

Agenda – Pwyllgor yr Economi, Seilwaith a Sgiliau

Lleoliad: I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 1 – y Senedd Gareth Price
Dyddiad: Dydd Mercher, 29 Tachwedd Clerc y Pwyllgor
2017 0300 200 6565
Amser: 09.15 SeneddESS@cynulliad.cymru

Rhag-gyfarfod preifat (09.15–09.30)

1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau

2 Adroddiad Blynyddol – Comisiynydd Traffig Cymru

(09.30–10.30)

(Tudalennau 1 – 17)

Nick Jones, Comisiynydd Traffig Cymru

Dogfennau atodol:

Briff Ymchwil

EIS(5)–27–17(p1) Comisiynydd Traffig Cymru (Saesneg yn unig)

3 Papurau i'w nodi

3.1 Gwybodaeth ychwanegol gan Ysgrifennydd y Cabinet dros yr Economi a

**Thrafnidiaeth yn deillio o gyfarfod y Pwyllgor ar 27 Medi ynghylch Ardaloedd
Menter**

(Tudalennau 18 – 21)

Dogfennau atodol:

EIS(5)–27–17(p2) Gwybodaeth ychwanegol gan Ysgrifennydd y Cabinet dros
yr Economi a Thrafnidiaeth



4 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o weddill y cyfarfod

5 Trafod yr adroddiad drafft – Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2018–19

(10.30–10.45)

(Tudalennau 22 – 45)

Dogfennau atodol:

EIS(5)–27–17(p3) Cwestiynau i Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth ynghylch cyllideb ddrafft Llywodraeth Cymru 2018–19, a'i ymateb (Saesneg yn unig)

EIS(5)–27–17(p4) Gohebiaeth gan Ysgrifennydd y Cabinet dros Gyllid ynghylch ailstrwythuro cyllideb ddrafft 2018–19

EIS(5)–27–17(p5) Adroddiad drafft – Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2018–19 (Saesneg yn unig)

6 Briffio preifat gyda Syr Peter Hendy, Cadeirydd Network Rail

(10.45–11.45)

(Tudalennau 46 – 53)

Sir Peter Hendy, Cadeirydd, Network Rail

Dogfennau atodol:

Briff Ymchwil

Eitem 2

Mae cyfyngiadau ar y ddogfen hon

1st Annual Report to Welsh Government from Nick Jones as full-time Traffic Commissioner for Wales

I have pleasure in enclosing my first Annual Report to the Welsh Government as the full-time Traffic Commissioner for Wales. The report follows the establishment of new full-time role to serve Wales, under a Memorandum of Understanding (MoU) between the Secretary of State for Transport and the Welsh Government. I have been encouraged to set out my emerging thoughts on the future of operations within Wales. The MoU did not set out the reporting period and so I am producing this, my first report towards the end of a calendar year in my new role, in addition to the annual report to the Secretary of State for Transport for financial years commencing 1st April, produced jointly with my colleagues. I am of course content to produce future reports for whatever reporting period which best suits the Welsh Government

Accommodation and Staffing

The MoU establishes that the Welsh Government will provide accommodation for me in my new role, this is been identified in St Mary's Street in Cardiff, although at the time of writing this report it has yet to be fully configured and ready for use. The MoU also makes provisions for fully bilingual staff who are fluent in both English and Welsh. Unfortunately the siting of the office in Cardiff has made the task of recruitment more challenging. Institutions such as the BBC, the Welsh Assembly, the Welsh Government and the Welsh Language Commission recruited bilingual staff years ago, leaving a relatively small remaining pool of suitable and qualified staff. If recruitment is unsuccessful, consideration will need to be given to providing a base in North West Wales instead although there is a clear advantage in my being based in the capital and more readily accessible to Government and civil servants.

A feature of the MoU is that my annual report should be in both English and Welsh. As I do not yet have any Welsh speaking staff, I am publishing this in English in the first instance in order that it can be circulated without further delay, with a request to the Welsh Government for assistance for a translation in the Welsh language. I am hopeful that my next report will be fully bilingual as intended and as per the MoU.

Historically administrative support for public inquires and driver conduct hearings in Wales has been provided from Birmingham, it is understandable that the decision to provide a bilingual office in Cardiff has resulted in some staff seeking alternative secure employment in Birmingham, currently work for my hearings in Wales is undertaken by staff in both Bristol and Birmingham. Eventually, when my new team in Cardiff is in place I will be able to undertake more constructive engagement and to run specialist seminars with view to improving compliance in both the PSV and haulage industries. I am grateful to the Welsh Government for confirming support for this.

