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Llywodraeth Cymru
Welsh Government

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Nick Ramsay AM

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Dear Nick

Welsh Government Draft Budget Proposals 2014-15

Further to your letter of 23 October, following the Committee's Budget Scrutiny meeting on 17 October, please find my response to your recommendations below:

Economy and Science

Value for Money

Recommendations 1 & 2 – Programme for Government and Departmental Performance

I will provide the Committee with a six monthly update in February 2014 as requested to support the supplementary budget scrutiny.

Recommendation 3 - Evaluation of Programmes

This information is not held in one source. A further response will be provided to the Committee once the information has been collated.

Prioritisation

Recommendation 4 - Financial Transactions

I will provide you with information in relation to financial transactions funding when the confirmation has been received from HM Treasury.

Recommendation 5 - Financial Support for Business

In 2014-15 financial support to business of £101m is available within the Sectors and Business Spending Programme Area. The budget includes £12m grant funding for legacy SIF projects and specific additional allocations for the following:

- a) The Wales Economic Growth Fund – Phase 2 £20m which is a non-repayable grant fund for projects requiring £100,000 or more to stimulate economic growth and create and/ or safeguard employment.
- b) Financial Transaction Funding - £12m which will be used to expand or create new funds to be managed by Finance Wales. As discussed in the Committee the funding can only be used for loan and equity investments.

There is no specific allocation between grants and loans for the remaining core budget which also supports sector development activities. We continue, where appropriate, to offer repayable business finance to assist businesses. The nature of support is bespoke and discretionary and targeted to deliver against the Programme for Government's overriding priority for growth and sustainable jobs. There is also wider consideration of Welsh Government priorities in terms of tackling poverty and supporting communities. Therefore we need to remain flexible to respond effectively to the needs of businesses in Wales. Each proposal is assessed in terms of value for money and is subject to rigorous appraisal and due diligence.

Alongside our core budget there are loan and equity investments by Finance Wales, which support economic development. Future investments will build upon over £250 million of funds currently under management by Finance Wales which deliver over £30m additional investment in SMEs each year. In terms of economic sustainability many of these funds can be reinvested many times.

I will update the Committee as part of the six monthly report against Programme for Government and departmental performance.

Budgetary Processes

Recommendation 6 – Sectors Policy

Equality Impact Assessment

Equality considerations are integral to our 2014- 15 Draft Budget decisions and any significant funding changes have and will be considered against their impact on individuals with protected characteristics. The Department is taking further steps to ensure that the Equality Impact Assessments are current and fully support spending decisions. The ability to analyse evidence effectively and better understand the process as part of the budget considerations has been recognised as areas for improvement.

Currently the equality impact assessments for the priority sectors are being drawn together in a consultation document. In improving the process the formal approach to assessing equality the assessment is supported by four stages:

1. Research and data collection using national statistics, studies and publications
2. A systematic review of the Sector activities
3. Consultation and involvement of internal and external stakeholders
4. Action plan development

The Action planning stage is vital and is focussed on positive, productive and achievable commitments. Each Head of Sector has ownership and responsibility for delivering the actions.

Involvement is being rolled out primarily through representative organisations for each of the protected characteristics. Involvement of people sharing some protected characteristics such as transgender individuals is known to be more challenging. This is therefore being approached on a more incremental basis.

In developing understanding and knowledge of human rights, rights of the child, Welsh Language and equality legislation a programme of learning has been delivered across the Department. A series of workshops were convened by the Director of Finance as part of the communication strategy.

The Department has dedicated specialists who support teams in each Sector in evaluating the equality impact assessments, particularly support and advice in presenting robust evidence and research for decision making.

