandconomy/2016/160919-new-growth-prosperity-fund-launches-this-week-to-support-jobs-and-business-growth/?lang=en>.

Support will be in the form of discretionary non repayable grants which will not be restricted to the priority sectors but will specifically encourage applications from across the economy.

Funding will be offered from £50,000 up to a maximum of £500,000 (subject to value for money and state aid limits) and will provide an opportunity to lever in much needed private investment into Wales.

5.3 The Development Bank for Wales

The Development Bank for Wales (DBfW) will be a core component part of the Welsh Government's economic policy and delivery, and is included in the Programme for Government – Taking Wales Forward. It is supported with £46m FTR over the four years.

The DBfW will build on the experience and expertise of Finance Wales which continues to break previous investment records having invested over £45m during 2015/16 in Welsh businesses. This saw almost £65m additional investment being leveraged resulting in over £110m growth capital being injected into the Welsh economy.

Their strategic objective of the DBfW will be to improve SME's ability to access finance and support creation and safeguarding jobs. It will, at the same time, improve the integration of the provision of investment related advice and support to businesses by working more closely with Business Wales.

5.4 City Regions

The development of city regions in the Swansea Bay and Cardiff Capital City Region supports regional alignment and collaboration to deliver shared aspirations for jobs and growth.

In both City Regions, the Welsh Government has committed to supporting proposals for bespoke City Deals. In the Cardiff Capital Region, a £1.2bn City Deal having been signed by the Local Authorities in the Region, the Welsh Government and UK Government. The South Wales Metro is integral to the Cardiff Capital City Region. In Swansea Bay, a City Deal proposal is being prepared for submission to the UK Government and partners in November. This will be based upon their strategic vision document 'An Internet Coast' published in February, which seeks to position the region as a major test bed that innovates, trials and globally commercialises internet based solutions across a range of sectors.

5.5 North Wales and cross-border economic development

The Welsh Government has long recognised that North East Wales benefits from a cross-border economic area that extends into the North West of England and down into the Midlands. This offers significant opportunities to Welsh businesses and workers, hence our longstanding support for bodies such as the Mersey Dee Alliance.

The Chancellor announced in his last budget he was open to receiving a Growth Deal bid for North Wales. The Welsh Government has been supportive of the broad range of stakeholders across the region have developed and submitted an initial proposition to HM Treasury. This will be the subject of further discussion over the coming months.

We hosted a summit of key stakeholders from North Wales and North West England in July. The aim was to gather views on the emerging priorities for North Wales and to seek agreement on how to define a coherent vision for the region as part of the cross-border Northern Powerhouse. Further discussions will take place into the Autumn.

5.6 Enterprise Zones

The Enterprise Zones programme aims to provide the infrastructure to create excellent locations for business investment and offer specific incentives to attract new businesses to these prime locations in Wales. The revenue allocation of £0.927m (BEL 3755) supports the feasibility studies and business cases. Enterprise Zones research has shown that area based initiatives can have positive impacts on employment and regional GDP².

Strategic projects are embedded in the sector business development activity and therefore there is no designated capital allocation.

Enterprise Zones objectives are to:

- Grow the local economy and provision of new jobs
- Act as a catalyst for growth elsewhere in Wales
- Improve the attractiveness of the Enterprise Zone for investors
- Strengthen the competitiveness of the Welsh economy.

² <http://www.whatworksgrowth.org/policy-reviews/area-based-initiatives/>

Reports on Enterprise Zone performance and outputs (KPIs) are published twice annually. The 2015/16 full year report is available:

<http://gov.wales/topics/businessandeconomy/growing-the-economy/enterprisezones/?lang=en>

5.7 Local Growth Zones

In 2017-18, the regional development and delivery budget of £0.263m (BEL 4051) supports a number of regional priorities including the local growth zone strategy and other regional and cross border initiatives, including the Mersey Dee Alliance and North Wales Economic Ambition Board.

Reports from the Task and Finish Groups in both Powys and the Teifi Valley have provided wide ranging recommendations which cut across a number of Ministerial portfolios. A number of actions are being taken forward in collaboration with local authorities and the private sector including public transport improvements such as additional train services on the Cambrian Main Line.

Information in relation to Local Growth Zones is available on the Welsh Government's web site: <http://gov.wales/topics/businessandeconomy/growing-the-economy/local-growth-zones/?lang=en>

5.8 Business Improvement Districts (BID)

Business Improvement Districts are now part of the Communities & Children Portfolio.

5.9 Export & Inward Investment Support

In 2017-18, £1.892m (BEL 3754) has been allocated to support trade and inward investment which will lever in an estimated £1.299m in European funding via the Business Wales ERDF Projects. Stimulating exports to new and existing markets is key priority over the next five years. We are assisting companies to grow their business through exporting and have a comprehensive range of services to support them to achieve that ambition. We can help them to become export and market ready and then connect them with opportunities and customers in their chosen markets by supporting companies to travel to overseas markets, exhibit at trade fairs, or meet with potential customers.

Inward investment activity is delivered through events, sponsorships, seminars and research subscriptions. It also includes support for inward visits. The outcomes are monitored closely in terms of delivering value for money. Each spend is justified against a detailed business case.

Last year, we provided support to 385 companies through 620 individual interventions. Up to the end of September this year we have supported £26.9m worth of trade deals against a target of £60m.

For trade performance an evaluation of value for money is measured by the value of new export business secured by the companies supported. In 2015-

16, new orders worth £69m in new business were reported. This was a return on investment of over 41:1 on net programme expenditure. We provided support to 385 companies through 620 individual interventions.

UKTI's annual report for 2015-16 reported that 97 inward investments projects were secured in Wales; this was slightly below the record levels reported in the previous year but still the second highest number of projects ever secured. This equated to 4.4% of the overall number of inward investment projects secured by the UK for 2015-16. Almost 5,500 jobs were created in Wales last year as a result of overseas investment (just over 7% of the UK total number of new jobs).

Our export support programmes already comply with the Welsh Government's standards for equality, sustainability and Welsh Language. Inward investment activity that is taking place outside of Wales has been granted an exemption under the new Welsh Language Standards. Therefore, the Standards will not incur additional expenditure when producing literature for external markets.

5.10 Support for the steel industry

A package of potential support remains for bidders that come forward through the sales process for Tata Steel in Wales and this includes proposals from Tata or a potential joint venture. Details of a potential package are commercial in confidence.

An update on the Tata Steel Task Force meeting held in August can be found here: <http://gov.wales/about/cabinet/cabinetstatements/2016-new/tatatastaskforce/?lang=en>

Wider support for the steel industry is delivered through existing Sectors & Business support mechanisms, including Business Wales.

5.11 Support for Social Enterprise

The Welsh Government provides funding for the Wales Co-operative Centre and Social Firms Wales. Both organisations support delivery of Welsh Government strategic objectives in relation to developing the social enterprise market and providing bespoke specialist business support to social enterprises that fall outside of eligibility for EU funded business support services. Funding for 2017-18 has been confirmed following independent value for money reviews.

An allocation of £30,000 has been provided for Social Firms Wales in the 2017-18 budget to enable the organisation to work with Welsh Government to develop policy specific to establishing social firms to grow the sector in Wales.

The Wales Co-operative Centre will receive core funding of £100,000 in 2017-18 to support the Welsh Government in developing policy to grow the co-operative and social enterprise sector in Wales. It will continue to take forward the recommendations of the Welsh Co-operative and Mutuals Commission and will provide specialist business support to social enterprises that fall outside of eligibility for EU funded business support services.

Welsh Government funding of £1.5m over three financial years 2016-2018 from Social Enterprise (BEL 3894) also supports the £11m ERDF supported Social Business Wales Project (SBW) which operates alongside the mainstream Welsh Government and EU funded Business Wales service. The SBW project provides specialist business support to social businesses which have ambitions to grow. This could involve transforming a traditionally owned business or public service to an employee ownership model which may or may not involve the transfer of a community asset. It also aids Charities to establish trading arms to take forward commercial ideas.

5.12 Partnership for Growth 2013-2020 - Tourism Strategy

The Tourism and Marketing revenue budget of £15.762m (BEL 6250) supports promotional activity and capital investment. The sector budgets have been reprioritised to provide an additional marketing budget of £0.5m to promote Wales and supports inward investment activity. An additional £5m for Visit Wales in 2017-18 is also included in the budget agreement to continue to promote Wales.

Partnership for Growth, the Welsh Government Tourism Strategy for 2013-2020, was launched in June 2013. Tourism in Wales is performing strongly. Expenditure by staying visitors in Wales in 2015 reached record levels at £2.385 billion, compared to £1.934 billion in 2012, and is on course to meet the target of a 10% increase in real terms by 2020.

The strategy also identified the opportunity to grow international visitors and spend to Wales by benefiting from the potential increase in visitor numbers (40m by 2020) identified by Visit Britain. Latest available full-year figures for 2015 indicate that there has been encouraging growth in international visitors coming to Wales over the last four years; again on target to achieve the strategy aims. Trips to Wales by international visitors have increased by 14% since 2012 and spend on these trips by 18%. This reverses the pattern of falling trips by international visitors to Wales prior to 2012.

The growth target is challenging but there is confidence we can secure continued growth in the domestic market and maximise our share of the predicted increase in international visitors to help grow the spread of visits during all parts of the year and across Wales.

Over the period 2017-18 to 2020-21, £13m (BEL 6250) capital investment will support the Tourism Investment Support Scheme and strategic projects in Taking Wales Forward.