Bus registrations

Announcements were made some time ago confirming that devolution would include service registrations being undertaken in Wales. Current legislation requires local bus services to be registered with the traffic commissioner but there are potentially more effective and efficient options available with devolution. Before deregulation in the 1980s, traffic commissioners had power to determine if there was a need for a particular service. Whether and how often a service should run is now a commercial decision for the bus operators. If there is to be an impediment to that, surely it is for elected local authority members to determine?

My current responsibilities for bus registrations can feel little more than acting as a post-box, and a relatively inefficient one at that. Too often complaints and queries are received from people or organisations that obviously do not appreciate that under existing provisions, the traffic commissioner only has decisions to make in a tiny number of instances - essentially where an application is made without the proper 56 days' notice. It can feel that it is only by historical

accident that bus registration remain with me as Traffic Commissioner for Wales. This could be undertaken by alternative bodies and I hope that the outcome of the devolution of this function will result in no more than referrals if there is a need to make a decision.

The existing arrangements for bus registrations are not well supported by IT, as a result Traveline Cymru and other organisations often need to duplicate the work undertaken. Devolution of the bus registration function need not be a replication of existing systems administered in Wales; there is a clear opportunity to have a more efficient effective registration service that meets the needs of the travelling public in Wales. Currently the chargeable fees for bus registrations adequately meets the administrative costs and there are opportunities for Wales to provide a better service at less cost if proper systems are put in place. I have suggested that fees might be set at a level whereby there is a heavy discount if service standards are met as set by the Welsh Government, this would include matters such as liaison with local authorities where appropriate, and additionally, use of IT.

Any benefits in bus registrations being put to a traffic commissioner are more than offset by the disadvantages. Devolution provides an opportunity for reform.

Taxi and private hire law

The Law Commission review on taxi and private hire legislation made a number of recommendations which might be possible to implement as a result of the Wales Act. Importantly, changes can be introduced that suit the people of Wales, including a closer alignment of taxi and private hire vehicles licensed by local authorities and PSVs licensed by a traffic commissioner.

Current approaches to regulation by the two licensing regimes is sometimes at contrasting purposes, a feature which does not always assist the travelling public, and is sometimes used by rogue operators to their own advantage.

There is a category of PSV licence called a special restricted PSV, where there may be obvious scope for reform. Special restricted PSV licences are granted by traffic commissioners to holders of local authority private hire licences who want to run registered local bus services. On considering whether to grant these licences, traffic commissioners are currently unable to take into account factors relating to the applicant's reputation and/or finances. Effectively, the legislation assumes that these matters have been addressed by those who issue private hire licences. Devolution of taxi and private hire legislation to Wales would enable this to be addressed.

A significant role undertaken by all traffic commissioners relates to reviewing the conduct of professional drivers and determining whether they are fit to hold a vocational driving licence. Before the DVLA was set up, traffic commissioners were the licensing body and the people who determined whether individuals could or should hold PSV or HGV driving licences. Now, we make decisions on referral from the DVLA and those decisions are binding on the Secretary of State. There might be greater clarity if, in the new devolved structure, the Traffic Commissioner for Wales was an appeal body determining fitness for private hire and taxi drivers, as well as PSV and HGV vocational licence holders.

DBS checks

Listening to industry it is apparent that one of the frustrations for operators is that they often have to have separate DBS (formerly CRB) checks on drivers for each and every local authority area where they operate. The lack of transferability presents a significant regulatory burden and can lead to inconsistency; indeed local authority officers have pointed out to me what they consider to be considerable inconsistencies of approach.

A potential solution, which I have mooted with both the PSV industry and with local authority representatives, is that there be a new pan-Wales body to administer appropriate checks on behalf of all licensing bodies within Wales, with authorisations being required for anyone who drives one of several categories of vehicle. Suggestions include: taxis; private hire; other (including app-

based models); section 19 permits; and, PSV registered services. The appeal body could be the Traffic Commissioner for Wales (who currently determines fitness of PSV drivers).

Most members of the travelling public assume that DBS checks are carried out on all bus drivers, but that is because where there are specific contracts with local authorities there will almost always be checks conducted as a contractual requirement, it being a matter of safeguarding. Contrary to the general public perception, there is no requirement for DBS checks for PSV drivers, this has resulted in unsuitable individuals having been found to be driving PSVs. Occasionally this results in PSVs being driven by individuals who should not be driving them, including paedophiles. The rationale for not having DBS checks for all PSV drivers has traditionally been the need to avoid unnecessary red tape. It may be that the Welsh Government will wish to consider whether it has the power to require a DBS check for a PSV driver on a registered service as a condition of BSSG payments, or that it be paid at a far lower level. For the avoidance of doubt, whether or not DBS checks are compulsory for PSV drivers is not a devolved matter, however payment or otherwise of BSSG is devolved; potentially, Wales could lead the way on this.