Research has identified that there is a gender imbalance across the priority sectors. In making decisions there are examples where evidence and commitments were actioned in the priority sectors and the wider business support to assist people sharing protected characteristics:

- Creative Sector – the “Mostly Women Doing Digital” event was held to encourage women in the sector.
- Marketing – differentiated marketing of EST business support such as WEGF 2 which raises the profile of schemes amongst people sharing protected characteristics.
- Advanced Materials and Manufacturing Sector – positive promotion of pre-apprenticeship Saturday Clubs to girls.
- ICT Sector – support for 30 women to take part in Women Adding Value to the Economy project in web design and management.
- Entrepreneurship and Business Information – project approved to deliver awareness sessions to Welsh Business’s on employment of people with Autism.
- Finance and Professional Services Sector – early stages of developing a Wales approach to moving women into higher board positions through linking with Financial Skills Partnership.
- Life Science Sector – aiming to attract high profile female speakers and positively promoting the event to maximise a diverse representation at International BioWales Conference.

Sustainable Development Assessment

Sustainable development by its very nature is long term and complex, and economic development outcomes are equally as important as social and environmental outcomes to delivering against this overarching principle. The current approach to considering sustainable development is a coordinated and structured assessment across the whole of Welsh Government; reported annually in the Sustainable Development Annual Report, the Sustainable Development Indicators for Wales Annual Report and the Climate Change Strategy for Wales Annual Progress Report.

The Department continues to embed sustainability into policy, projects and programmes as part of the decision making. Some examples are provided as follows which illustrate the importance of the wider impact of business solutions in the priority sectors:

- Property and physical development schemes are assessed by the Property Leadership Team. Appropriate terms and conditions are placed on projects with regard to the sustainable building standards required by the Welsh Government. BREEAM, the Building Research Establishment Environmental Assessment Method, is the methodology used to assess all projects. Environmental assessments on our development sites are also carried out where required to ensure that environmental standards are met. As an example, the development of Porth Teigr in Cardiff Bay has achieved high standards of sustainability.
- From a business development perspective our main focus is the sustainability/viability of the business going forward. All funding

proposals are considered by the Investment Panel within EST and apply this principle when assessing projects that are seeking our support.

- Sustainability is prioritised and embedded in all major projects from the outset such as the delivery of Next Generation Broadband Wales (NGBW).

Monitoring and assessment procedures are in place to assess a wide range of economic, social and environmental sustainability objectives, including areas such as local employment, training and development of local supply chains, waste minimisation and recycling, environmental impact assessments and carbon footprinting. A Waste Management Plan is being put in place as is a Low Carbon Impact Strategy, and an Environmental Management System that will comply with British Standards.

I am committed to better understanding the nature of inequality and embedding sustainable development across my portfolio and ensuring that decisions align to the priorities of Welsh Government in tackling poverty and delivering growth and jobs.

Transport

Affordability

Recommendation 7 - Revenue Funding

I recognise that the revenue position facing my Department is very challenging and will ensure that the Committee is updated on the outcome of the commercial negotiations that we are undertaking following the next supplementary budget.

Prioritisation

Recommendations 8, 9, and 10 – Active Travel Bill

I have been working closely with the Minister for Culture and Sport during the passage of the Active Travel (Wales) Bill through the Assembly.

Work on the Bill has been led by officials working in the Economy, Science and Transport Department and I have provided a member of staff on secondment to support the Minister for Culture and Sport's wider work on active travel, including the recent Cycling Nation conference.

The implementation of the Active Travel Act is primarily a matter for my Department. Officials in my Department are leading on the development of the direction designating places to be covered by the mapping requirements in the

Bill, the Delivery Guidance and the Design Guidance. The budgets that provide for the development of the Design Guidance and which will support the development of the Existing Routes and Integrated Routes maps are in my portfolio. As was reported to the Committee, I have allocated £0.352m next year for these activities.

The capital budgets that provide for expenditure on the active travel infrastructure which will be delivered in response to the Bill are primarily a matter for me.

The Minister for Culture and Sport was clear throughout the passage of the Bill that expenditure on infrastructure will come from existing funding but that funding would now be much better directed at routes that would make a real difference to people's mode choice.

I currently fund local authorities to provide walking and cycling infrastructure through two main grant programmes, namely Safe Routes in Communities and Regional Transport Consortia Grant. In future local authorities will need to deliver it to a consistent (not necessarily more expensive) standard as a result of the design guidance, and to focus on issues of connectivity and promoting the use of routes.

