



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Menter a Dysgu  
The Enterprise and Learning Committee**

**Dydd Mercher, 24 Tachwedd 2010  
Wednesday, 24 November 2010**

**Cynnwys**  
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Jeff Cuthbert	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Nerys Evans	Plaid Cymru The Party of Wales
Brian Gibbons	Llafur Labour
David Melding	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

**Eraill yn bresennol**  
**Others in attendance**

Leighton Andrews	Aelod Cynulliad, Llafur (y Gweinidog dros Blant, Addysg a Dysgu Gydol Oes) Assembly Member, Labour (the Minister for Children, Education and Lifelong Learning)
Owen Evans	Cyfarwyddwr, Sgiliau, Addysg Uwch a Dysgu Gydol Oes, Llywodraeth Cynulliad Cymru Director, Skills, Higher Education and Lifelong Learning, Welsh Assembly Government
Lesley Griffiths	Aelod Cynulliad, Llafur (y Dirprwy Weinidog dros Wyddoniaeth, Arloesi a Sgiliau) Assembly Member, Labour (the Deputy Minister for Science, Innovation and Skills)
Gareth Hall	Cyfarwyddwr Cyffredinol, Adran yr Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director General, the Department for the Economy and Transport, Welsh Assembly Government
Ieuan Wyn Jones	Aelod Cynulliad, Plaid Cymru (y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth) Assembly Member, the Party of Wales (the Deputy First Minister and the Minister for the Economy and Transport)
Mark Osland	Cyfarwyddwr Cyllid, Adran yr Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Finance Director, Department for the Economy and Transport, Welsh Assembly Government
James Price	Cyfarwyddwr Trafnidiaeth ac Adfywio Strategol, Llywodraeth Cynulliad Cymru Director for Transport and Strategic Regeneration, Welsh Assembly Government
Emyr Roberts	Cyfarwyddwr Cyffredinol, Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Llywodraeth Cynulliad Cymru Director General, Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government
Rob Rogers	Pennaeth yr Is-adran Gwasanaethau Corfforaethol, Sgiliau, Addysg Uwch a Dysgu Gydol Oes, Llywodraeth Cynulliad Cymru

Head of Corporate Services Division, Skills, Higher Education  
and Lifelong Learning, Welsh Assembly Government

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Dan Collier	Dirprwy Glerc Deputy Clerk
Siân Hughes	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Siân Phipps	Clerc Clerk
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Graham Winter	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

*Dechreuodd y cyfarfod am 9.33 a.m.*  
*The meeting began at 9.33 a.m.*

**Ethol Cadeirydd Dros Dro**  
**Election of Temporary Chair**

[1] **Ms Phipps:** Bore da. The Chair of the Enterprise and Learning Committee is unable to attend today's meeting, so as clerk of the committee and in accordance with Standing Order No. 10.19, I call for nominations for temporary Chair for today's meeting.

[2] **Jeff Cuthbert:** I nominate Nerys Evans.

[3] **Ms Phipps:** I therefore declare that Nerys Evans has been duly appointed temporary Chair and I invite her to open the meeting.

*Penodwyd Nerys Evans yn gadeirydd dros dro.*  
*Nerys Evans was appointed temporary chair.*

9.34 a.m.

**Cyflwyniad ac Ymddiheuriadau**  
**Introduction and Apologies**

[4] **Nerys Evans:** Diolch yn fawr a chroeso i gyfarfod y Pwyllgor Menter a Dysgu. Bydd y cyfarfod yn ddwyieithog, felly mae clustffonau ar gael i dderbyn gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg ar sianel 1 ac i chwyddleisio'r sain ar sianel 0. Bydd cofnod o'r cyfan a ddywedir yn gyhoeddus. Atgoffaf pawb i ddiffodd eu ffonau symudol ac unrhyw ddyfais electronig. Nid oes angen cyffwrdd â'r meicroffonau. Nid ydym yn disgwyl ymarfer tân, felly os bydd argyfwng dylem ddilyn cyfarwyddyd y tywyswyr. Yr ydym

**Nerys Evans:** Thank you and welcome to the meeting of the Enterprise and Learning Committee. The meeting will be bilingual, so headsets are available to receive simultaneous interpretation from Welsh to English on channel 1 and to amplify the sound on channel 0. There will be a record of everything that is said in public. I remind everyone to switch off their mobile phones and any other electronic device. You do not need to touch the microphones. We do not expect a fire drill, so if there is an emergency we should follow the ushers' instructions. We

wedi derbyn ymddiheuriadau gan Christine Chapman ac Andrew Davies. Nid oes dirprwyon. Gofynnaf i Aelodau ddatgan buddiant.

have received apologies from Christine Chapman and Andrew Davies. There are no substitutes. I ask Members to declare any interests.

[5] **Jeff Cuthbert:** As the chair of the programme monitoring committee, I will not take part in any discussion that surrounds structural funds or the work of the programme monitoring committee.

9.34 a.m.

### **Craffu ar y Gyllideb Budget Scrutiny**

[6] **Nerys Evans:** Cyhoeddodd y Gweinidog dros Fusnes a'r Gyllideb gynigion cyllidebol drafft Llywodraeth Cymru ar gyfer 2011-12 ar 17 Tachwedd. Diben ein cyfarfod heddiw yw rhoi cyfle i'r Pwyllgor Menter a Dysgu holi'r Gweinidogion am y cynigion cyllidebol drafft, o ran sut maent yn effeithio ar y meysydd yr ydym yn craffu arnynt fel pwyllgor, sef addysg, yr economi a thrafnidiaeth. Yn dilyn ein cyfarfod heddiw, byddwn yn cyflwyno adroddiad byr ar ein hargymhellion i Bwyllgor Cyllid y Cynulliad er mwyn eu cynnwys yn yr adroddiad cyffredinol i Gynulliad Cenedlaethol Cymru.

**Nerys Evans:** The Minister for Business and Budget announced the Welsh Government's draft budget proposals for 2011-12 on 17 November. The purpose of our meeting today is to give the Enterprise and Learning Committee an opportunity to question the Ministers on these draft budget proposals, in terms of how they affect the areas that the committee scrutinises, which are education, economy and transport. After our meeting today, we will present a brief report on our recommendations to the Assembly's Finance Committee for inclusion in the general report to the National Assembly for Wales.

[7] Bore da a chroeso i'r Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth. Diolch i chi am eich papur. Gyda chi'r bore yma y mae Gareth Hall, cyfarwyddwr cyffredinol yn Adran yr Economi a Thrafnidiaeth; Mark Osland, cyfarwyddwr cyllid yn Adran yr Economi a Thrafnidiaeth; a James Price, cyfarwyddwr trafndiaeth ac adfywio strategol. Croeso i chi i gyd, a diolch yn fawr i chi am eich tystiolaeth ysgrifenedig.

Good morning and welcome to the Deputy First Minister and Minister for the Economy and Transport. Thank you for your paper. With you this morning are Gareth Hall, director general at the Department for the Economy and Transport; Mark Osland, finance director, the Department for the Economy and Transport; and James Price, director for strategic transport and regeneration. Welcome to you all, and thank you for your written evidence.

[8] Yn ôl yr arfer, gofynnaf i chi wneud cyflwyniad byr o ryw bum munud cyn inni ddechrau'r sesiwn graffu a chwestiynu.

As usual, I ask you to make a brief introduction of around five minutes before we start the scrutiny and questioning session.

[9] **Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth (Ieuan Wyn Jones):** Diolch am y croeso, Gadeirydd. Fe'ch croesawaf hefyd i'r Gadair y bore yma. Yr wyf yn falch iawn o fod yma gyda chi ac aelodau'r pwyllgor.

**The Deputy First Minister and Minister for the Economy and Transport (Ieuan Wyn Jones):** Thank you for the welcome, Chair. I also welcome you to the Chair this morning. I am delighted to be here with you and committee members.

[10] Mae'r gyllideb eleni yn wahanol iawn i unrhyw gyllideb yr wyf wedi'i rhoi

The budget this year is very different to any budget that I have placed before the

gerbron y pwyllgor yn y gorffennol, oherwydd, yn y gorffennol, deuem yma i benderfynu sut i wario'r arian ychwanegol a oedd yn dod i'r gyllideb. Fodd bynnag, eleni, am y tro cyntaf ers datganoli, yr ydym yn trafod toriadau yn y gyllideb. Dengys hynny pa mor anodd mae'r adolygiad cynhwysfawr o wariant wedi bod o safbwynt dyrannu'r arian rhwng y gwahanol adrannau—deallaf iddi gael ei dweud mewn pwyllgor gyda Phrif Ysgrifennydd y Trysorlys echdoe pa mor bwysig yw diwygio fformiwla Barnett cyn gynted ag y medrwn, i sicrhau bod gennym fformiwla deg.

[11] Yn syml iawn, y gostyngiad yn yr arian sydd ar gael ar gyfer refeniw yn fy adran yw £10.2 miliwn, a bydd cyfanswm y cyfalaf £16.5 miliwn yn llai dros y tair blynedd nesaf; mae'n ostyngiad o £70 miliwn dros y flwyddyn gyntaf, ond £126 miliwn dros dair blynedd. Hoffwn wneud un pwynt yn glir ar y cychwyn, sef nad yw fy adran wedi cael canran uwch o doriadau o ran refeniw a chyfalaf nag adrannau eraill. Y rheswm pam mae'r ffigur cyfalaf yn edrych yn uwch yw oherwydd bod cyfanswm arian cyfalaf fy adran gymaint yn uwch nac adrannau eraill. Felly, o ran canran, mae'r gostyngiad yr un fath, ar wahân i'r cyllidebau sydd wedi'u hamddiffyn. O ran refeniw a chyfalaf i'r adrannau sydd heb eu hamddiffyn yn y gyllideb, mae'r canrannau'n debyg iawn i'w gilydd.