Financial constraints on PSV operators

Legislation requires PSV operators to meet minimum standards in relation to financial standing and for this to be an ongoing requirement. Concern has been expressed in a number of quarters in relation to the number of decent family PSV operators that have ceased trading as a result of financial difficulties within the last few years. In one case before me within the last year I was faced with a formal request from a county council that I not revoke a PSV operator's licence on the basis that other local PSV businesses had failed and there was no obvious alternative available; revocation would result in significant problems for the travelling public.

In another case before me in North Wales, there was considerable publicity as a result of my revoking a PSV business. That business thrived as a result of it putting commercial considerations above road safety and was operating in a manner that had a significant adverse effect on the local PSV industry and bus users. The DVSA, the enforcement agency, subsequently commented that in that case a number of good family businesses that were not a prior cause for concern to the DVSA had ceased to exist as a result of their failing to obtain contracts; the number was perhaps as many as 10 to 12. Some were second and third generation family businesses.

Similarly, Welsh Government, Welsh Assembly members and others have also expressed concern that a number of family run PSV operators had ceased to operate in the past few years. I am concerned at the link in some instances to the contracting of passenger transport services, the outcome can be what has been described as "a race to the bottom". In such cases, good compliant family businesses may not be prepared to bid so low, knowing that they would struggle to comply with safety legislation.

As a result of my concerns about local authority contracts, I met with and had a very good discussion with Association of Transport Co-ordinating Officers (ATCO), representatives from local authorities that make decisions on the award of contracts. I am grateful to ATCO for its full cooperation in my conducting a survey of its members. The following key points emerged:

- Most, although not all of the 22 local authorities, responded to a request for copies of criteria for the award of contracts. Comments from ATCO members suggested that where there was a lack of response it was usually as a result of tendering being undertaken by a separate local authority procurement team.
- Both written and oral pleas were made to have central guidance and clarity of advice.
- In some areas local authorities endeavour to work collaboratively and to use the same criteria as neighbouring authorities, this joint working can both improve efficiency and provide greater transparency.
- Some but not all local authorities award contracts using both quality of service and price. A typical authority might contract on the basis of 30% quality and 70% price, although other authorities will reverse this ratio and award contracts on the basis of, say, 70% price and 30% quality. In a number of instances the ratio is 60:40.

- A feature of particular concern is that a number of authorities award contracts solely on the basis of price, this is where there is an increased likelihood of there being the “race to the bottom” referred above.
- Some authorities award contracts solely on the basis of both tenders and reverse auctions. Again, I have limited sympathy with those authorities which find themselves in difficulties as a result of their good family businesses opting to cease trading.
- In some cases officers from authorities that award contracts solely on the basis of price have indicated that they deal with problems by ensuring appropriate penalty clauses for failures. Whilst I accept that there will be a need for arrangements to ensure a contract is carried out satisfactorily, I have grave concerns where the sole criteria for the award of a contract is price.

In the specific case referred above where a number of good compliant family businesses had ceased trading, there was a significant gap in the market as a result of my closing the seriously non-compliant business. This was addressed by the Welsh Government providing additional funding of circa £300,000. I suggest that if authorities continue to issue contracts based solely on price that there should be an expectation that standards will be reduced for the travelling public and local authorities will be more likely to go cap in hand to the Welsh Government to bail them out.

My discussions with the PSV industry reveal that another feature that creates concerns for them is that cash flow problems can arise from irregular local authority payment practices. There seems to be an absence of service level standards in relation to payment of reimbursements such as concessionary fares. In the case of small and medium-size businesses this can create real difficulties and I have considerable sympathy with those PSV operators who would like to see agreed standards. PSV operators will be expected to pay their bills with a degree of promptness, I do not consider it unreasonable that they should also expect that their income streams are not held back arbitrarily.

I applaud the Welsh Government in its initiative involving Business Wales, who are planning workshops for PSV operators and providing valuable advice on finances. However I am clear that the two most significant features that would assist small and medium-size operators would be to:

1. Introduce service standards to ensure PSV operators are not financially disadvantaged by late reimbursement of moneys such as concessionary fares; and,
2. Commence a review of criteria for the award of contracts by local authorities. This should consider both whether cooperative regional working might be more effective, and additionally, the review should ensure that the award of contracts does not solely consider issues of moneys but considers quality too. The safety of the travelling public especially schoolchildren, is too important to allow the award of contracts on price only.

Bus Service Support Grant

One of the features where Wales is already different to England is in the grant rebate for bus operators. The existing arrangements in Wales have the early stages of a scheme whereby there is a weighting to take into account issues relating to the quality of the bus service provided. It may be perceived by some as relatively crude scheme but is benefiting from the input of the Confederation of Passenger Transport (CPT), the trade association for the bus industry. The principle is a fine one.