A Strategy Progress Review of Partnership for Growth is in progress and will be published on the Welsh Government's website.

5.13 Priority Sectors

The investment in our priority sectors has been prioritised and aligned to enable targeted investment and capacity building initiatives that, together, will create a sustainable business environment. This is linked to our stated objectives of supporting growth in jobs and in the Welsh economy in general.

In 2015-16, we supported over 40,000 jobs across Wales. This was a continued improvement on the 38,000 achieved in the previous year. A wide range of indicators are used to measure delivery by the operational areas which include a combination of activity and results. They have been developed to be compliant with any WEFO regulations when European funding is utilised and to provide local indicators for individual business areas.

The Welsh Government has published statistics at the sector level which includes data on Gross Value Added (GVA), employee jobs, hourly earnings by gender, employment by qualification level and some statistics at a local authority level:

<http://wales.gov.uk/statistics-and-research/priority-sector-statistics/?lang=en>

The priority sector revenue and capital budgets are detailed in the Budget Expenditure Line tables attached at **Annex B**.

Business Wales continues to see high level of enquiries (18,000) driven by the refreshed service including Accelerated Growth and the new business online support service (BOSS). Since May 2016 BOSS has delivered over 8,000 new registered users.

In the year to date, 3,638 individuals and businesses have been supported with business advice and as a result Business Wales is on course to achieve its target of new jobs for the year.

The Business Wales Accelerated Growth Programme is on course to provide increased investment support for businesses of circa £10m and an increase in exports of circa £5m. This is integrated element of the wider package of support on offer to SMEs and entrepreneurs with the potential to lever in additional funding.

5.14 Preventative Spending

The focus of our budget is on creating the right environment for economic growth and supporting the creation and retention of jobs. Evidence suggests that employment can strongly protect people from poverty. Persistent poverty is damaging to individuals and communities and can lead to material and psychological harm, as well as wider social consequences. Addressing and responding to the issues caused by poverty is expensive. By supporting jobs, and taking action to try to alleviate some of the challenges faced by people when accessing jobs, we aim to reduce the likelihood of families experiencing poverty, particularly deep and persistent poverty, and avoid the long term costs that poverty bring to society.

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

6.0 TRANSPORT FUNDING OF SPENDING PROGRAMME AREAS

Compared to the 2017-18 revised baseline budget, there is an increase in the revenue allocation of £84.852m (of which £80m is non-cash).

The capital allocation for the period 2017-18 to 2020-21 is £1.173bn to support the National Transport Finance Plan. When this figure is considered alongside funding identified for the M4 and South Wales Metro held in central reserves, this reflects a significant level of capital funding for Transport Infrastructure over the coming capital budget period. However the schemes that are taken forward will continue to reflect difficult decisions required to adjust to a capital budget that will be one third lower in real terms by the end of the decade than it was in 2010-11. The additional allocation £80m from non cash reserves supports budgetary requirements for the motorway and trunk road network.

Transport	2017-18 Revised Baseline £'000	2017-18 Change £'000	2017-18 Draft Budget £'000
Revenue	295,168	4,852	300,020
Non Cash	108,691	80,000	188,691
Total	403,859	84,852	488,711

Transport	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	278,666	336,486	226,877	254,867	346,428	1,164,658
FTR	0	5,000	2,200	1,200	0	8,400
Total	278,666	341,486	229,077	256,067	346,428	1,173,058

6.1 Motorway & Trunk Road Network Operations

Motorway & Trunk Road Network Operations Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	51,789	0	51,789
Non-Cash	108,691	80,000	188,691
TOTAL	160,480	80,000	240,480

Motorway & Trunk Road Network Operations Action	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional	80,600	79,493	69,166	69,500	79,613	297,772

Capital						
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The Welsh Government is directly responsible for the Motorway and Trunk Road Network, one of Wales' most important infrastructure assets. The asset supports the delivery of many of the 'Taking Wales Forward' priorities and ambitions in the Well Being of Future Generations (Wales) Act 2015 across most policy areas including, the economy, health and education and has a depreciated replacement cost of over £15bn. Adequate funding for network maintenance is therefore essential to maintain the condition and service levels required for the Welsh Government to meet its statutory duties for safety and achieve its wider policy objectives for Wales.

Over the four year period, maintenance budgets will be continually monitored to ensure that we are responsive to reactive works and prioritise capital investment where it is most needed.

The investment plans support a spend to save strategy which will provide better value for money in the long term and alleviate revenue pressures in future years.

6.2 Rail & Air Services

Rail & Air Services Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	185,679	2,152	187,831

The budget supports the Wales and Borders Rail Franchise and Intra Wales Air Service. The increase in revenue budget of £2.152m is detailed in **Annex A**. It comprises:

- an increase of £2.948m for aviation activities at Cardiff Airport and St Athan Airfield (transferred from Sectors and Business);
- a reduction of circa £1.096m to Rail Services (see further detail below); and
- an additional allocation of £0.3m for a feasibility study into the re-opening of the Carmarthen to Aberystwyth railway line, following the budget agreement.

The rail franchise forms the main expenditure element of this Action. The franchise agreement is, and has been, subject to annual increased costs due to additional services and contractual Retail Price Index and Average Wage Earnings inflationary increases. However, it is envisaged that for 2017-18 this reduction will be manageable through the performance elements of the contract and due to forecast cost increases being mitigated through recent lower levels of RPI inflation than previously anticipated. This will be subject to continual monitoring.

6.3 Road, Rail and Aviation Investment

Road, Rail & Aviation Schemes Action	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	123,719	180,746	110,011	137,667	224,115	652,539
FTR	0	5,000	2,200	1,200	0	8,400
Total	123,719	185,746	112,211	138,867	224,115	660,939

The budget funds road, rail and aviation capital improvements. There is an additional capital allocation in 2017-18 to complete the delivery of infrastructure priorities under construction such as improvements to the A465 Section 2, Newtown Bypass, Brynglas Tunnels safety improvements and Eastern Bay Link. Investment for 2018-19 and beyond will reflect priorities identified from the National Transport Finance Plan in the context of the available budget. Funding for the M4 relief road and an element of funding for the South Wales Metro over this period are currently held in reserves ready for allocation when delivery programmes are confirmed and pending the outcome of the public inquiry for the M4.

For rail, the budget will fund delivery of South Wales Metro Phase 2, development of North Wales Metro, completion of the Ebbw Vale frequency enhancement scheme and the North-South journey time reduction scheme as well as station improvements and the development and potential match funding towards a new train station.

FTR funding has also been made available to support future investment.

6.4 Sustainable Travel

Sustainable Travel Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	52,936	2,700	55,636

Sustainable Travel Action	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	67,447	69,347	40,800	40,800	35,800	186,747

This budget supports investment in integrated transport, active travel, Concessionary Bus Travel, smartcards and bus, rail and local road schemes proposed by local authorities. The revenue increase of £2.7m relates to an additional allocations as part of the budget agreement: Ports Infrastructure Fund £2m, feasibility study into a national cycleway £0.2m and safer routes to

schools £0.5m. This is detailed in **Annex A**.

Against a background of the Revenue Support Grant for local authorities being maintained, capital funding for the local transport priorities fund has been protected in 2016-17 and 2017-18.

The overall funding envelope for concessionary fares has been held pending ongoing discussions with the industry on funding for the next three year period. The final funding package will be reflective of the demand led nature of the scheme and the Local Authorities obligations under the 'no better, no worse' principle.

6.5 Improve Road Safety

Improve Road Safety Action	2017-18 Revised Baseline £'000	Change £'000	2017-18 Draft Budget £'000
Revenue	4,764	0	4,764

Improve Road Safety Action	2016-17 First Supp Budget £'000	2017-18 Draft Budget Allocations				
		2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	6,900	6,900	6,900	6,900	6,900	27,600

The revenue budget supports engagement and funding arrangements with external partners in the public, private and third sectors to achieve casualty reduction, using the road safety governance structures to support the implementation of the Road Safety Delivery Plan. This Plan sets out our strategic approach to road safety to 2020.

The capital budget supports capital road safety engineering improvements on the trunk and local road networks.

7.0 TRANSPORT - KEY POLICIES

Additional information is provided in response to the specific requests made by the Committee as follows:

7.1 National Transport Finance Plan

For 2017-18, the Transport priorities will be set in the context of budget availability and the National Transport Finance Plan (NTFP) which was published on 16 July 2015. This sets out the investment priorities in services and infrastructure and focuses on the projects which could be delivered during the next five years. A statement on this matter is available at:

<http://gov.wales/about/cabinet/cabinetstatements/2015/10383639/?lang=en>

Transport has a vital role to play in improving Wales' economic competitiveness and access to jobs and services. The NTFP sets out how and when improvements to the road and public transport networks could be delivered to help businesses prosper and ensure people can access the opportunities they need to live healthy, sustainable and fulfilling lives.

There is a strong evidence based approach for understanding the performance of the transport system, assessing the need for intervention and considering the social, cultural environmental and economic impacts of our plans for the transport system. The schemes in the NTFP target five key priority areas: economic growth, tackling poverty, sustainable travel and safety, and improving access to employment and to services helping us meet our wider wellbeing objectives. The investments identified will deliver a more integrated and sustainable transport system for all.

Actions in the NTFP will:

- Improve public transport and active travel availability, quality, safety and access
- Assist in reducing any disadvantage to protected groups and those on low incomes through the provision of a quality, integrated public transport and network (including the provision of accessible, bilingual information)
- Maintain funding for socially necessary bus services.