[12] Pwynt arall yr hoffwn ei wneud yw bod yn rhaid inni, wrth edrych tua'r dyfodol, gofio bod yr adran, a minnau fel Gweinidog, wedi cyhoeddi polisi newydd adnewyddu'r economi ym mis Gorffennaf, polisi yr ydym yn ei weithredu ar hyn o bryd. Golyga hynny ein bod, wrth benderfynu ar y gwariant yr oeddem am ei wneud yn yr economi, wedi rhagdybio toriadau yn y gyllideb. Felly, yr ydym yn hyderus, gan ein bod wedi llunio'r polisi newydd ar sail y ffaith ein bod yn disgwyl llai o arian, y gallwn lywio'r ffordd yr ydym yn dyrannu'r arian yn yr adran yn llawer gwell. Rhaid cydnabod bod problemau a phenderfyniadau anodd yn anochel ar yr ochr drafndiaeth, oherwydd mae canran cyfalaf gymaint yn uwch yno nag ydyw mewn adrannau eraill y Llywodraeth. Felly, bydd rhaid gwneud penderfyniadau anodd iawn yn y maes hwnnw.

committee in the past, because, previously, we would come here to decide how to spend the extra money that was coming into the budget. However, this year, for the first time since devolution, we will be discussing budget cuts. That demonstrates how difficult the comprehensive spending review has been with regard to allocating the money between the different departments—I understand that it was discussed in committee on Monday with the Chief Secretary to the Treasury just how important it is to reform the Barnett formula as soon as we can, to ensure that we get a fair formula.

Simply put, the cut in the funding available for revenue in my department is £10.2 million, and the total capital will be £16.5 million lower over the next three years; it is a reduction of £70 million over the first year, but £126 million over three years. I want to make one point clear at the outset, namely that my department has not experienced a higher percentage cut in revenue and capital than other departments. The reason why the capital figure seems higher is because the total capital funding in my department is so much greater than that of other departments. So, in percentage terms, the reduction is the same, apart from those budgets that have been protected. In terms of revenue and capital for those departments that have not been protected in the budget, the percentages are very similar.

Another point that I want to make is that, when looking towards the future, we must bear in mind that the department, and myself as Minister, announced in July a new economic renewal policy, which we are currently implementing. That means that, in deciding on where in the economy we wanted expenditure to go, we anticipated budget cuts. So, we are confident, given that we have drawn up the new policy based on the fact that we were anticipating a reduction in funding, that we can direct the way in which we distribute funds in the department far more effectively. It must be admitted that problems and difficult decisions will be unavoidable on the transport side, because the percentage of capital is much higher there than in other Government departments. So, we will have to make some very difficult decisions in that area.

[13] I orffen ar nodyn positif, mae'r Llywodraeth wedi bod yn pwysu a mesur y cydbwysedd ar wariant rhwng ffyrdd a thrafnidiaeth gyhoeddus yn y gyllideb drafnidiaeth. Yr ydym bellach wedi cyrraedd y pwynt lle mae mwy o arian yn cael ei wario ar drafnidiaeth gyhoeddus nac ar ffyrdd, a byddwn yn cynyddu hynny, hyd yn oed yn ystod y cyfnod anodd hwn. Flwyddyn nesaf, er enghraifft, bydd 60 y cant o'n harian yn mynd i drafnidiaeth gyhoeddus a 40 y cant i heolydd. Mae nifer o aelodau'r pwyllgor wedi holi ynghylch hynny yn ystod y blynyddoedd diwethaf. Diolch yn fawr am y cyfle i wneud sylwadau agoriadol byr.

To end on a positive note, the Government has been reviewing the balance of expenditure between roads and public transport in the transport budget. We have now reached the point where more money is being spent on public transport than on roads, and we will increase that, even during this difficult period. Next year, for example, 60 per cent of our funding will be directed at public transport and 40 per cent at roads. Several committee members have asked about that during recent years. Thank you for the opportunity to make those brief opening remarks.

9.40 a.m.

[14] **Nerys Evans:** Yn sicr, mae digon o fanylion yma inni graffu arnynt y bore yma.

**Nerys Evans:** There are certainly plenty of details here for us to scrutinise this morning.

[15] **Brian Gibbons:** The overall Assembly Government budget prioritisation of health, schools, skills and universal benefits has been broadly welcomed, and most commentators have felt that the budget has addressed those priorities in a fair and balanced way. However, in the foreword to the budget, the Minister for Business and Budget has said that individual departments will provide support for front-line services, protect the vulnerable, reflect equality of opportunity and contribute to economic recovery. How do you see your budget meeting those four objectives and how will progress against those outcomes be assessed?

[16] **The Deputy First Minister:** One of our priorities is ensuring that, where we provide services to vulnerable people, they are protected to the best of our abilities. I am not saying that everyone who has a bus pass is vulnerable, because that is not true, but there is a large number of vulnerable people in that category and one of the things that we did as a Government, and as a department, was to protect that budget. It has not received full protection in the sense that it has an inflationary increase every year, but it is protected, by and large, in cash terms over the period. The Government has also recognised that some bus services that may not be commercially viable are vulnerable and need a form of subsidy. They have been protected in the settlement, but for only one year, which is 2011-12. So, a measure of protection has also been given to those.

[17] The other area in which we recognise that we have to work hard is skills, particularly where people lack basic skills. We have worked with the Department for Children, Education, Lifelong Learning and Skills on a number of initiatives. The primary responsibility for this in my department lies with Lesley Griffiths, and I know that she will want to ensure that there are schemes to protect people who lack basic skills, but still need those skills for employment, and that they are given all possible opportunities. So, in general terms, those are the areas that we have been protecting.

[18] **Brian Gibbons:** What is the process by which those outcomes will be assessed, so that your department can be held to account on its performance against those outcomes?

[19] **The Deputy First Minister:** On bus passes, it is fairly simple, because you check whether the number of people who are able to use a bus pass remains relatively stable. It is

around 0.5 million people at the moment and we would not want to see that reduce. However, we must accept that, even with a measure of protection for that budget, there will still be pressures, because, as time goes on, bus operators might feel that they need to increase fares in order to make up for the lack of subsidy elsewhere. That would inevitably put pressure on that budget. I suppose that DCELLS and I will need to come together to see the extent to which the programmes that we want to deliver for the people who lack basic skills are not just being delivered, but leading to outcomes.

[20] **Brian Gibbons:** However, the Minister for finance highlighted four departmental priorities: front-line services, protecting the vulnerable, equality of opportunity and economic recovery. How will you know that you are delivering against those broad strategic objectives? You can set a figure or a target, but you must have some sort of performance framework or outcomes-evaluation process so that people can get a feel not only for an individual figure, but for how you and your department are addressing the strategic priorities that the Assembly Government has set itself. I want to focus on the latter. I am not talking about individual figures, because I know that my colleagues want to drill down into those. I want to see where the sense of strategic purpose is in the department regarding the budget, and how you are going to be able to have your finger on the pulse to know that you are addressing strategic priorities.

[21] **The Deputy First Minister:** You are right that it is difficult to drill down into individual figures at this level, and I will ask James to deal with your point on performance measurement. The reality is that we recognise that, at a time of shrinking budgets, we have a tremendous challenge in meeting some of those targets; we have to accept that it is not going to be easy. I would have preferred it had my economic renewal programme been introduced at a time when it had an increasing rather than a decreasing budget. There will, therefore, be things that I will not be able to do that I would have done had I had the finance; for example, I would have wanted to ensure that the six key sectors that we are looking at were going to be properly financed to enable them to be driven forward. The performance of the economy would then be measured against some of the measures that I am taking. We have to recognise that there is a tremendous challenge here. James, would you like to deal with the issue of performance measurement?

[22] **Mr Price:** Yes; I will focus on a few of the technical aspects of this matter. I will begin by dealing with transport, and will then deal with the economy and the department as a whole. Within transport, as with all aspects of Government expenditure, everything is subject to the business case that was made up front. We will need to ensure, and we are ensuring, that business cases for projects and expenditure that are particularly targeting the areas that you outlined have the protection of different groups built into them. We will also need to monitor and evaluate that to ensure that it happens. It is going to be difficult to do that; for example, the protection of bus services in year 1 is particularly targeted at certain more peripheral services that are less likely to be commercially viable, and we have to ensure that the money goes to those rather than to the general operating subsidy of bus operators. We will do that through our standard processes of monitoring and evaluating business cases, but we will need to target end-user groups in particular to ensure that that is happening.

[23] More generally, in terms of economic renewal and the department as a whole, the economic renewal policy contains a commitment to publish a monitoring and evaluating framework. When the policy was originally written, it would have primarily looked at the performance of the economy, which it will still be doing, but given where we are now with budgets, the need to protect vulnerable groups will also have to be built into the framework, and it is a framework for the whole department. We are working on it. It is built into all of our spending decisions, and further information will come out on it shortly.

[24] **The Deputy First Minister:** I will ask Gareth to talk about equality of opportunity.

[25] **Brian Gibbons:** Could you also tell us more about protecting front-line services and economic recovery? They are the other two things.

[26] **The Deputy First Minister:** We are protecting them by deciding that, to make greater advances in economic recovery, we need to change the way that we provide business support; that has been done through the economic renewal programme. The budget has now been aligned. There are three stages in the programme: the first is the announcement of the policy, the second is ensuring that we have staff in the right place to deliver it, and the third stage, which we have now done, is to have the budgets aligned behind the new policy. I would be happy to go into that in detail should you so wish. Perhaps Gareth could now deal with the point on equality of opportunity.

[27] **Mr Hall:** The first point to make on equality is that the statement by the Minister for Business and Budget was informed by an equality impact assessment, and that is how the vulnerability of the rural bus services was identified.

9.50 a.m.

[28] I have met the Equality and Human Rights Commission in Wales; not only have we discussed the content of the economic renewal programme, but we are also taking its advice and guidance on best practice to ensure that equality of opportunity, human rights and dignity at work are embedded in the policy and its implementation. For example, one of our key sectors is advanced manufacturing, which is a male-dominated sector. Therefore, from the very outset—again working with DCELLS—we are looking to make sure that opportunities in manufacturing and the other sectors are open, right through education—from school and the grass roots—not just to women, but other disadvantaged groups. The commission is also giving us advice on induction to the newly appointed sector advisory panels; therefore, equalities are embedded from day one in terms of how they inform policy making. In the same way, that will feed into the monitoring and the key performance indicators.

[29] **Nerys Evans:** Did you want to come in on this, Jeff, or did you have a separate issue?