It is surely an anomaly if all registered local bus services receive the same level of support grant and it therefore seems eminently sensible to decide how limited resources are allocated to address the needs of its people. Paying all operators the same flat rate of BSSG does not obviously assist in the targeting of limited resources. Often I hear of representations made in relation to e.g. cuts in rural services where, although relatively few people may be adversely affected, the lack of a bus service has a very significant impact on the lives of the individuals concerned.

One of the suggestions that has been mooted relates to whether BSSG can be configured so that it addresses the needs of the travelling public e.g. a slightly higher rate in remote rural areas in

appropriate circumstances. There is a limited pot of money available for BSSG, in basic terms it is about £25 million a year.

The Welsh Government might therefore wish to consider an extension of the existing scheme so that there is greater emphasis on quality of service provided by an operator on a registered service; I accept that quality of service is a feature of existing provisions. However options are available which could determine that there be a specific BSSG element that was capable of being withdrawn in certain circumstances, examples include:

- Referrals by either a local authority or Bus Users Cymru for failures to run to the registered timetable;
- Referral by the Welsh Language Commissioner for failure to adhere to Welsh language standards as set out in existing devolved legislation. Within a few years all those who register services will be required to meet the standards set by the Welsh Language Commissioner;
- Referrals from DVSA or the police in relation to road safety or fair competition issues; and,
- Referrals from organisations prescribed by the Welsh Government in relation to failures to comply with new standards required for registering bus services (this would be an incentive to utilise IT as set out by the Welsh government – and - to liaise appropriately and cooperatively with local authorities).

Other options are also potentially available and theoretically a higher rate of BSSG might be available on particular routes as determined by the Welsh Government. An obvious impediment to an effective BSSG is the fact that the sums currently distributed by the Welsh Government are relatively low, especially in comparative terms when contrasted with concessionary fares.

Concessionary Fares

I have discussed concessionary fares with a range of individuals from a number of different backgrounds and it has been suggested that I set out issues with the intention that perhaps there might be a debate within the National Assembly for Wales on this subject. I emphasise that I am not making any specific recommendation, instead it has been suggested that I set out some key facts which might facilitate a constructive debate. Ultimately any decision to change the status quo would be a political one and I regard that as something which I should properly avoid.

The existing concessionary fares scheme was introduced towards the beginning of the century to address the mobility needs of those who were retired. At that time the normal retirement age for many people was 60. I understand that in early 2010 the Welsh Government confirmed that the age of eligibility for older people in Wales would not rise in line with changes to the state retirement age, but would remain at 60. It is because of more recent changes to state retirement ages that it has been suggested that there should be a further review. Increases in retirement ages results in an increasing proportion of those who commute to work utilising concessionary passes. It is for political representatives to determine whether those monies might be better spent on something else, one suggestion being increased subsidies in rural areas.

At present approximately 760,000 bus passes have been issued within Wales, to put this in context the population is circa 3 million. The Welsh Government's consultation document on Bus Services Policy issued in March 2017 indicated that bus passenger numbers had declined, however there has been a significant increase in the number of concessionary journeys undertaken. The extent of proportionally greater use by concessionary pass holders within Wales is illustrated by a table produced in the above consultation document, which shows concessionary fare journeys undertaken in Great Britain expressed as a percentage of all bus journeys. The latest published figures are for 2014/15:

- England 34
- Scotland 36
- Wales 46

Most concessionary fare journeys are validated by use of a card however not all operators have the equipment to utilise the card. In these cases operators will manually count the number of

concessionary pass holders. I have concerns at the potential scope for mistakes and or worse and note that there has been at least one prosecution for a major fraud. If funds are limited it is important that they are not misused and are appropriately targeted. There is a case for requiring operators to use equipment, if necessary supplied by the Welsh Government. Again, it might form part of the eligibility for BSSG to require use of IT at the specification set from time to time by the Welsh Government.

Using rough figures, for every £1 spent on BSSG, £3 is spent on concessionary fares. Monies available to the Welsh Government will always be finite, the more that is spent on concessionary fares, the less that is available for BSSG. If it is the view that BSSG might be used to shape and target funding for bus services in Wales to address the transport requirements of those who need local bus services, additional funds might be needed from some other source, or alternatively, consideration could be given to reducing concessionary fare expenditure.

As indicated above it would be inappropriate for me to offer a settled view and research might be required to understand the impact if concessionary fares in Wales were at the same levels as those in England. I am acutely aware that in the event of a shift to match concessionary fare arrangements with those in England, there will need to be a carefully planned transition and that existing pass holders do not lose out. I reflect that the WASPI campaign has revealed potential significant disadvantages if a major change is not planned, executed and communicated well.

Community Transport

As this report is dictated I am conscious that there is some debate taking place within both the PSV and community transport sectors in relation to the demarcation between the two regimes. As a traffic commissioner I do not feel that it would be helpful for me to become embroiled in this debate. The Department for Transport has already announced that a consultation will follow in the autumn. The Welsh Government will no doubt fully engage with the process, there are potential opportunities for reform.