A set of national datasets provide consistent and comparable information across the whole of Wales and highlight areas where the transport system is under-performing. The datasets are updated regularly and are used to monitor the performance of the system, providing early alerts to emerging issues and information on longer term trends. The transport data is combined with other data sources, such as the census and land use data, to provide information on the social and environmental impacts of the transport system. The transport data falls into five categories - journey times, the number of trips made, safety related, supplementary information and contextual information.

The NTFP is a live document and will be updated to reflect the Government's capital plans for future years.

7.2 Transport for Wales

The company has now been established with initial set up costs met from previous budgets. Funding for 2017-18 and future years (revenue and capital) will be determined on receipt of the company's 2017-18 Business Plan.

Transport for Wales is an 'arms length' company limited by guarantee. Its primary role is to advise Welsh Government on Transport issues and, in particular, take forward delivery of the New Wales & Borders Rail Franchise and South Wales Metro.

The company is overseen by a Board of Directors made up of Senior Civil Servants and is chaired by a Deputy Permanent Secretary. The Board currently comprises eight directors (including the chair). Five non-executive directors, drawing in wider experience and expertise in areas such as HR, finance,

infrastructure delivery and governance, and three executive directors with expertise specific to their area of responsibility.

The relationship between the Welsh Government and the company is governed by a delegation letter issued by the Permanent Secretary to the Deputy Permanent Secretary for Economy, Skills and Natural Resources; a management agreement between the Welsh Government and the company outlining the purpose of the company, its accountabilities and responsibilities; a remit letter; and an annual business plan setting out how the company will deliver the objectives and outputs outlined in the remit letter.

The governance arrangements reflect the desire to have direct, senior accountability and responsibility (the Deputy Permanent Secretary) for delivering the procurement of the operator and development partner for the Wales and Borders franchise and South Wales Metro, which, valued at £734m capital and circa £3.5bn revenue, is one of the most significant procurements to be made by the Welsh Government.

7.3 M4 Relief Road and Major Road Improvements

The M4 development around Newport is of strategic importance to the economic prosperity of Wales and has strong backing from Welsh businesses. The project, which has been subject to a widespread consultation, will improve accessibility for people, Welsh goods and services to international markets by addressing transport issues on one of the main gateways into Wales. During 2016 work to assess the best approach to its construction, identify what land would be required and environmental protection measures has been completed leading to publication of draft Orders. The proposals will now be scrutinised at a Public Inquiry commencing in the New Year. Funding for the scheme has been identified and is currently held in central reserves subject to the outcome of the public inquiry.

Work continues to upgrade the A465 Heads of the Valleys Road with major works under way between Gilwern and Brynmawr which when complete will ensure high standard dual carriageway links to the Ebbw Vale Enterprise Zone through to the Midlands.

Other major works currently under way include the Eastern Bay Link to improve links to the Cardiff Capital Enterprise Zone, A483 Newtown Bypass to improve the economic infrastructure in Mid Wales and a major refurbishment of the Brynglas tunnels on the M4 at Newport to improve the resilience of the this key transport corridor serving the whole of the South Wales economy.

7.4 Trunk Road and Motorway Network

Following the independent audit in late 2013-2014 and the 2015 review of transparency and visibility of costs, the trunk road agents (TRA) have continued to make good progress towards the agreement of delivering savings in discharging statutory duties, where £6m was identified in 2016-17 and a target of £8m is set for 2017-18.

The savings broadly focus on the three areas of the Trunk Road Maintenance Manual, the schedule of rates and management costs and will be delivered through more efficient and innovative working practices and the use of new technology. Reinvestment of these savings in the network is vital to offset future expenditure, underpinning the principles of an invest to save and proactive approach.

All Wales service level agreements (SLAs) have been implemented from April 2016 for use by the TRA in procuring the services of their suppliers. These uniform service delivery agreements will now enable the comparison of costs on a like for like basis across regions and delivery organisations.

Alongside this, the Public Accounts Committee recommended in August 2015 a series of actions focussed around improving value for money in the management and maintenance of the motorway and trunk road network.

The Welsh Government's Integrated Road Information System is substantially complete and is being used to manage the condition of existing assets and to store data for new highway projects. The National Approach for Roads and Street works in Wales was launched in June 2016 which, through working in partnership with statutory undertakers and highway authorities, can improve the way road and street works are managed for the benefit of Wales within the existing legislative framework.

7.5 Active Travel

The Welsh Government views active travel as a key element in the development of our cross-cutting 'Healthy and Active' and 'United and Connected' strategies. The Minister for Social Services and Public Health has overarching responsibility for Active Travel, but, as is reflected in the Active Travel Action Plan published in February this year, many portfolios have a role in fulfilling our ambition to increase levels of walking and cycling for everyday journeys. All key portfolios are represented on the Active Travel Board.

Active Travel is supported through a number of capital and revenue budget lines. Most of the revenue funding has now transferred to the Minister for Social Services and Public Health. Infrastructure investment in local active travel routes and improvements is made predominantly through the Local Transport Fund, the Safe Routes in Communities Grant and the Road Safety Grant. The specific number and size of active travel schemes varies each year according to the type, strength and size of bids submitted by local authorities. Typically, between £11-15m is awarded for schemes benefiting active travel each year. Funding for Sustainable Travel Walking and Cycling has been protected across the five year period to 2021. Funding for the local transport priorities fund has been protected in 2016-17 and 2017-18.

We further directly fund active travel improvements associated with existing trunk roads, or as part of major new schemes. The former has a budget of £1.65m per annum, whereas the latter varies from year to year and is linked to the overall level of capital funding for major projects and the nature of the schemes being delivered. Mainstreaming the delivery of active travel objectives is a key consideration in delivery of all transport schemes.

Investment in Rail Services and Infrastructure (including Metro)

Funding of the current franchise, including additional services, remains a major area of Welsh Government funding and activity. Recent initiatives include the funding of additional services on the Cambrian and Heart of Wales lines on a three-year trial basis from May 2015 and support for a lower cap on the permitted increase to regulated rail fares.

The budget supports continuation of work on the South Wales Metro in order to significantly improve public transport in South Wales. Priority areas for the programme include the procurement of an operator and development partner, provision of turn up and go services on the Treherbert, Aberdare, Merthyr Tydfil, Rhymney, Coryton and Bay lines, with new rolling stock, as well as line improvements on the Maesteg, Vale of Glamorgan and Ebbw Valley lines.

Investment in the North Wales Metro will create a reliable, efficient and quality integrated transport network connecting people, communities and businesses to jobs, facilities, and services, maximising the economic opportunities of connectivity across Wales and our borders. 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.

a) Support for Bus and Community Transport Services

Bus and community transport continues to be an important consideration for the budget as these sectors provide connectivity for the public, who greatly rely on public transport. An announcement on a five-point action for the bus industry was made on 15 September 2016 to support this sector and is available here:

<http://gov.wales/newsroom/transport/2016/160915-economy-secretary-outlines-plan-to-support-bus-industry/?lang=en>

Despite very challenging budget settlements, our Bus Services Support Grant (BSSG), which is allocated annually to local authorities, has been maintained at £25m since 2013-14. The draft budget for 2017-18 includes an allocation of £25m.

There has also been the introduction of improved TrawsCymru longer distance bus services for example in north Wales on the T3 Barmouth to Wrexham, the T2 Bangor to Aberystwyth and the T5 Aberystwyth – Cardigan – Haverfordwest routes. These routes have also benefitted from more affordable tickets aimed at encouraging young people to use the services such as the Bwmerrang Ticket which offers discounted weekend travel.

Agreement has been made to fund two full-time posts within the METRO local authorities in north and south Wales to lead, co-ordinate and deliver the bus elements within the next five years, within the envelope of a statutory bus QPS. In addition, it would be used to help shape future investment in the bus network outside the METRO areas.

We continue to support financially the work of Bus Users Cymru and the Community Transport Association in Wales. It is vital that bus passengers' views are represented effectively in developing our policies for the bus network, while community transport will continue to make an important contribution to an integrated public transport network, especially on behalf of relatively remote and rural communities.

During 2016-17 we began financial support for a full-time Traffic Commissioner for Wales, who will be dedicating more time to advising and educating the bus, coach, taxi and freight industries to their benefit, the benefit of passengers and the wider economy and environment.

b) Concessionary Bus Travel Scheme and mytravelpass

Local authorities are responsible in law for reimbursing bus operators for carrying older or disabled pass holders under the free concessionary bus travel scheme. Authorities are also obliged to ensure that those bus operators are "no better and no worse off" as a result. The Welsh Government's budget in support of the local authorities' expenditure on reimbursement will continue to meet their responsibilities, supplementing the contributions that local authorities continue to make from their own budgets, reflecting the historical funding that they provided before the scheme was introduced in 2002. Collectively, these local authority contributions amount to some £10.3m annually.

In addition, we meet the cost of local authorities' administration via a £3 per live card in circulation, each year.

The Young Persons Discounted Bus Travel was introduced on an 18-month pilot basis in September 2015. Evaluation of the current scheme is ongoing to determine its impact, with a view to determining future provision. We will also work with the bus industry to determine the potential to continue this initiative on a commercial basis and potentially with a much reduced amount from Welsh Government, following the initial funding award to pump prime the scheme.

c) Support for Local Transport Priorities

There are nine Local Transport Plans in Wales. These were approved by the Minister for Economy, Science and Transport on 20 May 2015. The plans were developed by local authorities using the 'Local Transport Plans guidance'. The guidance also sets the basis for monitoring and evaluation of the plans.