[30] **Jeff Cuthbert:** No; it is fine.

[31] **Nerys Evans:** I therefore call on Jenny.

[32] **Jenny Randerson:** Following on from that reference to the bus service subsidy and the bus routes, James used the word ‘peripheral’, which was an interesting word, and Gareth used the word ‘rural’. Is this a change of policy in relation to the subsidy for bus services because urban areas also get bus service subsidies? The term ‘peripheral’ can apply to urban areas, but it is very often applied in terms of those areas of social need. I am basically asking whether this is a change of policy and whether you are going to be concentrating the money, because the money is tight, on rural areas. Similarly, the Deputy First Minister said, in relation to concessionary fares, that there would be pressures, which is obvious. However, it is very much a demand-led budget. How are you planning to contain those pressures? Are you simply drilling down on the administrative costs? How are you ensuring that public delivery remains, but that the costs are not allowed to get out of your control?

[33] **The Deputy First Minister:** I hope that I am not being difficult, but that is an easier question to ask than to answer. Let us be honest and say that, on concessionary fares, we knew that, unless we did something to contain costs, the budget would be out of control. We saw that, because of the original contract that we had had with the bus operators, the cost would accelerate year on year unless we did something. James can deal with the way in which we have contained costs. We may have to do more, and I acknowledge that.

[34] We must remember that, as a department, we were responding to an equality impact assessment that had been made Government-wide. It is not just an issue for me; it is also an issue for other departments. The equality impact assessment highlighted that, at a time of financial stringency, you must remember that there are certain groups that might be even more disadvantaged. Gareth used the word ‘rural’ and that is the word used in that assessment. It is not the word that we had used, but it is the word that was highlighted in the assessment. The assessment stated that those bus services that are non-commercial will be under greater pressure. Very often, although not in all cases, those are more likely to be in rural areas. However, in terms of how we will address these issues, that does not mean that those bus services that could be peripheral in an urban context will not also be looked after. Do you wish to add anything, James?

[35] **Mr Price:** That is absolutely right, which is why I used the term ‘peripheral’. I was not referring to any particular geographic area. It depends on where the buses are going, what the catchment area is, and the time of day. Quite often, some of the less-used services are absolutely vital to the fewer people who use them. We need to do more work to try to ensure that we understand exactly where they are. They will have to be rationed because the total budget is decreasing in any case. The very difficult thing will be to target the subsidy back onto those services. It is not quite as difficult as it might be imagined. If you take the three different strands of bus funding—the bus service operator’s grant, which is generally distributed against bus routes to get a pence per mile rate; concessionary fares, which is demand-led and is distributed widely; and the local transport services grant—it is the local transport services grant that is directed at particular services, and it is that budget that has seen the protection. So, there will be a way of doing that. We are pushing the bus industry hard to ensure that it keeps costs down. We have managed, in essence, to flat-line concessionary fares for a few years now—we took the pressure out of that, and the service is still at the same level as it was before. We still have some way to go, and it will not be easy.

[36] **The Deputy First Minister:** We have also secured legislative competence to deal further with the issue of concessionary fares, which may be something that we need to come back to.

[37] **David Melding:** Just to finish on the point of concessionary fares, is it drawn from the ‘develop sustainable travel’ budget line?

[38] **Mr Osland:** The concessionary fares figure is included in the budget line called ‘improve integrated transport’.

[39] **David Melding:** Yes, but the specific one is ‘develop sustainable travel’, is it not? I realise that that is the overall way in which you classify these things.

[40] **Mr Osland:** It is within that overall BEL, yes.

[41] **David Melding:** That line goes from £93 million down to £84 million, which is an 11 per cent cut in the first year. It recovers in the final year so that you get a net reduction of 8 per cent. Given that so much of the concessionary fares budget is demand-led, 11 per cent in year one is a big chunk. Will that be imposed on bus companies or are you cutting other areas of developing sustainable travel? There is not much there, because concessionary fares now gobble up over £60 million of that budget, as I understand it.

[42] **Mr Price:** I have not turned the pages quickly enough to catch up with you, but I think that you are referring to the revenue budget. The last time that I was in committee talking about this subject, I said that we could capitalise an element of concessionary fares. So, if you take the total concessionary fares budget, including the capitalised element, it has

basically flat-lined—it has not reduced. We can capitalise elements of it because bus operators partly use the concessionary fares to buy buses.

[43] **David Melding:** I realise that, but it still does not explain an 11 per cent reduction in year one in sustainable travel, given that it is your policy to improve and increase the amount of sustainable travel. I am asking whether the other part of sustainable travel, which goes to all sorts of schemes to get people to use modes of transport other than the car, is being hit. Something is being squeezed there.

[44] **The Deputy First Minister:** It is true that there is a reduction in the budget. It is obvious from the figures that you have highlighted. It is difficult for the committee to see how that drills down into individual lines, I understand that, because all you have are the BEL lines and not the detail. However, rather than for us to give you an answer off the top of our heads, it may be useful for me to share with the committee some of the decisions that we have taken within the BEL, describing how each bit of that particular budget is handled.

[45] **David Melding:** We have to get our response to the Finance Committee pretty sharpish, but perhaps we can pass on that information. Looking at the capital element of developing sustainable travel, we have the reverse situation. We have an increase in year one and a decrease by year three, which takes the capital expenditure down by a third. I realise that you have to cut somewhere and that is why a third comes off this budget line by year three, but why is there an increase in year one? Is that work that you have committed to on sustainable towns, perhaps?

10.00 a.m.

[46] **The Deputy First Minister:** This is always quite difficult—I will ask either Mark or James to handle the detail—but when I first came to the job, I could see that the figures on transport vary quite considerably from year to year. Primarily, that is because many of our projects have long lead-in times then suddenly drop off, so there is a lull. If you look at capital budgets for transport, you will find that pattern fairly regularly—things go up and then go down, simply because a large scheme will have been completed and no other scheme is ready to take an immediate share of the capital. The transport capital budget is notorious for having a lumpy look. Without having the precise detail at my fingertips—James might want to comment on this—that is the main reason why the transport budget tends to have that look. So, in a sense, it is often not because you have cut the budget, but because a scheme has been completed.

[47] **David Melding:** Would that explain why, over the three-year period, spending on the trunk road programme increases quite substantially, whereas spending on local roads sees pretty much an equivalent decrease?

[48] **The Deputy First Minister:** That is exactly the case, yes. In a sense, to plan ahead, you have to think about schemes that are currently in the programme and that, when they come to an end, the budget has to go up, because the next scheme is even more expensive than the ones just completed. That means that other schemes then have to be delayed or cut back because, by and large, the next scheme will take the full share of the capital that you have.

[49] **David Melding:** However, that has a consequence for spending on the roads that you do not really want to increase, in that you are spending a lot more capital, proportionately, on the trunk road programme than you will on sustainable travel or, indeed, on local routes, which are what most people use, day to day.

[50] **The Deputy First Minister:** This is where we often have difficulty in that, by and

large, the schemes that we have started over the past few years have tended to be relatively modest in terms of capital. The next big scheme will be the dualling of the A465. I do not need to teach you that that is going to be more expensive than anything else that we have done already. So, when that kicks in, it will take a disproportionate share of the budget, simply because it is a larger scheme. Other schemes will then not be able to go ahead, because we have had to cut the budget and because, in order to deliver the dualling of the A465, it needs to be phased in with other schemes around it.

[51] **David Melding:** Can I infer from that that you are still hoping to meet the target of completing the dualling by 2020?

[52] **The Deputy First Minister:** That is our current intention, although I want to stress that we are likely to be making an announcement on the whole road scheme package in December.

[53] **David Melding:** I think that these are clear answers, and I realise the difficulties that you are in—anyone grappling with this budget and offering alternatives is going to have to make difficult decisions if they are going to mitigate some of the things that you have done. However, do you regret the effect on, say, aggregate demand of not being able to protect local road building and maintenance through the local authority grant, given that they tend to use smaller contractors and Welsh small and medium-sized enterprises? It is slightly unfortunate, is it not?

[54] **The Deputy First Minister:** What is interesting is that our two main trunk road schemes are being done by contractors from Wales, although that will not necessarily always be the case. The Porthmadog bypass and the Cwmbach section of the A470 are both being done by contractors from Wales. The Church Village bypass had a high proportion of local people working on it. I think that we have managed to show that it is possible for them to qualify for this work. However, in a sense, I accept your point; in an ideal world, we would like to do everything. Given where we are, there is a major reduction in our capital budget—far greater than we anticipated. In my introduction, I said that, with regard to the economy side of the portfolio, we had planned on a reduction on the revenue side and, by and large, we have managed that, because we have been able to refocus our business support revenue in what we knew was going to be a reduced budget. What has created difficulties for us is the fact that we did not expect such a large cut to the capital element of our budget in year one. That has caused enormous problems. So, in a sense, I am afraid that something had to give.

[55] **David Melding:** My final question takes us on to another policy alternative that you faced—in fact, I think that it was urged on you a few years ago by the Finance Committee—namely protecting the capital budget by looking at models involving private finance initiatives or public-private partnerships. You did not want to do that, and had a clear ideological line on it. However, I note that, in Scotland, the Scottish National Party has decided to go down the route of trying to forge a Scottish type of PPP. If we had done some work on that, we might have been able to invest a bit more on the capital side in these hard times. Do you regret not looking at that option and developing it?

[56] **The Deputy First Minister:** One thing that we have been doing—not just in the transport department; the rest of Government has been doing this—is looking at various alternatives regarding finance, none of which are easy. Mark might need to help me out on this point, but if you have a scheme that is financed outwith your capital budget, which costs, say, £100 million, the return that would be required in terms of the revenue stream—

[57] **Mr Price:** It would be about 5 per cent.

[58] **The Deputy First Minister:** So, assuming that you could do it, while you might have

a road scheme that costs that amount, you would have to find a revenue stream immediately, which would not be insubstantial. Another idea that is being postulated with regard to the M4 is to go for tolling or road charging, for which I cannot see any appetite whatsoever. All the local authorities that have looked at it—

[59] **David Melding:** However, that is not being done in Scotland. We do not toll hospitals or schools that are built through PPPs.