Currently the issue of community transport permits is undertaken by a hotch-potch of organisations with an almost complete lack of transparency and/or accountability. New permits are granted for five years but there could be old permits still in use because regulations were never introduced as anticipated by legislation, to bring them to an end. There are three types of body that grants permits:

1. Traffic Commissioners - the existing system is not very effective and, as mentioned above, we have become little more than a post box with very few referrals to traffic commissioners as a result of the current legislation. Another licensing body recently told me that where it had refused a permit, the organisation reacted by successfully obtaining the same type of permit from a traffic commissioner. Curiously the reverse has also happened, so where a traffic commissioner sought to introduce a form of seminar to train potential permit holders prior to issue, applicants decided to withdraw their applications and obtain them from an alternative licensing body.
2. Local authorities - they are the most likely to grant permits inappropriately and there is a lack of consistency. In fairness to local authorities in Wales, complaints about a lack of consistency have been made in England, I am unaware of there being any special problem in Wales.
3. Designated bodies - there is a sundry list of about 60 bodies that have authority to issue permits. The list of bodies able to authorise section 19 permits would result in surprise at how and why certain organisations have been given those powers. One of these designated bodies is strikingly different as it has far more effective control than any of the others. It is the Community Transport Association (CTA).

I spoke to the last AGM of the CTA in Wales and noted that there was no obvious dissent from the suggestion that if there was only one licensing body, with a single coherent rulebook, that might leave the Traffic Commissioner for Wales to be the appeal body. If this came about there ought to be a process whereby bodies such as local authorities and the CPT could be able to object to applications for permits and/or their continuation.

Currently the CTA issues permits to a wide variety of organisations, paradoxically this includes the issue of permits to organisations on the list of designated bodies. There is the potential for a future designated body to recognise that the CTA provides training and whilst that designated body might well be a worthy cause, it doesn't necessarily have the expertise of the CTA.

Whilst the CTA is regarded by many as the principal issuer of community licences amongst the list of designated bodies, it has also been described by some as a trade association, this reflects how highly it is regarded and is also a recognition of its invaluable training role. Constitutionally it would be logical to ensure that any future organisation that issued community permits, could not also be a trade association.

The Impact of Congestion on Bus Services

I did not respond to a formal consultation exercise on the above subject as it included a period when purdah applied, pending the General Election to the Westminster Parliament. The Economy, Infrastructure and Skills Committee has subsequently produced a report which sets out key issues, I would not wish to contradict anything in it. As regulator for both the PSV and the HGV industries I would wish to add to the conclusions.

The crux of the problem is that at peak times there is avoidable congestion especially in urban areas and this has a significant impact on both the economy and environment. This is especially the case during school terms, as evidenced by the considerable reductions in traffic during school holidays. The provision of timely bus services can have a significant positive effect on both congestion and the environment.

I point to the fact that there have been instances across Great Britain where the introduction of bus lanes has had the effect of a negative public reaction with a degree of hostility. This is especially so if a bus lane has not been properly planned and where there is ineffective enforcement action in relation to those who transgress.

Any new bus lane might sensibly include consideration as to the scope of vehicles that are entitled to use that specific stretch of road. In some parts of the country local authorities have allowed HGVs to use bus lanes where the roads are planned so that this is facilitated. It is a recognition of the fact that HGVs are essential for the economy and the provision of services, indeed alternatives to using HGVs usually result in a considerable number of unregulated large vans thereby increasing congestion and causing far greater environmental damage. As the regulator for the HGV industry I also point out that a single modern efficient HGV will produce far less pollution than a traditional five-year-old family diesel car. I am not suggesting that HGVs should use all bus lanes, I merely point out that each case should be considered on its merits and that there might be occasions when allowing HGVs to use a bus lane will improve traffic flow.

In parts of central London where there is an acute shortage of road space, there are circumstances where only PSVs are allowed to use bus lanes and taxis are excluded from using them. My point is that where a bus lane is introduced, thought should be given to who is allowed to use it.

Good planning is required and unintended consequences should be avoided. I am conscious that some cities that have introduced separate road spaces for bicycles for understandable safety reasons have had problems when emergency vehicles have had their access limited as a result of ordinary cars and other vehicles being unable to pull over and leave sufficient space. This can create unintended problems for emergency services.

I am also conscious that use of road space needs special care when it is used by both HGVs and bicycles. A number of excellent initiatives have taken place involving specialist training for HGV drivers to better understand the needs of cyclists, and vice versa. Specialist cycle awareness is not yet to my knowledge one of the modules for HGV CPC, although this might change in the future.