The local transport priorities budget line makes available funding to local authorities for local transport schemes that support the economy, improve road safety and enable active travel. We continue to work in partnership with local authorities and other key organisations to ensure the key priorities are met.

7.6 Preventative Spending

In delivering better outcomes preventative spending measures are important for the long-term. The majority of Transport expenditure for programmes and policies may be attributed to preventative spend such as: active travel in terms

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of promoting sustainable modes of transport and thus reducing environmental impacts and increasing activity levels which support health outcomes, concessionary bus travel, ongoing road maintenance and network management to improve road safety and avoid more significant issues and accidents over the longer term.

8.0 MONITORING BUDGETS

A detailed in-depth review for the draft budget has been undertaken. During delivery, all business areas are challenged on a monthly basis and quarterly in-depth reviews are undertaken by officials to consider the latest forecasts and agree budget movements as necessary.

9.0 EVALUATIONS/REVIEWS

Outcomes are monitored for each of the projects and contracts that are managed within the portfolio. Feasibility studies are undertaken prior to the commencement of key projects to assess suitability for going forward in delivering against our wellbeing goals.

Evaluation of projects and programmes are undertaken during and at the end of the projects and can be undertaken internally or by external contractors.

Gateway reviews for large projects are undertaken to assess value for money and both internal and external audits have and will be undertaken, which provide further evidence to support policy outcomes.

The Public Policy Institute for Wales (PPIW) is co-funded by the Economic and Social Research Council and the Welsh Government and aims to provide the Welsh Government with authoritative independent analysis and advice.

PPIW has published several reports relating to the economic and infrastructure portfolio including a recent report on the evidence and evidence needs about what works in improving the performance the Welsh economy.

<http://ppiwi.org.uk/files/2016/10/PPIW-Summary-of-Expert-Workshop-Improving-the-Economic-Performance-of-Wales.pdf>

Commissioning evaluations and research is one way of gathering evidence on policies and programmes, but is not the only way and is not always the most appropriate.

The portfolio uses a variety of approaches in gathering evidence and for evaluation of policy and programmes. Some of these inform the process through expert advice and learning.

Sometimes the existing evidence base is used to shape programmes and policy and there is not always a need, or a good value for money argument to produce new evidence. For example, the What Works Centre for Local Growth has produced a reports analysing which policies are most effective in supporting and increasing local economic growth.

<http://www.whatworksgrowth.org/>

Similarly, the OECD has conducted a review of local economic and employment development policy approaches in OECD Countries and considered how these might be applied in Wales.

http://www.oecd-ilibrary.org/industry-and-services/a-review-of-local-economic-and-employment-development-policy-approaches-in-oecd-countries-policy-transferability-to-wales_5km7rq3vv2hg-en

The need for and scope of evaluation can be taken on a case by case basis during policy and programme development having regard to the risk, size and scale, existing evidence base and other factors.

10.0 ALLOCATIONS MADE IN CONSIDERATION OF THE VOTE FOR THE UK TO LEAVE THE EUROPEAN UNION

In terms of financial implications of the UK leaving the European Union for the portfolio, 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. A UK Treasury guarantee on funding for current Structural Funds and other EU programmes goes some way towards our funding demands but we will continue to press to ensure Wales does not lose a penny of current EU funding and future funding that would have been anticipated. Also the transfer of powers and responsibilities from the EU to Wales must be accompanied by an appropriate level of funding to enable us to deliver.

The Business Confidence Plan outlines how we are focussing our efforts on protecting jobs and the economy for the longer term, through the allocation of funding to specific activities such as the Growth and Prosperity Fund, the Development Bank and the new Wales Business Fund in Finance Wales communicating our pro-business message, and by engaging directly with business on their priorities.

More information is available in the recent news article:

<http://gov.wales/newsroom/businessandeconomy/2016/160921-136m-fund-and-development-bank-will-help-support-businesses-in-wales-post-eu-referendum-says-economy-secretary/?lang=en>

Proactive campaigns are also supporting businesses and tourism through promoting the Wales brand and we are increasing our efforts to grow the number and scale of Welsh based exporters that are exporting through bringing forward a pro-active plan for export support. An additional £0.5m has been invested in business marketing to promote Wales and support inward investment activity.

11.0 LEGISLATION

11.1 The Active Travel Act 2013

This is considered at section 7.5.

11.2 The Draft Wales Bill

The Wales Bill will expand the National Assembly's legislative competence in several transport areas. It will also expand the executive functions of the Welsh Ministers in transport, particularly in the areas of ports and road traffic. The Wales Bill is not anticipated to come into force until April 2018 and there will be no financial implications for the 2017-18 budget, other than staff resources required to prepare to deliver the new functions.

The Welsh Government is not seeking legislative competence for radio and television broadcasting at the current time. However, the Welsh Government has roles and interests in respect of the Public Service Broadcasters and Ofcom, including a formal, consultative role in the current review of the BBC's Royal Charter.

11.3 Enterprise Act 2016 – UK Government legislation

We do not envisage the provision in the Enterprise Act 2016, which implement the Small Business Commissioner Service, having an impact on our budget. This is a UK Government initiative, the service will apply across the UK including Wales. The UK Government has published information about funding to set up and run this service which we understand will be the responsibility of the UK Government so no provision for this needs to be made in the Welsh Draft Budget.

11.4 Better Markets Bill – UK Government Legislation

We are awaiting the introduction of this Bill by the UK Government and do not anticipate the Welsh budget will need to make provision for the same.

11.5 Bus Services Bill – UK Government Legislation

The UK Government's Bus Services Bill will mainly apply to England only and legislation currently in force in relation to bus services in Wales will remain in place. Following representations made by their Lordships and the Disabled Passengers Advisory Group, the UK Government has tabled an amendment to the Bus Services Bill (5 October 2016). The effect of the amendment will be to amend the Equality Act 2010, introducing a requirement on bus operators to provide accessible information to disabled passenger during the journey, including next stop audio visual announcement systems. The provision amends the Equality Act 2010, and provides that the Regulations and supporting guidance shall be made by the Secretary of State for Transport in consultation with the devolved governments in Wales and Scotland. The relevant provisions in the Bus Services Bill being passed through UK Legislation that will apply in Wales will be cost neutral to the public sector in Wales, although the Regulations that follow may add about 0.4% to the cost of operating bus services in Wales (if audio visual next stop announcements are included in the Regulations).

Reconciliation 2016-17 First Supplementary Budget to 2017-18 Draft Budget

		2017-18		
		Economy £'000	Transport £'000	Total Resource £'000
2016-17 First Supplementary Budget		49,556	304,939	354,495
Portfolio Changes				
Sectors	Transfer of Energy Policy to Environment & Rural Affairs.	(294)		(294)
Sustainable Travel	Transfer to Local Government for Blue Badge Scheme		(21)	(21)
Non Recurrent Allocations				
Sectors	Port Talbot Enterprise Zone – Business Rate Relief Scheme.	(1,500)		(1,500)
Youth Concessionary Fares	Pilot scheme concludes March 2017.		(9,750)	(9,750)
Total Baseline Adjustments		(1,794)	(9,771)	(11,565)
2017-18 Revised Baseline		47,762	295,168	342,930
Revenue Savings for 2017-18				
Sectors	Savings anticipated following review of programmes.	(100)		(100)
Corporate Programmes	Reduction in interest requirements for National Loan Fund Debt repayment and Corporate Reviews.	(134)		(134)
Finance Wales	Reduction in core funding from efficiency savings.	(420)		(420)
Rail & Air Services	Savings anticipated from the performance elements of the rail franchise contract and lower levels of RPI inflation.		(1,096)	(1,096)
Total Revenue Savings		(654)	(1,096)	(1,750)
Additional Allocations for 2017-18				
Sectors	Visit Wales	5,000		5,000
Rail & Air Services	Feasibility study for re-opening the railway line from Carmarthen to Aberystwyth		300	300
Sustainable Travel	Feasibility study for national cycleway		200	200
	Feasibility study for ports infrastructure		2,000	2,000
	Safe routes to communities		500	500
Total Additional Allocations		5,000	3,000	8,000
Budget Realignment for 2017-18				
Sectors	Transfer of aviation delivery for St Athan activity.	(2,948)		(2,948)
Rail & Air Services			2,948	2,948
Legacy SIF	Action merged within Sectors.	(1,560)		(1,560)
Sectors		1,560		1,560
Corporate Programmes		551		551
Strategy Programmes		(551)		(551)
Total		(2,948)	2,948	0
Overall Movement for 2017-18		1,398	4,852	6,250
2017-18 Draft Budget New Plans		49,160	300,020	341,180

ECONOMY, SCIENCE & TRANSPORT

Budget Allocations 2017-18

REVENUE				2017-18	2017-18	
SPA	ACTION	BEL	BEL Name	Revised Baseline	Draft Budget £'000	
Pack Page 43	Sectors & Business	Sectors	4029	Single Investment Fund	1,560	1,560
			3765	ICT	6,446	5,946
			3763	Financial & Professional Services	145	145
			3762	Creative Industries	851	851
			3761	Advanced Materials & Manufacturing	4,018	1,070
			3760	Energy & Environment	1,106	1,106
			6250	Tourism & Marketing	10,262	15,762
			3752	Construction	514	514
			3753	Pipeline Development	1,326	1,226
			3754	Trade and Inward Investment	1,892	1,892
			3755	Enterprise Zones	927	927
			3756	Enterprise Zones - Business Rates	0	0
			4051	Regional Development & Delivery	263	263
		Entrepreneurship				
			3893	Youth Entrepreneurship	1,319	1,319
			3894	Social Enterprise & Economy	814	814
		3895	Start Up Service	1,480	1,480	
		3901	Business Information	618	618	
				4,231	4,231	
				33,541	35,493	