[60] **The Deputy First Minister:** No, but a revenue stream comes with it. In transport, you struggle, because your budget consists of capital, and you have little revenue to deal with; you have virtually no spare revenue. However, you have to find the revenue. The trouble with some of the schemes in the past has been that the revenue stream does not kick in until you finish the road, whereas now it would have to start to kick in as soon as you started to build it. I am not ruling it out, although I imagine that it will have to be looked at in the next Assembly. Some of the best minds are looking to see what can be done, and at some of the difficulties associated with the previous schemes, because some of the PFI schemes, frankly, have not been good value for money.

[61] **David Melding:** That was a surprisingly open and refreshing answer.

[62] **Jenny Randerson:** Sticking with transport, on the capital spending on roads—I understand the pressures in that respect—the budget for this year included £182 million for road building and maintenance, and approximately £18 million for road safety and environmental improvements. What will the breakdown be in the future? The point of my question is to determine whether you have been able to protect the proportion of the budget—I understand that you cannot protect the total—that goes towards road safety and environmental improvements.

[63] **The Deputy First Minister:** No. We have had to look at that carefully, and James will have to explain some of the detail, perhaps. Given the way in which the budget is done, we had to try to make sure that there was a reduction in each part of the budget. We also had to recognise that bits of the budget needed to increase over the next few years because of the large capital spend on particular schemes. The truth is that certain other areas had to be reduced in order to accommodate that increase. I am afraid that it is true to say that the budget that you mention is being reduced. I think that James could say something on that.

10.10 a.m.

[64] **Mr Price:** Clearly, this is a very important area. It is an area where Wales has done very well. If you look at the latest figures, you will see that they are the best figures that we have ever had, and casualties continue to fall. Obviously, we would not want to see that trend reverse as a result of any of the budget decisions. I think that part of the reason why we have been successful and continue to be successful is that we take a planned and strategic approach. We do not just look at safety as an add-on. To a certain extent, the budgets that you see presented as safety and environmental budgets are in the box of safety as an add-on. They are not designed into the way that we build roads or the way that we operate roads. Although that specific budget line has gone down significantly, we are trying to mainstream safety—and I really mean mainstream it—in everything we do. We do not take the view that speed cameras are unimportant. You can see that we took the decision to put them in on the M4, which was quite a difficult decision to take. This year, we have invested extra capital to move a lot of the cameras from wet film technology to digital technology, which will allow the costs of maintaining the same camera network to come down in future years.

[65] So, it will be difficult. We have not come to any firm decisions in the sense of what will happen line by line. There are things in there such as Royal Society for the Prevention of

Accidents funding, safety cameras, Safe Routes in Communities, trunk road safety improvement—things such as skid-resistant surfacing, which is the yellow stuff you see when you are driving around—and the local road safety grant. However, we want to try to bring it all together, mainstream it, and focus on the things that really make the difference, which is what we have been doing. So, you target a particular difficult area and you put all the resources in to tackle that. We are going to have to monitor it very carefully. It is an area that I am particularly concerned about personally. However, I think that we have done the most that we can.

[66] **The Deputy First Minister:** James mentioned the Safe Routes in Communities programme. We want to try to maintain that as best we can, because, very often, that is a local community initiative—whether it is a local school or community council. Some of those are local priorities, and we would like to respond to those.

[67] **Jenny Randerson:** That is very good news, Minister, because there is such pressure on that budget anyway. Moving on to the issue of public transport, from a written answer that you sent to me some time ago, the balance for public transport was £28.5 million on rail and £33 million on other public transport. I am talking about capital. What do you anticipate will be the figure for rail next year? Are there any specific schemes that you can tell us at this point will be under threat or unlikely to proceed as a result of any reductions?

[68] **The Deputy First Minister:** Are you talking about rail schemes?

[69] **Jenny Randerson:** Yes.

[70] **The Deputy First Minister:** In December, we will publish a list of schemes that are being delayed, or rather, first, we will list the schemes that are going ahead, then the schemes that could be delayed, and then the schemes that could be re-profiled or that might be taken out of the programme altogether, depending on the circumstances. As those decisions have yet to be finalised, I do not particularly want to say what those will be at this stage. We have a particular issue with rail schemes because, by and large, the major funding, or at least a high proportion of the funding, for those will come from Network Rail. I need to put on record my disappointment that some of the schemes on which we have worked with Network Rail are slipping, not because of a lack of commitment from us, but because Network Rail is delaying them. So, that is not because of a lack of funding or a lack of commitment on our part. Sometimes, those programmes are slipping for reasons outside our control. So, we need to take what we say about rail with a little bit of caution because I want to maintain, as best as I can, the spend on rail schemes, particularly where that will allow the infrastructure to be improved. However, sometimes it is outside our control.

[71] **Jenny Randerson:** Thank you. May we move on to my final question, Chair?

[72] **The Deputy First Minister:** I would just like to say that, on rail capital, the figure is actually in the budget. You quite rightly said that the figure is £28 million this year, but it will reduce to £23 million by 2013-14.

[73] **Jenny Randerson:** Thank you. My final question is about the economic renewal programme. We have concentrated totally on transport up to now, but this is a very important aspect of your portfolio. How much has been allocated in revenue and capital to the new programme to increase investment in infrastructure as part of the economic renewal programme? I recall, Minister, that, when you launched the programme, you emphasised the importance of switching to investment in infrastructure. Obviously this is a key aspect, in your eyes, of the delivery of the programme.

[74] **The Deputy First Minister:** In terms of infrastructure, what we are talking about

there is the commitment to next generation broadband. What we must remember is that in order to deliver, if you like, the capital out of the budget, which enables us to put money into next generation broadband, we have to deal with the legacy of the old programme, which is the single investment fund. The money coming out of the single investment fund, although that fund has now closed, will continue for a number of years. So, what we have to do is phase it in. Therefore, in year 1, the amount of capital that we can allocate for next generation broadband is pretty limited. However, as time goes by, and the old SIF programme ends, which may take a year or two—it may not end entirely then; it may go on a bit longer than that—and money is released from the SIF fund, we will then be putting half of the capital that would have been the old SIF fund into infrastructure, and half into supporting the new business relationship through the six key sectors and the regional fund.

[75] **Paul Davies:** Gofynnaf cwestiwn yn gyntaf ynglŷn â'r toriadau mewn cyfalaf. Pa asesiad mae'ch adran chi wedi'i wneud o effaith y toriadau hyn yn y tymor hir a'r tymor byr? Yn amlwg, fel y dywedoch eisoes, bydd prosiectau cyfalaf na fydd yn mynd yn eu blaen o achos y newidiadau yn eich cyllideb, ac yr wyf yn ymwybodol eich bod yn mynd i wneud datganiad fis nesaf ynglŷn â'r rhain. Fodd bynnag, sut y byddwch yn penderfynu pa brosiectau a fydd yn parhau a pha rhai fydd yn cael eu gohirio? Pa feini prawf a fyddwch yn eu defnyddio i wneud y penderfyniadau hyn?

**Paul Davies:** I will first ask about the cuts in capital expenditure. What assessment has your department carried out of the impact of these cuts in the long term and in the short term? Obviously, as you have already said, some capital projects will not go ahead because of the changes in your budget, and I am aware that you are to make a statement next month regarding those. However, how will you decide which projects will go ahead and which will be cancelled? What will the criteria be for making these decisions?

[76] Hefyd, sut bydd y newidiadau i'ch cyllideb yn effeithio ar eich gallu i gyflawni ymrwymadau 'Cymru'n Un' y mae eich adran yn gyfrifol amdanynt? Er enghraifft, mae ymrwymiad yn 'Cymru'n Un' i fuddsoddi £50 miliwn i wella cysylltiadau trafniadaeth rhwng y de a'r gogledd a dwyrain a gorllewin Cymru. Yn olaf, yn gyffredinol, pa ddulliau y byddwch yn eu defnyddio er mwyn sicrhau bod rhaglenni yn eich maes chi yn darparu gwerth am arian?

Also, how will the changes to your budget impact on your ability to achieve the 'One Wales' commitments for which your department is responsible? For example, there is a commitment in 'One Wales' to invest £50 million to improve transport links between the north and south and east and west Wales. Finally, in general, what methods will you use to ensure that programmes in your area of responsibility provide value for money?

[77] **Y Dirprwy Brif Weinidog:** O ran yr ymrwymiad 'Cymru'n Un' a'r £50 miliwn, yr ydym wedi gwario llawer mwy na hynny ar gynlluniau.

**The Deputy First Minister:** With regard to the 'One Wales' commitment and the £50 million, we have spent much more than that on schemes.

[78] **Paul Davies:** Faint yn union a ydych wedi ei wario?

**Paul Davies:** How much have you spent exactly?

[79] **Y Dirprwy Brif Weinidog:** Mae'r ddau gontract sydd gyda ni ar hyn o bryd ym Mhorthmadog a Chwm Bach werth tua £80 miliwn—nid wyf yn cofio'r union swm. Yn ogystal â hynny, mae nifer o welliannau eraill eisoes wedi'u gwneud i gysylltiadau trafniadaeth rhwng y de a'r gogledd ac, fel y cyfeirioch, rhwng y dwyrain a'r gorllewin—

**The Deputy First Minister:** The two contracts that we have at present in Porthmadog and Cwm Bach are somewhere in the region of £80 million—I do not remember the exact sum. Also, a number of other improvements have already been made to transport links between the south and north and, as you mentioned, between the east and

mae ffordd yn eich ardal chi yn cael ei chwblhau, neu yn sicr mewn etholaeth gyfagos. Yr ydym, felly, wedi cyflawni'r ymrwymiad hwnnw.

west—a road in your area is being completed, or certainly in a nearby constituency. We have, therefore, delivered on that commitment.

10.20 a.m.