Liaison and communications

I am endeavouring to set up pan-Wales forums with view to improving communications within both the haulage and PSV industries. Whilst I appreciate that much of this report focusses on PSV issues, the majority of licences, the majority of vehicles and the majority of hearings concern HGVs. Preliminary meetings have been held, with the first formal one due in October 2017.

Whilst I seek to communicate effectively with all relevant organisations in Wales, I am clear that there are some where there would be considerable mutual advantage if we met to discuss potential synergies. It is difficult to bring this about without any staff based in Wales to assist me, hopefully this will be addressed soon.

The Welsh Government has already indicated support for my holding regular seminars with view to both educating and communicating with operators, thereby improving road safety and assisting in achieving a level playing field for operators. Again, once I have staff in Wales to assist, this can be addressed.

Other

This, my first annual report for the Welsh Government, is very different in its nature to that produced for the Secretary of State for Transport. Whilst I have received every support from Welsh Government officials, I would still welcome constructive comment on both the contents and format of this report so that I may continue to best serve the communities of Wales.



Nick Jones
Traffic Commissioner
Comisiynydd Traffig dros Ardal Drafnidiaeth Cymru

September 2017

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a
Thrafnidiaeth
Cabinet Secretary for Economy and Transport



Llywodraeth Cymru
Welsh Government

Russell George AC
Cadeirydd
Y Pwyllgor Economi, Seilwaith a Sgiliau

15 Tachwedd 2017

Annwyl Russell

Ar ôl y sesiwn graffu a gynhaliwyd gan Bwyllgor yr Economi, Seilwaith a Sgiliau ar 27 Medi, ysgrifennais atoch i roi gwybodaeth ychwanegol ichi am faint o swyddi sydd wedi cael eu creu, eu diogelu a'u cynorthwyo ar gyfer pob un o'r Ardaloedd Menter (gwahanol) ers iddynt gael eu creu. Darperais ffigurau hefyd ar lefel y buddsoddiad cyhoeddus ar gyfer pob un o'r Ardaloedd Menter fesul blwyddyn.

Gwnaethoch gais am ragor o wybodaeth, fel a ganlyn:

1. Ffigurau a ddarparwyd ar gyfer pob Ardal Fenter wedi'u rhannu'n swyddi a grëwyd, a ddiogelwyd ac a gynorthwywyd.
2. Darperir tabl diwygiedig yn dangos lefel y buddsoddiad gan y sector cyhoeddus ym mhob Ardal Fenter unigol

Darparir yr wybodaeth honno yn yr atodiadau atodedig.

Gallaf hefyd egluro fod buddsoddiad cyhoeddus yn golygu buddsoddiad gan Lywodraeth Cymru ac nad yw'n cynnwys buddsoddiad gan gyrff cyhoeddus eraill, e.e. byrddau iechyd, llywodraeth leol.

Yr eiddoch

Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**Swyddi wedi'u creu, eu diogelu a'u cynorthwyo ar gyfer pob un o'r
Ardaloedd Menter ers iddynt gael eu creu**

Ynys Môn	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	347	37	99	19	502
Diogelu	356	42	46	0	444
Cynorthwyo	88	0	0	0	88
Cyfanswm	791	79	145	19	1034
Maes Awyr Caerdydd a Sain Tathan	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	9	7.6	64	57	137.6
Diogelu	0	0	0	0	0
Cynorthwyo	85	0	0	0	85
Cyfanswm	94	7.6	64	57	222.6
Caerdydd Canolog	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	29	73	78.5	301	481.5
Diogelu	51	13	6	3	73
Cynorthwyo	435	463.4	223	179	1300.4
Cyfanswm	515	549.4	307.5	483	1854.9
Glannau Dyfrdwy	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	188	473.5	405.5	223	1290
Diogelu	2484	490	176	230	3380
Cynorthwyo	591	0	379	374	1344
Cyfanswm	3263	963.5	960.5	827	6014
Glynebwy	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	30	7.5	75	63	175.5
Diogelu	61	0.5	9	0	70.5
Cynorthwyo	142	0	0	2	144
Cyfanswm	233	8	84	65	390
Hafan	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	14	49.5	123	169.5	356
Diogelu	29	203.5	276	53	561.5
Cynorthwyo	195	0	0	1	196
Cyfanswm	238	253	399	223.5	1113.5
Port Talbot	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	0	0	0	49.5	49.5
Diogelu	0	0	0	8	8
Cynorthwyo	0	0	0	0	0
Cyfanswm	0	0	0	57.5	57.5

**Swyddi wedi'u creu, eu diogelu a'u cynorthwyo ar gyfer pob un o'r
Ardaloedd Menter ers iddynt gael eu creu**

Eryri	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	6	0	0	0	6
Diogelu	2	0	0	0	2
Cynorthwyo	0	0	0	12	12
Cyfanswm	8	0	0	12	26
Pob ardal					
Pob ardal	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Creu	623	648.1	845	882	2998.1
Diogelu	2983	749	513	294	4539
Cynorthwyo	1536	463.4	602	568	3169.4
Cyfanswm	5142	1860.5	1960	1744	10706.5

Diffiniadau

Swyddi a grëwyd – Nifer gros y swyddi a grëwyd drwy gymorth uniongyrchol neu gymorth ariannol ac nad oeddent yn bodoli cyn y gweithgarwch.