It is the case that investment by other Ministers will also contribute towards the delivery of the Active Travel Act. The Minister for Health and Social Services, for example, funds a range of programmes that encourage uptake of walking and cycling as part of health promotion activity.

The Active Travel Action Plan, which will be published for consultation shortly, is a cross-Government plan and contains actions that are the responsibility of a number of different Ministerial portfolios.

As well as the allocations in my portfolio noted above, it is anticipated that the Plan will include actions with budget allocations made by the Minister for Culture and Sport, the Minister for Health and Social Services and the Minister for Natural Resources and Food.

The only resources required for the development of the Action Plan are staff costs and very minor costs for hosting consultation events.

The Sustainable Travel Budget Expenditure Line (BEL) includes allocations that will support the delivery of schemes that are in line with the objectives of the Active Travel (Wales) Act to create integrated networks for walking and cycling. This includes an allocation of £2.4m (£0.7m in 2014-15 and £1.7m in 2015-16) from central capital to deliver walking and cycling improvements as part of the Metro in 2014-15 and 2015-16. The BEL also includes allocations for Safe Routes in Communities and Trunk Road Walking and Cycling Interface schemes.

Value for money

Recommendations 11 and 12 – Bus Services

The Regional Bus and Community Transport Network Strategies have been developed to enable the Regional Transport Consortia to identify where bus funding should be directed.

It was necessary that these were developed now but it was always envisaged that they would be developed and refined over time. I would expect the long term planning of services to form part of any wider transport planning exercise.

The previous Minister commissioned pilots for Community Transport Concessionary Fares Initiative. The outcome of this pilot was that the initiative should not be taken forward.

The Community Transport Concessionary Fares Initiative pilot was not factored into the comparison of funding for community transport this year and last year because the Community Transport Concessionary Fares Initiative pilot was restricted to just 15 operators.

In 2012-13 community transport had access to some £0.9m through Local Transport Services Grant; and around £350,000 from the Bus Service Operators Grant. In total the funding is about £1.25m. Those schemes ended on 31 March 2013. On 1 April 2013 a new scheme, Regional Transport Services Grant (RTSG) came into being. Community transport has access to up to £2.5m from RTSG in 2013-14 subject to there being worthwhile schemes to support. Therefore this has resulted in an effective doubling of funding.

Recommendations 13 and 14– National and Regional Transport Planning

I have instructed my officials to undertake a review of both National and Regional Transport Planning, including how to deal with the issue of understanding system wide effects of transport interventions as well as scheme by scheme evaluations. I will report back to the Committee on the outcome by Easter 2014.

It is important to put the scale of the task of producing future transport plans in context. When the current National Transport Plan and Regional Transport Plans were developed, they were a new process and substantial time and resources went into their production. This time we can build on that previous work and focus our effort on addressing what has changed in the time since the current plans were produced and how this should be reflected in updated plans.

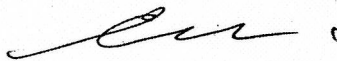
As I stated in Committee I intend to meet the timetable previously outlined. The first stage of the work has been focused on data gathering and establishing the evidence base. This work has put us in a much better place to identify where transport improvements are required to deliver our objectives and to test different transport interventions.

Recommendation 15 - Metro

The delivery plans for interventions arising from both these reports will be considered as part of the work to develop future transport plans. Further detail will be available through next year.

Mark Barry's report includes indicative costings for the recommended Metro interventions. The Metro Implementation Group that I am establishing will look at these costings in detail and report back to me. In addition, I will shortly be issuing the full Metro report to all members for their information. As I said in Committee, once Members have had the opportunity to consider the full report I will be more than happy to arrange for a technical briefing session at Committee.

I would like to thank the Committee for the positive discussion of the issues in delivering the budget priorities for growth and jobs in particularly challenging financial times.

A handwritten signature in black ink, appearing to be 'M. Barry', written in a cursive style.