[80] O ran y cwestiwn cyntaf ynghylch y meini prawf, rhaglen Llywodraeth Cymru'n Un fyddai un ohonynt—mae rhaid inni ystyried y blaenoriaethau hynny—a'r ail yw'r rhaglen sydd gennym yn y cynllun trafniadaeth cenedlaethol. Mae'n rhaid inni ystyried hynny hefyd. Y realiti yw y bydd yn rhaid inni ystyried naill ai gohirio neu beidio â gweithredu rhai cynlluniau, oherwydd mae'n rhaid i rywbeth fynd pan fo'r gyllideb gyfalaf wedi cael ei thorri o 25 y cant yn y flwyddyn gyntaf. Dyna'r meini prawf, felly: yn gyntaf, a yw'r cynllun yn rhaglen y Llywodraeth, sef blaenoriaethau 'Cymru'n Un' ac, yn ail, a yw'n flaenoriaeth yn y cynllun trafniadaeth cenedlaethol? Yn drydydd, i ddod yn ôl at bwynt a gododd Brian yn gynharach ar yr effaith economaidd, yr ydym am weld beth yw'r effaith hwnnw, a gofyn a yw un cynllun yn cael mwy o effaith economaidd na chynllun arall, o safbwynt cryfhau'r economi'n lleol. Bydd hynny'n rhan o'r asesiad.

On the first question about the criteria, the One Wales Government's programme would be one—we have to consider those priorities—and the second is the programme in the national transport plan. We also have to consider that. The reality is that we will have to consider either postponing or not taking forward some schemes, because something has to give when the capital budget has been cut by 25 per cent in the first year. Those are the criteria, therefore: is the scheme in the Government's programme, that is, the 'One Wales' priorities, and, secondly, is it a priority in the national transport plan? Thirdly, to come back to a point that Brian raised earlier on the economic impact, we will want to see what that impact will be, and ask whether one scheme has more of an economic impact than another, in terms of strengthening the local economy. That will be a part of the assessment.

[81] **Paul Davies:** Pa asesiadau yr ydych wedi eu gwneud yn yr ardaloedd hynny ynghylch yr effaith ar yr economi?

**Paul Davies:** What assessments have you undertaken in those areas in relation to the impact on the economy?

[82] **Y Dirprwy Brif Weinidog:** Yn naturiol, fy nadl i yw bod pob un o'r cynlluniau yr ydym wedi eu gosod allan yn y rhaglen yn cael effaith economaidd, nid yn unig o safwbynt yr adeilad, adeiladu'r ffordd neu beth bynnag, ond o ran ei gwneud yn haws i'r economi weithredu'n rhanbarthol. Y realiti yw y bydd rhaid inni ohirio neu beidio â gweithredu rhai cynlluniau a bydd hynny'n cael effaith ar yr ardal. Fodd bynnag, mae hynny'n anorfod gyda llai o arian.

**The Deputy First Minister:** Naturally, I would argue that all of the schemes that we have set out in the programme have an economic impact, not only from the point of view of the building, the construction of the road or whatever, but in making it easier for the economy to operate regionally. The reality is that we will have to postpone or not implement some schemes and that will have an impact on the area. However, that is unavoidable with less money available.

[83] Would you like to come in on the transport side of things, and on the economic impact of not proceeding with certain schemes, James?

[84] **Mr Price:** What we will be doing as part of the review, as we did with the national transport plan, is to look at the cost-benefit analysis and other ratios for every scheme. That will be put alongside a mix of policy considerations, as the Deputy First Minister said. Ultimately, a ministerial decision will be taken in the light of that information. People can rest assured that transport schemes are probably among the best-evaluated schemes on which the

Government spends money, in terms of business cases and looking back at what has been done. The information is there, and objective decisions can be taken on the back of it.

[85] **The Deputy First Minister:** These are difficult decisions, because some of the transport schemes that we are looking at have been in the planning for years, so deciding to delay, re-profile or suspend some of these schemes is not easy. People have been working on them for a long time; people in the local communities will be affected, because they will think that a scheme is going ahead to a particular timetable and it may not do so. I recognise that we have to make difficult decisions, and I recognise the impact that these will have on certain communities.

[86] **Jeff Cuthbert:** One problem with asking the last questions in a session is that much of what I wanted to ask about has been dealt with; however, I will ask for some more detail on certain aspects. I go back to Brian's initial question on monitoring the success of the budget allocations. Do you intend to continue with the programme of economic summits so that our various partners—the private sector, local government, the voluntary sector and so on—can keep you well informed as to whether there need to be changes to the way that you are planning to spend money, or whether those plans are working well? I would be grateful for your comments on that.

[87] In terms of transport, as a regular user of the Heads of the Valleys road, I could argue that completion of the dualling scheme is as much an issue of road safety as it is of economic development, and I wonder what degree of overlap there can be between those two budget lines. Finally, on domestic railways, you will know that I ask you regularly about the Valleys lines, and the Rhymney valley line in particular. Looking at the Valleys lines network overall, a lot of investment from the Welsh Assembly Government has gone in over the years—as it has, I dare say, from Network Rail—and local residents are anxious to know how the long-intended improvements will be finalised. I note that you said—if I heard you correctly—that you will publish a list in December of the schemes that will go ahead and those that will not.

[88] **The Deputy First Minister:** They are likely to be some of the major schemes. Some of the others may take a bit longer.

[89] **Jeff Cuthbert:** Okay. I will leave the questions there, if I may.

[90] **The Deputy First Minister:** On the question of the economic summits, we have already decided that they have probably run their course. They were held during the recession, and people valued them as a way of gathering information and discussing various things. As you know, the ProAct scheme materialised as a result of some of those discussions. So, they had immense value. We all felt that the summits, in their then format, had probably come to the end of their useful life. Nevertheless, people felt that the best things about the summits should be retained in taking the business partnership council forward. The intention is that the business partnership council will now be reviewed to see whether those elements of the economic summits that were successful can be fed into it. I think that the revamped business partnership council, which will in future be called the economic renewal council, will meet at the beginning of December. We need to look at its membership and how the agendas are structured, and we need to understand that people will want to attend the meetings to discuss things that they recognise the Government will want to take forward if there is agreement on them. So, the best elements of the economic summits will be maintained in that way. The council will probably meet less often than the economic summits did, but clearly it will have that impact.

[91] On transport and the Heads of the Valleys, I am sure that you are aware that two reports were published in the last Assembly that recognised the economic benefits of improving the Heads of the Valleys. Those reports highlighted that as part of the programme

of economic regeneration. I recognise, however, that there are safety issues that need to be dealt with, and that is part of the rationale for doing it.

[92] On domestic railways, we have to recognise the difficulty that we have always had, in that the franchise with Arriva was drawn up on the basis of a projected increase in traffic, which has in fact exceeded what the franchise anticipated. Therefore, we have to pay for any new services that we introduce, or at least make a contribution towards them. That means that I have to keep looking for revenue streams in order to do that. As you know, I made a decision to increase the Merthyr-to-Cardiff service to a half-hourly one, which meant that I had to make a contribution, and we will have to do that for new north-south services as well. So, I have to find a revenue stream to support those. We are constantly looking for that, but we have to accept that the pressures on the budget are making this a challenging period for us.

[93] In the light of the budget, I am happy to have further discussions with Arriva to see whether we can agree, over the next period, on the improvements to services and the priorities. You highlighted the Valleys services; they have been extremely successful, but I am aware of the pressure on those services as a result of the number of people who are using them. We need to do something to make those journeys a lot more comfortable, reliable and frequent for people.

[94] **Nerys Evans:** I know that Brian wanted to come in again, but I am afraid that we are out of time. Thank you for your evidence, Deputy First Minister. We look forward to the extra information that you will send to us, bearing in mind that we have to report to the Finance Committee within a week.

[95] Diolch am eich presenoldeb ac am y dystiolaeth. Thank you for your attendance and for the evidence.

[96] **Y Dirprwy Brif Weinidog:** Diolch, Gadeirydd. Byddwn yn ceisio sicrhau bod unrhyw wybodaeth yr ydym wedi addo ei rhoi i'r pwyllgor iddo gwblhau ei adroddiad yn dod yn fuan. **The Deputy First Minister:** Thank you, Chair. We will try to ensure that any information that we have promised to provide to the committee so that it can produce its report is sent speedily.

[97] **Nerys Evans:** Diolch, yr ydym yn gwerthfawrogi hynny. **Nerys Evans:** Thank you, that is much appreciated.

10.30 a.m.

[98] Symudwn at ail ran y cyfarfod, lle byddwn yn craffu ar y gyllideb addysg. Mae'n bleser gennyf groesawu'r Gweinidog dros Blant, Addysg a Dysgu Gydol Oes a'r Dirprwy Weinidog dros Wyddoniaeth, Arloesi a Sgiliau. Yma hefyd mae Emyr Roberts, cyfarwyddwr cyffredinol yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Owen Evans, cyfarwyddwr sgiliau, addysg uwch a dysgu gydol oes, a Rob Rogers, pennaeth yr is-adran gwasanaethau corfforaethol, sgiliau, addysg uwch a dysgu gydol oes. Diolch yn fawr am eich tystiolaeth. Mae hon yn sesiwn bwysig iawn inni graffu ar y gyllideb a llunio adroddiad a fydd yn mynd i'r Pwyllgor Cyllid o fewn yr We now move to the second part of the meeting, in which we will scrutinise the education budget. It is my pleasure to welcome the Minister for Children, Education and Lifelong Learning and the Deputy Minister for Science, Innovation and Skills. We also have Emyr Roberts, director general of the Department for Children, Education, Lifelong Learning and Skills, Owen Evans, director of skills, higher education and lifelong learning and Rob Rogers, head of the corporate services division, skills, higher education and lifelong learning. Thank you for your evidence. This is an important session, so that we can scrutinise the budget and report to the

wythnos. Fel yr arfer, gofynnaf i chi roi cyflwyniad o ryw bum munud cyn inni ddechrau'r sesiwn gwestiynau.

Finance Committee within a week. As usual, I will ask you to give a brief introduction of about five minutes before we start the question session.

[99] **Y Gweinidog dros Blant, Addysg a Dysgu Gydol Oes (Leighton Andrews):** Diolch, Gadeirydd.