CAPITAL				2016-17	2017-18	2018-19	2019-20	2020-21	Total	
SPA	ACTION	BEL	BEL Name	First Supp Budget £'000	Draft Budget £'000	£'000	£'000	£'000	£'000	
Traditional Capital										
Pack Page 44	Sectors & Business ¹	Sectors	4029	Single Investment Fund	4,450	0	0	0	0	0
			3765	ICT	1,865	165	1,000	2,000	1,000	4,165
			3763	Financial & Professional Services	9,339	7,752	3,012	2,174	1,000	13,938
			3762	Creative Industries	7,098	2,949	1,070	5,000	2,500	11,519
			3761	Advanced Materials & Manufacturing	8,495	10,409	4,496	10,683	3,000	28,588
			3760	Energy & Environment	3,571	11,000	6,295	5,345	1,500	24,140
			3752	Construction	1,897	195	151	278	150	774
			3753	Pipeline Developments	19,835	23,387	24,290	14,593	14,911	77,181
			3755	Enterprise Zones	3,122	0	0	0	0	0
			6250	Tourism & Marketing	2,000	4,000	4,000	4,000	1,000	13,000
		Traditional Capital Total		61,672	59,857	44,314	44,073	25,061	173,305	
FTR										
		3753	Pipeline Developments		8,000	1,500	7,400	0	16,900	
		3761	Advanced Materials & Manufacture	7,000	0	0	0	0	0	
		3758	Business Finances (FW) Funds	18,000	17,750	7,000	18,000	3,000	45,750	
		FTR Total		25,000	25,750	8,500	25,400	3,000	62,650	
Total Capital Allocations				86,672	85,607	52,814	69,473	28,061	235,955	

¹ Excludes Life Sciences, Science and Innovation - Minister for Skills and Science portfolio

REVENUE				2017-18	2017-18
SPA	ACTION	BEL	BEL Name	Revised Baseline £'000	Draft Budget £'000
Infrastructure ¹	Property Infrastructure	4052	Land & Buildings - Expenditure	24,090	24,090
		4052	Land & Buildings – Receipts	(20,064)	(20,064)
Total Group				4,026	4,026

CAPITAL				2016-17	2017-18	2018-19	2019-20	2020-21	Total
SPA	ACTION	BEL	BEL Name	First Supp Budget £'000	Draft Budget £'000	£'000	£'000	£'000	£'000
Traditional Capital									
Infrastructure ¹	Property Infrastructure	4052	Land & Buildings - Expenditure	8,597	16,041	10,905	10,077	10,886	47,909
		4052	Land & Buildings – Receipts	(24,412)	(10,000)	(7,500)	(7,500)	(7,500)	(32,500)
Traditional Capital Total				(15,815)	6,041	3,405	2,577	3,386	15,409
FTR									
Infrastructure ¹	Property Infrastructure	4052	Land & Buildings - Expenditure		17,855	7,220	6,100	5,000	36,175
FTR Total				0	17,855	7,220	6,100	5,000	36,175
Total Capital Allocations				(15,815)	23,896	10,625	8,677	8,386	51,584

¹ Excludes ICT Infrastructure - Minister for Skills and Science portfolio.

REVENUE			2017-18	2017-18
SPA	ACTION	BEL BEL Name	Revised Baseline £'000	Draft Budget £'000
Major Events	Major Events	4231 Marketing & Major Events	3,918	3,918
	Total SPA		3,918	3,918

REVENUE				2017-18	2017-18
SPA	ACTION	BEL	BEL Name	Revised Baseline £'000	Draft Budget £'000
Corporate Programmes	Corporate Programmes	3899	Health Challenge Wales	800	800
		4028	National Loans Fund	1,655	1,641
		4023	Corporate Programmes & Services	1,111	992
		3891	Economic Analysis	158	157
		3897	Strategic Engagement	293	293
		4230	Communications Marketing	100	100
				4,117	3,983
Finance Wales	Finance Wales	4024	Finance Wales	2,160	1,740
	Total SPA			6,277	5,723

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CAPITAL				2016-17	2017-18	2018-19	2019-20	2020-21	Total
SPA	ACTION	BEL	BEL Name	First Supp Budget £'000	Draft Budget £'000	£'000	£'000	£'000	£'000
Traditional Capital									
Corporate Programmes	Corporate Programmes	4028	National Loans Fund	90	104	120	138	159	521
Total Capital Allocations				90	104	120	138	159	521

REVENUE				2017-18	2017-18
SPA	ACTION	BEL	BEL Name	Revised Baseline Budget £'000	Draft Budget £'000
Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations	1885	Network Operations	47,264	47,264
		1884	Network Asset Management & Support	4,525	4,525
		Improve and Maintain Trunk Road Network (Domestic Routes) - Non Cash	1886	Network Asset Management & Support	108,691
				51,789	51,789
				108,691	188,691
Rail & Air Services	Rail & Air Services	1890	Rail Franchise	184,079	183,283
		1883	Aviation	1,600	4,548
				185,679	187,831
Sustainable Travel	Sustainable Travel	2030	Sustainable Travel & Walking & Cycling	150	850
		1880	Bus Support & Local Transport	28,427	28,427
		2005	Infrastructure Developments	0	2,000
		2000	Concessionary Bus Travel	22,359	22,359
		1881	Smartcards	2,000	2,000
				52,936	55,636
Improve Road Safety	Improve Road Safety	1892	Road Safety	4,764	4,764
				4,764	4,764
Total Group				403,859	488,711

CAPITAL				2016-17	2017-18	2018-19	2019-20	2020-21	Total
SPA	ACTION	BEL	BEL Name	First Supp Budget £'000	Draft Budget £'000	£'000	£'000	£'000	£'000
Traditional Capital									
Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations	1885	Network Operations	80,600	79,493	69,166	69,500	79,613	297,772
				80,600	79,493	69,166	69,500	79,613	297,772
Road, Rail & Aviation Investment	Road, Rail & Aviation Schemes	1889	New Road Construction & Improvement Studies	1,900	0	0	0	0	0
		1888	New Road Construction & Improvement	116,719	155,562	50,354	44,294	106,615	356,825
		1891	Rail Investment	5,100	20,463	55,080	88,500	117,500	281,543
		1883	Aviation	0	4,721	4,577	4,873	0	14,171
				123,719	180,746	110,011	137,667	224,115	652,539
Sustainable Travel	Sustainable Travel	2030	Sustainable Travel & Walking & Cycling	6,650	6,650	6,650	6,650	6,650	26,600
		2000	Concessionary Bus Travel	39,297	39,297	27,000	27,000	27,000	120,297
		1881	Smartcards	600	1,000	1,000	1,000	1,000	4,000
		1882	Local Transport Priorities	20,900	22,400	6,150	6,150	1,150	35,850
				67,447	69,347	40,800	40,800	35,800	186,747
Improve Road Safety	Improve Road Safety	1892	Road Safety	6,900	6,900	6,900	6,900	6,900	27,600
				6,900	6,900	6,900	6,900	6,900	27,600
Traditional Capital Total				278,666	336,486	226,877	254,867	346,428	1,164,658
FTR									
Rail & Air Services	Rail & Air Services	1883	Aviation	0	5,000	2,200	1,200	0	8,400
FTR Total				0	5,000	2,200	1,200	0	8,400
Total Capital Allocations				278,666	341,486	229,077	256,067	346,428	1,173,058

Strategic Integrated Impact Assessment

Overview

The portfolio's spending plan focuses on our priorities of building a stronger, fairer economy that delivers sustainable economic growth and jobs and opportunities for people across Wales. Our intention is to look afresh at how the Welsh Government approaches economic development and business support. Initial views are already being sought on the economic priorities needed to ensure a fairer, more prosperous and more secure Wales. These views will feed into strategic work being taken forward over the coming months.

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

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

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

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

We are delivering our transport interventions set out in the National Transport Finance Plan across the whole of Wales to deliver a network that is long-term, sustainable, integrated and to ensure that it is future proofed for the future needs of the people of Wales. While the full range of powers in relation to transport are not devolved to the Welsh Ministers we are using the existing range of powers to plan, develop and deliver transport across Wales with partners that supports socio-economic development and ensures access for all. Capacity enhancements on our public transport infrastructure are a key specification for the changes that we wish to see in driving forward the Metro programme. Our concessionary and discount schemes for public transport target particular age demographics to ensure that they have access to the opportunities to live sustainable fulfilling lives. Smarter accesses through ticketing, information and public transport infrastructure such as audio visual announcements on buses help mitigate against the effects of advancing years.

Our focus is to provide a sustainable, multimodal and integrated transport system which provides for the development needs of businesses, enables our communities to enable to

prosper, and provides access for all our people to the opportunities they need to live healthy, sustainable and fulfilling lives.

Our capital and infrastructure programmes underpin the resilience of Wales' built and natural environments to meet current and future needs. We have provided a four-year capital Budget to provide clarity for longer-term plans. Through a whole government approach and used with our land use planning levers, transport can provide transformational change across Wales, delivering on our wider agenda across health, education, tackling poverty and improving social cohesion.