Swyddi a ddiogelwyd – Nifer y swyddi llawn-amser parhaol am dâl ym musnes cleient a fyddai wedi cael eu colli ac a ddiogelwyd drwy gymorth a roddwyd gan yr adran.

Swyddi a gynorthwywyd – Nifer gros y swyddi a grëwyd gan fusnesau a gafodd ffurfiau llai dwys o gymorth gan Lywodraeth Cymru.

Lefel y buddsoddiad cyhoeddus ar gyfer pob un o'r Ardaloedd Menter fesul blwyddyn

	2012-2014	2014-2015	2015-2016	2016-2017	Cyfanswm
Ynys Môn	£658,148.00	£1,427,247.00	£2,194,298.00	£2,115,425.26	£6,395,118.26
Maes Awyr Caerdydd a Sain Tathan	£235,170.00	£2,887,033.00	£921,071.00	£9,759,970.82	£13,803,244.82
Caerdydd Canolog	£22,663,932.00	£6,426,884.00	£19,333,358.00	£13,571,141.25	£61,995,315.25
Glannau Dyfrdwy	£16,631,844.00	£7,400,556.00	£3,270,591.00	£1,792,692.15	£29,095,683.15
Glynebwy	£3,890,719.00	£4,651,081.00	£7,500,217.00	£78,530,621.77	£94,572,638.77
Hafan	£2,064,799.00	£1,927,000.00	£3,715,945.00	£1,610,720.04	£9,318,464.04
Port Talbot	£0.00	£0.00	£0.00	£3,797,667.28	£3,797,667.28
Eryri	£0.00	£1,016,341.00	£844,210.00	£306,112.61	£2,166,663.61

Tudalen y pecyn 21

Sylwer bod y ffigur buddsoddiad cyhoeddus yn cynnwys gwariant cyhoeddus nid yn unig ar fusnesau a gynorthwyir yn yr ardaloedd menter ond hefyd ar brosiectau seilwaith a thrafnidiaeth strategol sydd o fudd uniongyrchol i'r ardaloedd menter a'r ardaloedd o'u hamgylch.

Eitem 5

Questions for the Cabinet Secretary for Economy and Transport

1. **To understand how the draft budget provides for the delivery of the next rail franchise and Metro from October 2018:**
 - What is your view of the affordability of the next rail franchise given that the tender has been opened without agreement with the Department for Transport on the £1 billion of funding for the franchise which is currently in dispute?
 - During general scrutiny the Cabinet Secretary referred to “mitigating projects” being considered as a contingency if agreement is not reached. Can a potential £67m annual revenue shortfall in franchise funding be mitigated without significant loss of service?
 - What is the basis for decisions on budget allocations for Metro Phase 2 (electrification of the Core Valley lines)? Why has only £173m of a total Welsh Government capital requirement of £503m been moved from reserves?
 - How does the draft budget provide for the North Wales Metro? What allocations have been made and what will they fund?

2. **To understand how the draft budget provides highways investment, particularly the M4 relief road:**
 - Approximately £740m is held in capital reserves for the M4 relief road over the next three years. What is the basis for this allocation given the total project cost estimate of about £1.1 billion?
 - The draft budget includes £375m borrowing, although this funding is not reallocated, so that no borrowing has been specifically allocated for the M4 relief road project. How and when will borrowing powers be used?
 - Do wider Welsh Government highways projects remain affordable given reports that the Cabinet Secretary has initiated a review of section 2 of the A465 dualling scheme?
 - Approximately £740m has been held in reserve for the M4 relief road over the next three years, compared to £300m for road maintenance and improvement more generally. Does this represent

underinvestment in the wider trunk road network at the expense of the M4?

3. To understand how the Well-being of Future Generations Act 2015 has influenced the draft budget, particularly with regard to the M4 relief road:

- How does the Cabinet Secretary's stated objective of "maximising economic benefits" square with the obligation under the Well-being of Future Generations Act to improve the social, economic, environmental and cultural wellbeing of Wales?
- The Future Generations Commissioner has said in supplementary evidence to the M4 inquiry that she "fundamentally disagrees" with the interpretation of the Act put forward by the Welsh Government's counsel to the inquiry. Given this comment, does the Cabinet Secretary consider that there may be a need to fundamentally change the approach to implementing the Act taken by his Department?