**The Minister for Children, Education and Lifelong Learning (Leighton Andrews):** Thank you, Chair.

[100] Thank you for inviting me and the Deputy Minister for Science, Innovation and Skills here today. We have pledged to do what we can to protect funding for schools and skills, and to protect front-line services that impact directly on children and the most vulnerable, despite the difficult settlement that we have received from the UK Government. My department's revenue funding for 2011-12 is down by £21 million. However, indicative budgets for future years present positive annual increases of £8.6 million and £23 million for years 2012-13 and 2013-14 respectively. Within our budgets I have sought to prioritise funding for children and young people, especially the most vulnerable, because it is imperative that we continue to tackle the root causes of child poverty and inequality. We have increased funding to continue the roll-out of our innovative foundation phase programme, Flying Start—the early years programme—and Cymorth. We have also protected the 14-19 learning pathways and our apprenticeship schemes. We are ensuring that benefits such as free breakfasts and the education maintenance allowance—which are to be abolished in England—continue in Wales, allowing those who are less well-off to access the benefits that they deserve. We are also continuing support for those with additional learning needs through post-16 special educational needs funding, which increases by £6.5 million. I have made additional funding available in 2011-12 to improve basic literacy skills through effective teaching in primary schools and to enhance continuing professional development of school staff. We have tried to be strategic and pragmatic in the way that we have allocated funding, not only to find the required reductions in 2011-12, but to meet demand-led pressures as we move forward.

[101] We have had to make some tough decision, particularly in the area of higher education. However, the reductions in the higher education budget are nothing like those being made in the teaching grant for universities in England. Our officials are working with all stakeholders to ensure that the impact of changes in delivering these reduced budgets is managed effectively. The budget allocation that we have set aside will ensure that we will meet our statutory commitment to providing financial support for students in higher education, the numbers of which have increased significantly over the past two years. However, the draft budget does not predetermine our response to the Browne review.

[102] We have also sought to protect budgets for skills, honouring the commitment to increase apprenticeship opportunities, which will continue through the pathways to apprenticeships programme. Again, our budgets for further education stand favourable comparison with those in England, where further education is being cut by 25 per cent. A particular priority is to ensure the engagement and employment of young people within the next contract period for work-based learning. We will seek to improve the training support to young people wanting to get a job. My colleague, the Deputy Minister, will talk about skills in more detail.

[103] The implication of the reductions to the capital budget over the next three years is that our capital programmes will need to be delivered over a longer term. Investment in capital, from early years to higher education, will be deployed on a coherent and prioritised basis, supported by a single, consolidated budget. Therefore, we will be seeking greater collaboration, including the joint use of assets between all sectors in education. We are seeking to use our funds more strategically by operating a single capital fund, which will enable us to support strategic programmes such as the twenty-first century schools

programme. It will require us to ensure that capital is handled on a project basis and that decisions are taken on priorities across the sectors.

[104] Yesterday, my colleague, the Minister for Social Justice and Local Government, announced details of the local government settlement. For the period of the Assembly Government's budget, the education element includes the necessary resources to deliver a 1 per cent protection compared to the reduction in the Assembly Government's block grant. This reflects the First Minister's commitment to protect education in order to ensure the delivery of the best outcomes for Welsh children. We have already set in train a series of initiatives to drive money to the front line, following the PricewaterhouseCoopers report commissioned on the cost of administering the education system. That report identified that a 2 per cent shift in resources could release £83 million for the front line. Within the department, we have now set up a front-line resources review to try to drive those reforms forward and to release more money for the front line. Within this difficult budget settlement, it is more important than ever that we prioritise our resources to try to ensure that as much funding as possible reaches the front line and the most vulnerable, and provides the quality education services that children and adults expect and deserve. In the draft budget, we have done what we can to achieve that. I now invite my colleague, the Deputy Minister, to make a few comments on the budgets that are her responsibility.

[105] **The Deputy Minister for Science, Innovation and Skills (Lesley Griffiths):** Thank you. As the Minister said, the budget reflects the positive commitment to protect funding for skills and to protect front-line services, despite the very difficult settlement that we have received from the UK Government. I do not think that the significance of this policy commitment should pass without comment. It is the very first time that such a commitment has been made towards skills and it is a very distinctive feature of our approach here in Wales. It builds upon the vital contribution that programmes within my responsibility, such as ProAct and ReAct, have made during the global recession. Members will be aware of how successful ProAct was, not just in keeping 10,000 people off the dole and in their jobs, but also in up-skilling in the process.

[106] Next year, the small budget reduction noted under the business and skills action reflects the annual cost of the individual learning accounts Wales budget, whose closure the Minister announced earlier this year. Indicative skills budgets will increase over the two years 2012-13 and 2013-14 by some £14 million, or 2.3 per cent. Spending on skills development and workplace learning remains a priority.

[107] Much of the recurrent expenditure is used to lever match funding from the European social fund, and the total departmental income next year from ESF is £62 million, of which £35 million falls within my direct responsibility. The workforce development programme will be aligned to support the Welsh Assembly Government's economic renewal programme, including the new focus on anchor companies and priority sectors. However, it will remain open to all businesses, irrespective of size and location, seeking support for investing in people. We will maintain our support through ReAct for employers and workers facing redundancy and provide greater help to recruitment. We also have a twin focus on raising basic skills and leadership and management skills in the workplace. This is aided by the work of the Wales TUC learning representatives and the Wales union learning fund, which will remain at the enhanced 'One Wales' commitment level of £1.5 million.

[108] **Nerys Evans:** Thank you for those presentations. We will go straight to questions.

[109] **Brian Gibbons:** I think that you have clearly enunciated what your departmental priorities are, and they very much fit in with the priorities outlined in the Minister for finance's budget. What will be the process by which your department establishes outcome measurements against those priorities so that you, as a department and Ministers, will be able

to effectively monitor those outcomes, and how more widely will the Assembly be able to monitor these outcomes through its scrutiny process?

10.40 a.m.

[110] I also have a supplementary question on a point that the Deputy Minister made. It is quite clear that the Department for the Economy and Transport will concentrate on the six sectors, but we know that 70 per cent or more of the job created in Wales are outside those six sectors. Bearing in mind that public sector employment opportunities will be dramatically curtailed, how do we, as an Assembly, see ourselves being able to support the 70 per cent of jobs that occur outside the sectoral approach of the Department for the Economy and Transport? Presumably, you want to be able to take up that slack.

[111] **Leighton Andrews:** I will begin on the outcome measures. Across the department there are clearly different issues on which we have to reach conclusions. If you look at the work that we do in respect of the early years, for example, you will see that we are refocusing some of those programmes. We have had evaluations of Cymorth and Flying Start, and we are now moving within the budget that was formerly known as Cymorth to create pioneer projects called Families First, and seeking to ensure that they are more effectively aligned with the Communities First programme and with the integrated family support teams that the Deputy Minister for Social Services has inaugurated. Therefore, in that area, we are trying to drive a more relentless focus on child poverty. Cymorth projects will be measured against that.

[112] In terms of formal education, we have to measure results achieved against the assessments undertaken. We have Estyn, of course, to provide us with good intelligence and back-up as to what is happening within the system, but there will also be a need for us to ensure—this is very important in the context of the current budget settlement—that the money that we are putting into the front line is actually reaching the front line. I have been involved in conversations with the Minister for Social Justice and Local Government as to how we will monitor the money that is being put into the revenue support grant to support schools, for example. There are measures on performance standards in respect of the delivery of services, measures on the overall attainment of pupils and students and measures on how we ensure that the money that we put into the system reaches where it should go.

[113] **Nerys Evans:** Before you answer the second point, Jeff has a supplementary question.

[114] **Jeff Cuthbert:** It may flow logically after Brian makes his second point, because I wish to bring something else in.

[115] **Brian Gibbons:** Thank you for that answer, which was focused on getting the money to the front line. Clearly, one of the biggest challenges is to get value for that money, which is about outcomes for end users. Does your department have a process in hand for clear outcome measures for end users? How will you be able to monitor those outcomes for end users and whether they tackle child poverty or job creation?

[116] **Leighton Andrews:** Depending on the different programmes that we run—the Deputy Minister can say something about this in respect of skills and job creation—some of which are funded through the European social fund and so on, there are requirements for the providers to report back against specific commitments that they have made up front. In respect of the education system as a whole, I am focused, ultimately, on performance and attainment and the delivery of standards. I look to see the education system achieving ever higher levels of attainment year on year. Therefore, in a sense, that is perhaps the best measure of the way in which we are using the money.

[117] However, it is important that we have systems in place that look at what is best practice in the education system in Wales and seek to transmit that best practice across the system. Specifically, in ensuring that we deliver value for money, we have set up the front-line resources review—we have a number of different groups working with each sector within education. I chair the overall programme board for that, and we have set challenges for the whole of the education system to deliver with regard to getting more resource to the front line.

[118] I am pleased that we have had commitments from local government to raise, for example, the level of money delegated to schools in future years, given the falling off over the past four or five years. There have been significant commitments made there, and we will obviously hold our local government partners to those commitments. For me, at the end of the day, the real driver in this is how our children and young people are performing, whether that is educationally or in terms of issues such as child development and child poverty.

[119] **Jeff Cuthbert:** My questions are directly relevant to the points that Brian raised. First, I agree, Minister, that you must focus on outcomes and achievements. The Welsh Assembly Government needs to be congratulated on securing the funding for the early years, because I would certainly argue that that is the most important phase of all in education with regard to creating the right attitude to learning. Indeed, if our youngest children enjoy the experience of the foundation phase—and I include free school breakfasts in that—they are more likely to develop fully as they move onto later years in primary and secondary schooling.

[120] My specific question is probably more directed at the Deputy Minister. Even at the best of times, we need to ensure that there is good joined-up thinking between education and employment. So, given that we are nowhere near the best of times, how are we ensuring that there is joined-up strategy in the approach to skills, and that the work that is being done in the FE sector, in the 14-19 learning pathways and in modern apprenticeships, for example, is meeting the identified needs of the economy, which demands that public money is spent to its very best ability and on joint-working with employers?

[121] **Lesley Griffiths:** I will answer Brian's question first. As I said in my opening comments, the work development programme is open to all businesses of whatever size across Wales, not just within the key sectors. We also have the discretionary fund, through which we have offered funding to over 800 small and medium-sized enterprises to support and to assist with upskilling. Officials are talking with the Federation of Small Businesses to ensure that its companies, because we cannot offer blanket coverage for everyone, are targeted.