Green growth ensures the careful use of our considerable wealth of natural resources so they can continue to sustain us in a socially equitable way, for the benefit of the people of Wales. That means achieving greater efficiencies and sustainability throughout our entire economy and within businesses and organisations across all sectors. Green Growth Wales translates our policy aims into actions on the ground, through legislation, policy and delivery programmes to create the best possible conditions for businesses, organisations and individuals to deliver sustainable growth.

<http://gov.wales/docs/det/publications/160412-business-of-becoming-a-sustainable-nation-en.pdf>

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

Our plans also give due regard to the requirements of the United Nations Convention on the Rights of the Child (UNCRC) and the requirement in Wales to assess the impact of Ministers' actions on the rights of children and young people. Children's rights were considered for the National Transport Finance Plan 2015.

The Well-being of Future Generations Act places a duty on the Welsh Government and other public bodies to apply the seven well-being goals that are identified by the Act. Our budget proposals have continued to look at how we embed the five ways of working to help us maximise our impact, inform plans which support Taking Wales Forward and take an integrated approach to considering impacts on protected groups and support a focus on our shared national goals.

Long-Term

- We are already taking actions that are consistent with our duty under the sustainable development principle. Our investment in infrastructure projects will help create the right conditions to generate economic prosperity for Wales both now and in the long term.
- The Big Ideas Wales campaign is part of the Business Wales service and is supporting the next generation of young entrepreneurs in Wales. The National Transport Finance Plan is a long term approach to transport planning and was highly consultative.

Prevention

- We cannot afford to waste the skills and talents of any of our citizens, now or in the future. Poverty damages both individuals and the economic and social health of our country. Creating jobs and growth is central to our efforts to help tackle poverty in

Wales and we recognise that well-paid employment offers the best protection against poverty.

- We are taking actions to promote the living wage in Wales, supporting progress to a more equal Wales.
- Bus and rail support has positive outcomes for health and social challenges and assists in establishing a fairer and more equal society.

Integration

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

Collaboration

- We engage with many partners in business, the public sector and third sector, working towards shared goals. For example, the City Region and Enterprise Zones provide leadership and strategic direction for spatial economic development.
- The Council for Economic Renewal provides a forum for collaboration with the social partners and brings together representatives from business (including social enterprise), the Wales TUC and the Welsh Government.
- We will shortly be setting out our plans for a National Infrastructure Commission to provide increased certainty and sustainability for investment in the future.
- We are supporting initiatives which are aimed at encouraging supply chains to innovate and grow responsibly such as the responsible business web zone on the Business Wales web site.

Involvement

- In March 2016, we hosted an international Green Growth Summit in Cardiff. The summit was a platform for policy makers and business leaders to come together for an open discussion on how to become a more innovative, productive, resource efficient and low carbon economy.
- We fund the Wales Social Partners Unit (WSPU) specifically to improve the engagement between Welsh Government and social partners including business representative bodies, the Wales TUC and social enterprise in Wales.
- We are seeking the views of stakeholders across Wales in deciding the economic priorities for Wales. We are seeking to involve and collaborate with others so that we focus on the things that make a real and lasting difference.

In formulating our plans and the following key demographics trends and recent statistics published by the Welsh Government have been considered which suggests that:

- Wales' population is expected to increase to 3.18 million by 2024 and 3.26 million by 2039.
- The number of children will increase overall to 567,000 in 2039 (an increase of 2.3% between 2014 and 2039).
- The number of people aged 16-64 will decrease by 6% (108,000) between 2014 and 2039.
- The number of people aged 65+ will increase by 30% (271,000) between 2014 and 2039.

A link to this document is available here: <http://gov.wales/statistics-and-research/national-population-projections/?lang=en>.

Deprivation and Poverty

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

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

Our programmes and projects are also helping to address some of the challenges faced by people when accessing employment and training, to ensure those in, or at risk of poverty are able to benefit from opportunities realised from economic growth. This includes support for skills development to equip people to take advantage of employment opportunities, delivery of an effective and affordable transport network that enables people to access jobs and training, and efforts to encourage responsible employment practices, such as flexible working arrangements, that allow people to work around caring responsibilities, or take on more hours and increase the wages they are able to earn.

Transport plays a vital role in driving Wales' economic competitiveness connecting people communities and business to jobs facilities and markets. Our focus is to provide a sustainable, multimodal and integrated transport system which enables our communities to be united and prosper, providing access for all our people to the opportunities they need to live healthy, sustainable and fulfilling lives.

That integrated system is a key lever for the delivery of the Governments wider agenda on tackling poverty and addressing social cohesion, providing opportunities and supporting such as flexible working arrangements that allow people to work around caring responsibilities, or take on more hours and increase the wages they are able to earn.

Welsh Language Impact Assessment

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

- **Youth Entrepreneurship programme**
Throughout Wales there is a strong network of 379 entrepreneurs involved as Role Models with the Big Ideas Wales campaign to motivate and inspire our young people. The Role Model network has 20% Welsh speakers to support the work shop delivery to schools and colleges.
- **Rail Services**

Funding provision is built into contractual arrangements such as the Wales and Borders franchise awarded in 2003. There are services such as customer phone service, and we also ensure that all signage, timetables and other passenger information and publicity are provided in the Welsh and English languages.

- **The National Transport Finance Plan 2015**

The Plan was impact assessed for Welsh language considerations and will support future priorities for Transport expenditure.

- **Teifi Valley Growth Zone**

Raising awareness locally of the Welsh language and adopting a more proactive approach to business and people development. There is also the implementation of a Welsh Language Pilot project, engaging initially with four workshops in Cardigan, Llandysul, Newcastle Emlyn and Lampeter to identify how the use of the Welsh language can benefit the local economy.

Impacts & Evidence

Transport

The National Transport Finance Plan 2015 highlights the critical role transport plays in improving Wales' economic competitiveness and provides enhanced access to jobs and services. When delivering our investment in transport, it is important to focus on how it can serve the needs of businesses to enable them to prosper; and allow people to access the opportunities they need to live healthy, sustainable and fulfilling lives. An Impact Assessment of the National Transport Finance Plan has been undertaken and is available on the Welsh Government's website:

<http://gov.wales/docs/det/policy/150716-ntfp-impact-assessment.pdf>

An annual report has been published which includes information on households without access to a car, people without a driving license, driving tests and vehicle parking badges: <http://gov.wales/statistics-and-research/people-vehicle-licensing-ownership/?lang=en>.

Rail services provide important connectivity in rural areas, and our budget recognises the social and economic community benefits supported by rail services, especially for community cohesion and tourism. In preparation for the award of the next Wales and Borders franchise, our strategic approach for rail services is being developed. Our policy consultation '*Setting the Direction for Wales and Borders Rail*' was published earlier this year as part of our ongoing commitment to engage with all concerned. The following report provides a summary of the responses received:

<http://gov.wales/docs/det/consultation/160712-rails-borders-franchise-consultation-results-en.pdf>.

Despite challenging budget settlements, the Welsh Government has maintained funding to local authorities for the Bus Services Support Grant at £25m per annum to help them subsidise bus and community transport services. In an effort to further improve the quality of local bus services in Wales and better utilise funding made available through the Bus Services Support Grant, the Welsh Government published its Voluntary Welsh Bus Quality Standard in March 2016, which is designed to ensure that:

- The quality of local bus services that passengers can reasonably expect are consistently and universally available throughout Wales.
- Local bus operators are encouraged to improve the quality of the services they provide to passenger.

Business Support

We continue to take forward a range of well targeted activities to support inclusive access to jobs and opportunities to ensure all individuals may benefit from economic growth. A number of equality impact assessments have been undertaken by the portfolio, which have helped inform our activities. In addition, Welsh Government publishes an annual report which includes data on Gross Value Added (GVA), employee jobs, hourly earnings by gender, employment by qualification level. These are taken into account in shaping our spending plans: <http://gov.wales/statistics-and-research/priority-sector-statistics/?lang=en>

The priority sectors account for 45% of employment in Wales³. We are providing over £26m revenue support in 2016-17 and £236m capital funding over the period 2017-18 to 2020-21 to our Priority Sectors (excluding Life Sciences).

The split between male and female employees are broadly equal in some sectors such as: Tourism (53% male and 47% female) and Financial and Professional Services (56% male and 44% female). Whereas, other sectors employ predominantly males such as: Construction (90%), Advanced Materials and Manufacturing (81%) and ICT (74%). Support for these sectors will potentially have a disproportionate impact on protected groups.

On average in Wales, 3.7% of those in employment are from a non white ethnicity. Some of our priorities sectors such as Tourism employ 7.6% and ICT Sectors employ 5.9% of people with a non white ethnicity and support for these sectors will have a positive impact on this group.

The following sectors employ more disabled people in Wales than the same sector in the UK as a whole: Financial and Professional Services employ 12.5% (9.3% UK), ICT Sectors employ 11.6% (8.6% UK) and Construction employ 11.2% (9.6% UK) of people from this protected group. Those sectors with the lowest percentage of employment of disabled people in Wales include: Life Sciences (7.7%) and Creative Industries (9.5%), support for these sectors may potentially have a negative impact on this protected group.

Tourism employs the highest percentage of people aged between 16 to 24 at 30.6%, this is against the average for Wales of 12.5%. For those people who are aged 50 plus, 7 priority sectors employ a higher percentage of people within this age group than the UK as a whole, for example: Creative 32.3% (26.4% UK), ICT Sectors 29.8% (24.3% UK), Financial & Professional Services 33% (28.2% UK).