[122] Jeff, you are right that employability is important, particularly with scarce funding. So, we are ensuring that officials talk to the Confederation of British Industry and the FSB to ensure that we know what skills are required, for instance in the STEM agenda, which I am also responsible for and which is very important. We also have, I believe, 180 shared apprentices in construction and engineering, which also feeds into the STEM agenda.

[123] **Paul Davies:** I appreciate, Minister, that you have been looking at how to cut bureaucracy in the education system and to redirect funds to the front line. One way of doing that, as far as schools are concerned, is to bypass local education authorities and to fund schools directly from the Assembly. Recent figures that I have received suggest that £102 million could be saved by doing that. Have you considered that and, if not, would you consider it? Do you have an open mind on that?

[124] You have made it clear that budgets for schools through the revenue support grant have been protected at 1 per cent above the Welsh block grant. How will you ensure that this

1 per cent will be passed on to schools, given that you do not actually fund schools directly? Finally, how will the budget allocation impact on your ability to meet the 'One Wales' commitments that have yet to be delivered? Are you confident that the budget that you have been allocated will meet your goals and objectives?

[125] **Leighton Andrews:** On the first question about the direct funding of schools, I have established a task and finish group to consider the structure of education delivery in Wales, which I announced some weeks ago. That group will be looking at what should be delivered at a national level, by a single local authority or a grouping of authorities, and what should be delegated directly to schools. That group is due to report to me in the new year, and I look forward to hearing what it has to say.

[126] **Paul Davies:** Will the issue of funding schools directly be part of that group's deliberations?

10.50 a.m.

[127] **Leighton Andrews:** That is a subject on which it might have a view, and I will be interested to hear what views it has, but I do not intend to prejudge the report. On the issue of the 1 per cent, I think that that I am right to say that an additional £61 million is put aside in the RSG for supporting the 1 per cent commitment. The Minister for local government is being clear and specific on the ways in which he is expecting local authorities to report back. We will monitor the use by local authorities of that money. Over recent years, some have been spending up to the amount that we would have expected them to spend, some have not, and some have spent more. However, in the current climate, it will be particularly important that that is measured. We will look carefully at the returns that we get from local authorities and, if necessary, I am prepared to intervene.

[128] **Paul Davies:** You will take action against some of those authorities that have failed to invest—

[129] **Leighton Andrews:** If necessary, I am prepared to intervene.

[130] On the question of 'One Wales' commitments, the budget is challenging—there is no question about that—but the money that we have set aside in the draft budget reflects our priorities under 'One Wales'. We are in a position to meet them by, for example, continuing the roll-out of the foundation phase.

[131] **Jenny Randerson:** First, you made some comments in your preliminary remarks, Minister, about the reduction in higher education funding and compared it with the UK situation. The issue in Wales is that you have the difficult job of deciding how you respond to the Browne review. That will take a year or two to phase in, but, in between, you are faced with a reduction in the higher education budget. When you respond to the Browne review—I am not seeking to find out what your thoughts are in detail—will you look in principle at ensuring that the funding for higher education is restored with additional money going in? You will be aware that, traditionally, higher education in Wales has been less well funded than in England. I realise that the situation will be different in England in the future. So, are you looking at a response to the Browne review that has a more generous approach to higher education, bearing in mind its key role within the economy?

[132] To look at the specific cuts this year, you have prioritised, in policy terms, the funding of the University of the Heads of the Valleys and the *coleg Cymraeg cenedlaethol*. Will that mean that the reductions pro rata for other higher education institutions in Wales will be proportionately greater?

[133] **Leighton Andrews:** I hope to announce a response to the Browne review before the final budget. In respect of the funding for specific ‘One Wales’ commitments, such as the University of the Heads of the Valleys initiative and the *coleg Cymraeg cenedlaethol*, we have put allocations over time into the budgets for HEFCW to meet their requirements. We now face a much more challenging budget situation. In the case of the University of the Heads of the Valleys initiative, the University of Glamorgan and the University of Wales, Newport are actively engaged in that and will have a contribution to make. HEFCW will be conscious of that as it looks at the budgets. Several different institutions will work with the *coleg Cymraeg cenedlaethol*. There is no getting away from the fact that these are challenging budgets for higher education. Given that my department has an overall cut and that the Government is seeking to prioritise schools and skills, it was inevitable that the higher education budget would be one of the budgets that would face reductions.

[134] **Jenny Randerson:** However, higher education also faces reductions in some of its research council funding and funding from other sources. So, it is facing a double whammy, to use the traditional phrase. Am I to understand from your answer that colleges and HEIs that are not directly involved in either of those two projects, or are only involved on the periphery, would face a greater pro rata decrease in percentage terms?

[135] **Leighton Andrews:** It is too early to say what the implications are for higher education institutions. This needs to be managed by HEFCW in the context of the remit letter that we will issue to it. I ought to say a little more on this. In respect of income from research councils, clearly we want to see Welsh higher education institutions achieving a higher hit rate in terms of the funding that they receive from research councils than they have done historically. That is important to us and, to a degree, the amount of money that they gain now will be dependent on their success in putting together collaborative bids. This has to be seen in the context of what is happening to higher education in England. We saw the comprehensive spending review and the cuts in the university teaching grant for England seemed to parallel what had been suggested in the Browne review, which indicated an 80 per cent cut in teaching grants to universities in England and an absolute withdrawal of funding for certain subjects—in fact, a rather large number of subjects, particularly in the arts and humanities. Overall, if we look at the budget that we have set down for higher education, it compares favourably with what is happening in England.

[136] **Jenny Randerson:** I will move on to a separate issue. You said in your introductory comments that there were particularly difficult issues in relation to capital. One of the ways in which additional capital can be raised is through public-private partnerships, and, indeed, there are a couple of schools currently being built in Wales, or that have recently been built, utilising that type of scheme. A few years ago, the Finance Committee produced a report in which it recommended that the Assembly Government should look more widely at that kind of scheme, because there are all sorts of ways in which the third sector can be involved as well as the private sector. Are you looking at alternative sources of capital funding for both schools and colleges?

[137] **Leighton Andrews:** I am entirely open to alternative capital.

[138] **Jenny Randerson:** That is good to hear; thank you.

[139] **David Melding:** That was going to be one of my questions. We have just had the Deputy First Minister in and I asked him a similar question to the one that was just put to you by Jenny. I think that the Scottish example is quite interesting. The Scottish Government is looking at how PPP and PFI can be improved and developed, and I think that it is quite refreshing that you are prepared to look at that. In some sectors, like HE, there is potential to take that further, if we can get good contracts; that is the essence of it. I am going to infer that you are winning some battles behind the scenes in WAG, because I found Ieuan to be much

more open than I had anticipated he would be to considering those models. I am sure that it is in the public interest that they are fully considered, so I commend that.

[140] I have a question on capital, which relates to your clear decision to consolidate and concentrate or align how capital is allocated to WAG's strategic objectives. That is a policy that you can be scrutinised on, it is a clear decision and you certainly wanted to emphasise it. I just think that, for the record, the old system, which allowed much more local initiative, or prioritisation—perhaps that is a more neutral word—has obviously led to some patterns of investment that you do not fully approve of. Has anything in particular occurred in the last couple of years that has really made you think that a very decisive switch has to occur?

11.00 a.m.

[141] **Leighton Andrews:** It is important to look at what we have done over recent years. We created the twenty-first century schools fund, which was a much more strategic approach to developing investment in the school infrastructure over time. We have done that in partnership with the Welsh Local Government Association, and it has been immensely supportive of that initiative. I co-chair the programme board with the WLGA leader responsible for education. It has written to the Permanent Secretary to say that it thinks that this is a good model of partnership working between local government and the Assembly Government, which is very encouraging.

[142] What we are now seeking to do, as a further change, is to create what is essentially a single capital pool. What drives that is the sense that it is very important that we are able to ensure that capital is used when we need it. We can only do that if we have direct control of all the capital budgets, so that if we need to switch capital from one sector to another because there has been some slippage—as there very often is in capital programmes—we do not have to go back to HEFCW or someone else to ask them to release funds back into the system. It enables us to have that freedom to manoeuvre.

[143] The department has also been quite successful in attracting funds from the central capital resources of the Assembly Government. The sums will be smaller in future, of course, but just this week, for example, we received additional capital for school repairs and refurbishment, among other things. We will be much tighter going forward in ensuring that the general capital fund available to local authorities is being used in a way that we would expect it to be used. It is very important that we monitor the way that local authorities are using their capital. Capital is provided to them alongside the revenue support grant, and we certainly do not want to be in a position at any stage of double funding local projects.

[144] **David Melding:** The old system for the various sectors was predictable and they would not have had to go through this system where they would get above the average for the sector in some years as you shifted funding about or priorities changed. Are you going to tap into the local expertise, because you still need to get good capital development? How will your department do that, because this model could end up being too centralised? I emphasise for the record that I think that there is a lot to recommend your methodology, but there may be a danger of creating overly centralised support if you are not careful.

[145] **Leighton Andrews:** What we are doing is managing the pool centrally. With regard to the execution of the projects, we are very reliant on local expertise. The twenty-first century schools programme board consists of representatives of local government and representatives of my department, and they are working very closely together on the execution of those schemes. At the end of the day, most of these schemes will be executed locally, but they will have gone through a process of approval by the department. That will go through the proper business case approach laid down by the Treasury.

[146] **David Melding:** I will move on to the final area that I want to question you on, and that is higher education. You have been putting a bit of stick about, which we could scrutinise you on as Minister. I do not have to agree with everything that you do, but I think that it is fair to say that you are not captured by some deadening torpor, if I can put it that way. If we look at the responsibilities that yours and Lesley's department have for skills for economic development, it is key. One of the biggest things under our control is that if we run a really lively education system, it is likely to have a big and positive impact on our economy. If you look around the world at regions that have been relatively poor in whatever state they are in and have then improved their performance, most of them have done so using a strategy based on improving their higher education sector. It is a very typical indicator of a region that is moving economically.