In order to try to overcome some of the disproportionate effects support to the sectors may have on protected groups, we are undertaking a number of actions such as:

- Working with companies such as Airbus and Ford, we are providing support for attracting female apprenticeships.

³ Priority Sector Statistics 2016 - <http://gov.wales/statistics-and-research/priority-sector-statistics/?lang=en>

- Working with Diverse Cymru to encourage people from under represented groups to join the Wales Screen database.
- Assisting with the Financial Services Graduate Scheme in partnership with the business community.
- Gathering equality data on respondents to marketing campaigns and associated take-up of Welsh Government support which will help the portfolio understand the barriers faced by protected groups.

Agenda Item 3

Document is Restricted

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

Economy, Infrastructure and Skills Committee – 3 November 2016

1.0 Introduction

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

2.0 Summary of Budget Changes

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

TABLE 1: OVERVIEW OF THE REVENUE BUDGET

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

TABLE 2: OVERVIEW OF THE CAPITAL BUDGET

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

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

2.1 Revenue Changes

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

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

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

2.2 Capital Changes

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

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

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

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

3.0 Sectors and Business Budgets

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

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

Life Sciences Sector - Policy & Strategy Overview

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

Major Programmes & Projects

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

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

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

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

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

4.0 Science and Innovation Budgets

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

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

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

Innovation BELS

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

Science BEL

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

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

5.0 Skills Budgets

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

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

Work Based Learning BEL

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

The Work Based Learning budget supports:

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

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

Marketing Skills BEL

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

Skills Policy and Engagement BEL

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

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

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

Employment and Skills BEL

The Employment and Skills BEL funds the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in, and progress at work through skills and training support. The core budget of £28.858m draws in EU funding of £20m per year to support a substantial amount of activity, either directly or indirectly.

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

6.0 Infrastructure Budgets

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

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

Policy and Strategy Overview

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

Digital Inclusion BEL

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

Public Sector Broadband Aggregation BEL

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

ICT Infrastructure Operations BEL

The four main programmes of activity are:

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

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

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

7.0 Welsh Government Priorities for the Fifth Assembly

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

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

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

8.0 Budget Monitoring and Evaluation

8.1 Budget Monitoring

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

8.2 Evaluation

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

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

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

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

9.0 Preventative Spending

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

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

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

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

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

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

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

10.0 Impact of Britain Leaving the EU

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

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

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

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

11.0 Costs of Legislation

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

11.1 The Well Being of Future Generations Act

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

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

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

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

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

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

11.2 The Wales Bill

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

11.3 UK Government Legislation

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

12.0 Capital Expenditure

This is covered in sections above.

13.0 Cross Cutting Considerations

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

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

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

14.0 Specific Areas – Science Research and Evaluation

Policy and Strategy Overview

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

14.1 Funding for science policy

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

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

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

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

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

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

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

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

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

15.0 Specific areas – Skills

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Covered by Section 15.1 above

15.4 Apprenticeships and other work-based learning

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

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

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

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

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

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

15.5 Workforce skills development

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

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

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

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

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

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

16.0 Specific areas – Digital Provision

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

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

16.2 Digital service transformation for the Welsh public sector

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

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

16.3 Digital Inclusion

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

ANNEX A
Detailed BEL Tables

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

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

ANNEX B
RECONCILIATION FROM SUPPLEMENTARY BUDGET TO BASELINE BUDGET

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

Annex C

Strategic Integrated Impact Assessment

Overview

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

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

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

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

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

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

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

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

Long-Term

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

Prevention

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

Integration

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

Collaboration

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

Involvement

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

Tackling poverty

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

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

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

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

Welsh Language Impact Assessment

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

Skills

There is strong evidence to support investment in skills for example, the London School of Economics' Growth commission and OECD, 2012 both highlighted the importance of investment in Human Capital for economic growth¹.

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

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

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

¹ OECD (2012). Promoting Growth in All Regions. Lessons from Across the OECD). www.oecd.org/site/govrdpc/50138839.pdf

Agenda Item 4.1

Mike Hedges AM
 Chair Petitions Committee
 National Assembly for Wales
 Tŷ Hywel
 Cardiff
 CF99 1NA

24 October 2016

Dear Mike,

Petition P-04-688 TATA Steel Port Talbot Power Plant

Thank you for your letter dated 3 October regarding a petition about a power plant at Tata Steel Port Talbot.

The EIS Committee noted the petition at our meeting looking at the future of the Steel industry in Wales on 19 October 2016.

At the same session, I raised the petition with the First Minister who said he was aware of the underlying issue. When asked to comment further he conferred with a senior official before saying:

“I was just checking what I can say given the commercial situation.

“It’s part of the £60m package that we can help with the power plant. And good progress is being made on that.

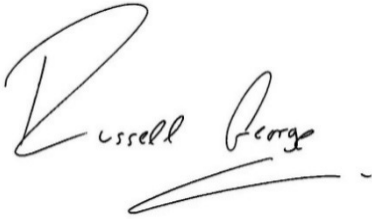
“What we have offered Tata we believe is a good deal. Tata have said the same thing. But of course we still have these outstanding issues of energy prices and pensions that will need to be addressed for the full package to be made available for Tata.



“There’s no difficulty in terms of going forward with the support we’ve put in place.”

Petitioners may also wish to be aware that there were further discussions around energy prices and energy conservation throughout our session on 19 October – both with steel producers, and the unions representing steel workers. The video of the session can be seen on [Senedd TV](#).

Following the session, the committee has agreed to write to Prime Minister Theresa May MP. A copy of that letter will be available shortly on the [committee’s website](#).

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a long horizontal stroke at the end.

Russell George AM

Chair of the Economy, Infrastructure and Skills Committee



Agenda Item 4.2

Steel Update 3 October 2016 Welsh Assembly – Economy, Infrastructure & Skills Committee

Introduction

1. The Government is committed to working with the steel industry and other stakeholders to create a sustainable and competitive steel sector in the UK. This work is being led by the Department for Business, Energy & Industrial Strategy (BEIS), although other Departments, including the new Department for International Trade are also closely involved. The Government is working to address the challenges the industry faces in the short term due to global overcapacity (estimated at 570 million tonnes globally), including unfair trade practices, but also to work with the industry to develop a vision for the future of the steel sector in the UK, and address issues such as energy costs. This update sets out the status of the commercial negotiations on the future of Tata Steel UK, and provides an overview of the actions undertaken by Government to support the steel sector in the UK.

Tata Sales Process

2. Since Tata announced its intention to sell its operations in the UK on 29 March, HM Government has worked closely with the Welsh Government to secure a sustainable future for its UK business, including through a sales process to find a credible alternative owner.
3. On 8 July, Tata announced that they intend to explore strategic alternatives regarding the future of their strip business (Port Talbot), and had entered into discussions with potential partners in the steel industry, including ThyssenKrupp AG. These negotiations are on-going. They have also decided to separately sell their specialty steel business in Rotherham and Stocksbridge and two large diameter steel pipe mills in Hartlepool, which collectively employ around 2,000 people. None of these businesses are supplied with steel from Port Talbot, and are operated as separate business units within the Tata group. We understand that there has been significant interest in both the specialities business and the pipe mills, and that negotiations with potential purchasers are ongoing.
4. Tata's global board met on the 12 September to announce their quarterly results, and receive an update on the sales process for the Specialty Steel business and the Hartlepool pipe mills, as well as the joint venture negotiations with ThyssenKrupp.
5. The joint venture and other negotiations relating to the sales of parts of Tata Steel's UK business are commercially confidential negotiations in which the Government is not involved. Therefore, the Government cannot comment on these. However, the Government is committed to providing Parliament with updates as Tata announce developments in relation to any of these ongoing negotiations.

British Steel Pension Scheme



6. The objective of the Government is to secure a sustainable and competitive future for steel making in the UK. As part of this, there is a need to resolve the long term future of the British Steel Pension Scheme (BSPS).
7. The Government is committed to working closely with Tata, the trade unions and the Welsh Government to find the best outcome for the business and the pension scheme.
8. The consultation period on options for the British Steel Pensions scheme ended on 23 June. The Government is currently considering the several thousand responses received and will respond in due course.

Industrial Strategy

9. It's critical that we have an effective strategic partnership between Government and business. We're focused on developing a strategy that will boost productivity in all parts of the country, create good jobs and ensure sustainable economic growth.
10. We will be working closely across Government and with a range of organisations – including regional representatives, businesses, trade and research bodies, universities, and trade unions - to deliver this, to help ensure that the economy grows strongly in all parts of the country, and to support the UK's global competitiveness.
11. Our goal is to create the right environment for investment and growth through:
 - driving innovation, improving productivity; and
 - strengthening the relationship between industry, education and skills. We will be engaging with all sectors, including the steel industry through the Steel Council, to understand issues common to multiple sectors, and where Government needs to focus its effort to support UK businesses.
12. We will be engaging with all sectors, including the steel industry through the Steel Council, to understand issues common to multiple sectors, and where Government needs to focus its effort to support UK businesses.

Government Action

13. The Government has made sustained efforts over the past year to improve the business environment for the steel sector in the UK, as the first step to deliver our long term objective of a sustainable and competitive steel sector.

Steel Council Future Capability Study

14. At the request of the Steel Council, the Government has commissioned a study to inform the development of a vision for a sustainable and competitive steel sector in the UK. The study aims to comprehensively map the current capability of the UK steel sector, identify the future opportunities for steel products in new and existing markets (by product and sector), and examine how to overcome potential challenges or barriers preventing industry from diversifying and building the capability to meet this future demand.