[147] Are you disappointed, when you look at some of the lists that come out—I realise that there are several indices out there—including formidable ones such as the *Times Higher Education* world list, where Cardiff University did not get into the top 200? I looked at some of the universities in America that did, and a university that I attended as a postgraduate, which was basically a very good liberal arts college, is rated at 75 in the list of world universities. Are you disappointed, and do you think that Wales, in the next five to 10 years, will have to get a university that clearly is one of the world beaters? I will not ask you whether you think that would be Cardiff, because it could be another institution I suppose, although Cardiff does seem to have the sort of capacity that is needed to sustain that type of performance. Should we be challenging at that level and expecting that sort of return, with the consequences of having international postgraduates and all that vitality of intellectual exchange?

[148] Secondly, that will need capital investment, will it not? If you look at some of the universities in north America and the ones that are really moving in Britain—I notice Manchester has a plan to become one of the world's top universities—they will invest big time in kit and improving facilities, which is capital development. How does that sit with your strategy, assuming that you accept my premise that we need a clear world-beating university?

[149] **Leighton Andrews:** In light of the question, Chair, I declare my interest as an honorary professor at Cardiff University. I am certain that we have to be internationally competitive in our higher education system, and that is stressed in our higher education strategy, 'For Our Future'. It is very important that we see Welsh universities performing well. I was very pleased to attend a dinner at Cardiff University on Monday night, at which it was celebrating the fact that it had achieved £150 million-worth of research income in the last year. That was a great success for the university. The approach that we have taken over the last few years has been to stress the need for higher education institutions to collaborate, to develop critical mass and to be able to attract the kind of research income that is available. We have seen some good collaboration in cognitive neuroscience, for example, between Cardiff, Swansea and Bangor, and in a number of other areas. However, the drive from us is there to try to make that happen more urgently. You are right to draw attention to the world university rankings; you are also right to acknowledge that there are four or five different versions of world university rankings, which is not always helpful, I must say. They all seem to be published within a few weeks of one another, so it paints a rather confusing picture. However, I am certain that we cannot afford in Wales simply to be seeking to develop an agenda that is about greater participation and access, although that is very important to us; we must also have an agenda that is about excellence.

[150] **Nerys Evans:** Jeff, would you like to come in?

[151] **Jeff Cuthbert:** I dealt with my points earlier.

[152] **Brian Gibbons:** I wonder if the Deputy Minister might be able to provide

reassurance in relation to match funding for European social fund projects throughout Wales, and whether or not the present difficult financial situation in which we find ourselves may compromise our ability to draw down ESF funding.

[153] Secondly, we all know that social and family background is a powerful determinant of young people's educational opportunities, and that has been a very consistent theme in what you have said this morning, in that we have a massive challenge in order to develop the full potential of all our children. I was very pleased to hear what you said about the education maintenance allowance and I hope that that will contribute to post-16 pupils continuing in education. Can you expand a little on your thinking in relation to EMA and how you think that it needs to change to give better value for money and to deliver on the outcomes in terms of better achievement by those pupils?

[154] **Lesley Griffiths:** There is a review under way within the department to look at ESF funding. You will be aware of the ReAct programme and we are confident that, at the moment, we have a secure budget for current levels, but we do not know what is around the corner. In terms of the public sector, for instance, we do not know how much pressure will be put on that budget. So, we are monitoring that closely. As part of the work development programme, rationalisation is also under way.

11.10 a.m.

[155] **Brian Gibbons:** Are you fairly content that we will be able to deliver against the ESF programme and that we will not find ourselves in a position in which the ESF programme will be underspent because of the financial pressures that we face?

[156] **Lesley Griffiths:** Yes, we are.

[157] **Leighton Andrews:** On the question of EMAs, as you are aware, they are being abolished in England, whereas we are keeping them in Wales. We have looked at the structure of the EMA, and we felt that it was important to retain the EMA at the £30 rate. There is no question that there is significant evidence, both anecdotal and otherwise, that the EMA is contributing to post-16 retention rates. We have tried to focus support on the £30-a-week area and to do something about the thresholds at which people qualify. So, we regard it as an important part of maintaining a high rate of participation. It is one of the elements that we have to try to address the issue of young people who are not in education, employment or training, which I know that the committee is very focused on. It is only one element, but it is an important one.

[158] **Brian Gibbons:** Which strands of post-16 education will it be available for? Obviously, it will not be available for full apprenticeships.

[159] **Leighton Andrews:** Currently, we have the EMA, learning allowances and Skill Build. As a result of the tender for work-based learning, we may well align those more closely together in future. We await final responses to the tender, and we will make an announcement on that in due course.

[160] **Nerys Evans:** So, you do not intend to look at the amounts being paid to individuals, do you?

[161] **Leighton Andrews:** We made an announcement last July on the amounts in respect of the EMA, and, as I said, we have decided to focus on the £30-a-week level. From next year we will no longer have the £10 and £20 levels.

[162] **Jenny Randerson:** The narrative states that reductions have been made to bodies

with an administrative function. Are you planning any restructuring further to the restructuring that you have already announced in relation to Careers Wales? Will there be abolition or mergers of other administrative bodies, or are you just looking at putting pressure on them to reduce their administrative budgets internally?

[163] **Leighton Andrews:** Clearly, we are applying administrative savings to a number of bodies. Indeed, the DCELLS budget does not cover the administrative costs of my own department, and administrative savings are being driven through the department year on year as well. On the issue of further restructuring, as I have said, I have established a task and finish group to look at the structure of delivery in education in Wales, and I will be interested to see the proposals that it makes. There were a number of suggestions in the work that PWC did that were not so much about fundamental restructuring, but about the sharing of back offices and support services across a number of organisations. I know that a number of those organisations are now looking at where they can collaborate.

[164] **Jenny Randerson:** I have a second, totally unconnected, question, which takes us back to higher education. We are still training more teachers than we need in Wales. I realise that you can never have a neat and tidy fit, but at least one of the teaching unions has expressed concerns that many teacher graduates cannot find jobs. There is a general pressure on the numbers of student places available in Wales, because you have been very fierce with higher education institutions this year with regard to over-recruitment. Are you considering any reorganisation, therefore, of the number of student places available, with some reduction in the number of teacher training places?

[165] **Leighton Andrews:** We reviewed teacher training places a few years ago and made adjustments then. Historically, Wales has often overproduced teachers. In fact, in the past, that is something that Wales has been proud of. The teacher recruitment budget declines by just under 15 per cent over the three years of this budget, so I think that we are conscious that we do not want to over-recruit to courses. With regard to the soft cap on numbers in higher education, it is important to bear in mind that there have been firm caps in place in England, Scotland and Northern Ireland for some time now. We are moving to a firm cap on student numbers from next year. I do not think that we can be in the position where, if the other countries have firm caps on numbers, we do not.

[166] **Jeff Cuthbert:** Minister, in paragraph 13 of your written submission, you talk about Flying Start and Cymorth receiving indicative increases, which I am pleased to read. There has been an issue, particularly with Flying Start, of the relative narrowness of the areas addressed. Is there any intention to expand Flying Start into different areas?

[167] **Leighton Andrews:** We feel that, because Flying Start is a focused programme, it is having an impact, because it is really concentrating on the young people who are really in need. We would want to retain that element of focus in the programme.

[168] **Brian Gibbons:** I think that it is absolutely right that the average indicative resource per child in the Flying Start programme is maintained. That is a fundamental principle. However, given that the number of catchment areas for Flying Start is very restricted, will this sum—and I accept that it is a relatively small indicative sum—be used to address inflationary pressures or to address pressures in individual current Flying Start areas, or might there be an opportunity to modestly increase the number of Flying Start areas? In my constituency, there are some quite anomalous catchment areas. Without doubt, all of the catchment areas are deserving, but there are some quite anomalous outcomes, about which I have been campaigning for a number of years. So, I am wondering whether this indicative increase might provide an opportunity for those communities to be included in the scheme, bearing in mind that you need that concentration of resource to deliver the outcomes.

[169] **Leighton Andrews:** The budget is increasing in the 2012-13 financial year by an additional £1 million, with a further £1.5 million increase in the following financial year. That will certainly give us the scope to look at extending the number of areas covered. It is something that the Deputy Minister for Children is considering.

[170] **Brian Gibbons:** Following on from that, clearly, the purpose of the free school breakfasts was to provide children with a nourishing start to the day and so forth. However, increasingly, free school breakfasts are becoming an important contributor to promoting economic development in that they mean the provision of pre-school clubs for many parents, particularly those who have long journeys to work. When you are looking at the provision of free school breakfasts into future, will that key economic benefit be included in any evaluation, as well as the immediate benefit to the individual children and their educational attainment?

[171] **Leighton Andrews:** I think that that is acknowledged. It was not, essentially, the initial purpose of the free school breakfasts initiative. However, it is making that contribution, and we see that in a number of schemes. We will certainly be happy to consider whether we build that into future evaluations.

[172] **Nerys Evans:** Nid wyf yn credu bod mwy o gwestiynau gan yr Aelodau. Diolch yn fawr i chi am ddod gerbron y pwyllgor, Weinidog a Dirprwy Weinidog, a diolch i chi am eich tystiolaeth. Mae hwn wedi bod yn sesiwn bwysig inni fel pwyllgor. Diolch am eich amser.

**Nerys Evans:** I do not think that there are any further questions from Members. Thank you for appearing before us today, Minister and Deputy Minister. This has been an important session for us as a committee. Thank you for your time.

[173] Mae un papur i'w nodi, sef We have one paper to note, that is, the cofnodion y cyfarfod blaenorol. minutes of the previous meeting.

11.20 a.m.

### **Cynnig Trefniadol Procedural Motion**

[174] **Nerys Evans:** Mae angen inni ddwyn rhan gyhoeddus y cyfarfod i ben. Gofynnaf i Aelod gynnig y cynnig perthnasol.

**Nerys Evans:** At this point we need to bring the public part of the meeting to an end. I ask a Member to move the appropriate motion.

[175] **Paul Davies:** Cynigiaf fod y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog Rhif 10.37(vi).

**Paul Davies:** I move that *the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).*

[176] **Nerys Evans:** Gwelaf fod y pwyllgor yn gytûn.

**Nerys Evans:** I see that the committee is in agreement.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.20 a.m.  
The public part of the meeting ended at 11.20 a.m.*