15. The main aim of the research is to assess the extent to which the current capability of the UK steel sector is aligned to the potential future demands of the UK and EU markets. Such analysis at a company level will identify the industry's strengths and weaknesses in market strategies and positions, as well as the areas where it needs to adapt and develop and what the barriers to this are. The output will assist industry and government in developing a long-term plan working together for a sustainable and competitive UK steel industry.
16. The Government will work with the Welsh Government, the steel sector, trade unions, academia and other stakeholders to undertake this study, which we aim to complete in the first quarter of 2017.

Energy Costs and Emissions Regulations

17. The Government recognises that energy costs are a major concern for UK steel makers. The UK currently has amongst the lowest gas prices in Europe and Government has taken significant action on industrial electricity prices. In December 2015, the European Commission approved our plans to commence relief for the most electricity intensive businesses for the costs of renewables policy in their bills. We have received over 130 applications for Renewable Obligation (RO) and small scale Feed-in-Tariff (FiT) compensations. We have paid over £40m to 74 companies (7 steel companies, including Tata).
18. This compensation is in addition to the £175m the Government has already paid to mitigate the impact of climate policy since 2013, and includes over £80m for the steel industry. At the 2015 Autumn Statement, the Government went even further and announced that we would exempt Energy Intensive Industries from renewable policy costs. This will save the steel industry over £400m by the end of this Parliament.
19. In October 2015, the Government has also secured flexibility over emissions regulations for the steel industry, which will save the sector hundreds of millions of pounds. The transitional arrangements and derogations secured from the Industrial Emissions Directive (IED) will enable specific plants to be granted an additional 4.5 years from January 2016 to meet the new emissions standards, where the costs of moving to best available technologies to reduce these would be disproportionate.

Steel Procurement and Construction Projects

20. In 2015, the Government published new procurement guidance for central government departments, to ensure that social and economic factors are taken into account when Government procures steel. As hundreds of billions of pounds of infrastructure spending is planned over the next few years, this guidance will help to ensure UK steel producers are able to bid to supply steel for these projects. The UK is the first government in the EU to take advantage of this flexibility, and is also working with all UK steel companies to ensure they are fully aware of the public procurement pipeline and able to compete for these contracts. This guidance is being extended across the wider public sector, and plans are being developed for an approved list of steel suppliers.

Business Rates

21. At Budget 2016, the Government announced the reform of Business Rates. From April 2020, businesses paying rates, including those in the steel sector, will see savings through a switch in the indexation of Business Rates from RPI to CPI. These changes will deliver a reduction in the level of Business Rates charged of £370 million in 2020, with the value of these reductions increasing over time.
22. The question of whether plant and machinery should be excluded from Business Rates was considered in the course of the Business Rate Review. However, there are considerable operational challenges involved introducing such a change, which would impact on the fairness of the tax and accuracy of billing. It would also not be a cost effective means of helping the steel industry. The cost of such a change would be £2bn a year, with only a fraction of that accruing to the steel sector, as well as there being wider fiscal policy implications of such a significant change.

International Action

Addressing Unfair Trading Practices

23. The Government has worked within the EU to protect UK steel producers from unfair trade practices, and pressed for anti-dumping measures on wire rod, seamless tubes, rebar and cold rolled products. The EU now has 37 trade defence measures in place on steel or steel products. The Government has also taken action where provisional duties were deemed too low. In response to concerns raised by the steel industry that the provisional duties imposed on rebar and cold rolled flat products were too low, the Government pressed the Commission for higher definitive duties and were successful in both instances. These measures are proving effective – with reductions of 70-90% in the level of dumped products.
24. BEIS is working closely with the Department for International Trade on all issues relating to the steel sector. This will include future market access, and any decisions on the design of a future trade defence regime that will apply on leaving the EU.

Global Forum on Steel Excess Capacity

25. The Government played a key role in securing agreement from G20 Leaders at the Hangzhou Summit to the creation of a Global Forum to address excess steel capacity. The Forum will ensure greater transparency around steel capacity and government or other support for the steel sector, and greater information exchange between countries. The UK will continue to work with international partners to ensure the success of the Forum.

Conclusion

26. The Government welcomes the opportunity to provide an update to the Welsh Assembly Economy, Infrastructure & Skills Committee, and to set out the actions taken to date and planned actions to achieve our objective of ensuring a sustainable future for the steel industry in the UK.

Agenda Item 4.3

The Right Honourable Theresa May MP
 Prime Minister
 10 Downing Street
 London
 SW1A 2AA

20 October 2016

Dear Prime Minister,

The steel industry in Wales

On 19 October 2016, the Economy, Infrastructure and Skills Committee of the National Assembly for Wales held a review of progress on dealing with the crisis in the steel industry in Wales. We took evidence from steel companies (Tata, Celsa and Liberty, plus UK Steel); trade unions (Unite, GMB and Community) and First Minister Carwyn Jones AM. We also invited Nick Hurd MP, the Minister of State at BEIS with responsibility for steel, who instead provided a written update.

While there was praise for the response from both governments in early 2016, and a welcome for action on tariffs and anti-dumping measures, the First Minister and other witnesses presented the view that that momentum appears to have been lost when it comes to UK Government action on steel.

First Minister Carwyn Jones told us:

“Since the referendum in June I do get the impression that the steam has run out of this in London.

“We’re not seeing the same level of momentum, or personal involvement by the Ministers, which does trouble me.”



Chris Hagg, Head of External Affairs for Celsa Steel, said:

“We put a suite of recommendations forward [to reduce energy costs]. And, unfortunately, since June we have seen no real progress. And we’re still waiting for answers as to whether any of those recommendations are likely to be either accepted or rejected.”

The Committee heard that falling exchange rates have brought some short-term relief to steel companies in Wales, and across the UK, but it was also clear to us that the underlying structural problems for the sector – most notably high energy costs and the British Steel pension scheme– remain. The steel crisis has not passed, and urgent action is still required to remedy this.

Following the announcement of job losses at Tata in January 2016, one of the great strengths of the reaction was the effort made by Governments at both ends of the M4. When my predecessor as committee chair William Graham AM wrote to David Cameron on 5 April 2016 he said:

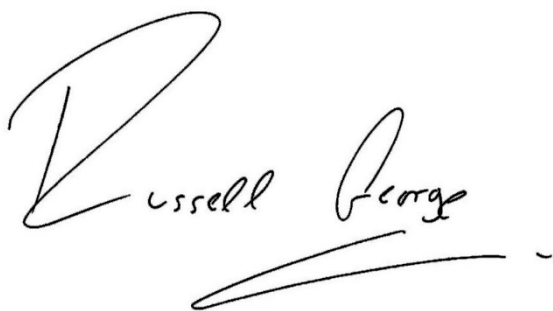
“We recognise the considerable efforts being made by both Governments to support the industry since the announcement of the sale of Tata Steel UK. However, we feel that more could and should be done.”

The personal commitment of the previous Prime Minister was influential in ensuring that co-ordinated response prior to the referendum.

Steel production is a strategically important industry, and remains a significant employer in Wales. The committee and I would be grateful for your confirmation of support and engagement with this process as a matter of priority so that action can be taken swiftly to secure a sustainable future for steel production in Wales and the wider UK.



Russell George AM

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

Chair,

EIS Committee,

National Assembly for Wales

Cc

Alun Cairns MP, Secretary of State for Wales

Nick Hurd MP, Minister of State at the Department of Business Economy and Industrial Strategy



Russell George AM, Chair of the Economy, Infrastructure and Skills Committee

The National Assembly for Wales
Cardiff
Cardiff Bay
CF99 1NA

Dear Chair

Thank you for inviting the Welsh Retail Consortium to your recent business breakfast held on 5th October. The WRC applauds the approach taken by the Committee in terms of engaging with business and in providing us with the opportunity to feed into your activity and scrutiny. Following the breakfast meeting, and your session with the Cabinet Secretary for Finance and Local Government, I would like to highlight our key recommendations in relation to business rates in Wales.

We welcomed the commitment given by the Cabinet Secretary in relation to possible reform of business rates which could potentially see the system overhauled. Wales has a real opportunity to take the lead in addressing the issue of an outdated system which penalises investment in bricks and mortar. We note that Scotland is currently leading on the Barclay Review which is looking at NDR reform, and that a formal review took place in Northern Ireland earlier this year. The WRC and our members firmly believe that reform in Wales should be brought forward with a sense of urgency. Whilst we welcome the commitment by the Cabinet Secretary we do feel there is a lack of expediency and we feel that this should be addressed in your recommendations.

As highlighted, retailers are keen to see fundamental reform of Wales's annual business rates system in order to support investment, business growth and revive our high streets where 1 out of every 8 premises is vacant. We ask that the WRC is involved in how any fundamental reform can be implemented given that the retail industry in Wales pays 21% of all business rates revenue.

A reformed rates system which flexes with economic and trading conditions and leads to a substantially lower tax burden would increase retailers' confidence about investing in new and refurbished shop premises and help revive high streets and town centres. As is recognised by businesses of all sizes, business rates are an anachronistic and outdated system for the current digital age, which disproportionately affect bricks and mortar stores which typically contribute directly to their local area via employment and community-based initiatives.

Fundamentally, it is our belief that the overarching recommendation to the Cabinet Secretary should be to bring forward the potential for fundamental business rates reform sooner than has been suggested. An expedient approach would have benefit to all those who pay into the rates system and would provide greater certainty around the future policy direction at a time when the retail industry is undergoing transformational change.

Sincerely

Sara Jones

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Agenda Item 7

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