4. To discuss how the draft budget supports local authorities' transport obligations:

- How does the Cabinet Secretary take account of changes in the local government settlement when deciding his transport budget allocations for local authorities?
- Can the Cabinet Secretary give an example from this or any past year of where the transport budget has changed to reflect pressures on transport spending arising from reductions in the local government settlement?

[Note: the relevant funding streams include: the Local Transport Fund; Safe Routes in Communities; Road Safety Grant; Local Transport Network Fund and Bus Services Support Grant].

- The Bus Services Support Grant has been frozen at £25m since 2013–14 and will remain at this level until 2019–20. What assessment was made of the overall level of spending by local authorities in support of socially necessary but uneconomic bus services in deciding on this allocation?
- Why does the Cabinet Secretary describe funding for active travel as "complex"? Can he explain why he has commissioned a "detailed review" of the approach to funding active travel and provide further detail on the methodology of the review?

5. To discuss funding for, and the future of, concessionary travel in Wales:

- Is the all Wales mandatory concessionary fares scheme affordable in the short and long term? When does the Cabinet Secretary anticipate that demographic pressures from an aging population etc. will require changes to the scheme? What options are being considered?
 - The Welsh Government has increased reimbursement rates for Community Transport operators participating in the all Wales scheme by 8.7% backdated to April 2016. How has the overall funding allocation for the scheme changed to reflect this?
 - What approach is being taken to the evaluation of the current youth concessionary fares scheme which the Cabinet Secretary refers to in his paper? What changes to the scheme are being considered and why?
 - Can the Cabinet Secretary provide a breakdown of budget allocations and expenditure on youth concessionary fares since the introduction of mytravelpass in 2015, including expenditure per pass?
 - The Cabinet Secretary's paper refers to "the potential to continue..[the youth concessionary fares]...initiative on a commercial basis and potentially with a much reduced amount from the Welsh Government". Why is the youth concessionary fares scheme not funded on the same basis as the all Wales scheme?
6. **To explore how the draft budget relates to the forthcoming Economic Action Plan.**
- Given the Cabinet Secretary is currently developing his Economic Action Plan, to what extent has this informed the allocations in his budget?
 - Does the Cabinet Secretary intend to re-present his budget once the Economic Action Plan is published, to show the specific resources allocated to each aspect of the Plan, along with the outputs and outcomes expected to be achieved?
 - Objective 3 in the [Welsh Government's Strategic Equality Plan](#) is to "Identify and reduce the causes of employment, skills and pay inequalities related to gender, ethnicity, age and disability". Which specific budget allocations have been made to achieve this objective?
7. **To discuss the Cabinet Secretary's intentions with regard to support for the Foundational Economy:**

- Can he provide further detail on the £1.5 million allocated to supporting the Foundational Economy in 2018–19, and what it is expected to achieve?
- Can the Cabinet Secretary explain why there is no similar allocation for 2019–20?
- Are there any other allocations in his budget that support the Foundational Economy specifically?

8. To probe the Cabinet Secretary for further detail on the budget allocations made in support of the Development Bank of Wales (DBW):

- The Cabinet Secretary’s paper outlines that £28 million in capital funding has been allocated to support the investment funds of the Development Bank over the next three financial years. What impact will this have on the fee income earned by the Development Bank?
- Does the Cabinet Secretary agree with the view expressed in the Strategic Overview document (page 8) produced by the Development Bank that **“the most critical risk the new bank faces is securing the funding it needs”**?
- Can the Cabinet Secretary share the full details of any analysis that has been undertaken of the costs of establishing the DBW Head Office in Wrexham, and can he clarify whether any allocations have been made in the budget regarding this?



Russell George AM
Chair Economy, Infrastructure & Skills Committee

21 November 2017

Dear

Thank you for your questions to support the scrutiny of the 2018-19 Draft Budget Plans for my portfolio which raise important issues.

1. Rail Franchise and Metro

Affordability & Financial Issues

On 7th September I had a constructive meeting with the Secretary of State and agreed a way forward that would allow us to proceed with the procurement process for the rail franchise while discussions seeking resolution on the funding issue continued with HM Treasury and the Department for Transport (DfT). This agreement is the best outcome for passengers, who will not face the uncertainty of whether the Welsh Government will be transforming rail services at the end of the current franchise term.

The current financial arrangement for the franchise dates back to 2006, based on costs established in 2003. We must ensure that the Welsh Government is not financially disadvantaged under the new arrangements for both rail services and the Metro infrastructure.

We have an agreement with the DfT is to provide £125m in 2014 prices towards the Valley Lines scheme. The Welsh Government has full freedom to optimise the final scope of the scheme following Green Book guidance so as to achieve best value for money.

The Draft Budget is predicated on circa £60m annual savings in the early years of the new franchise. We have a legitimate case for a sustainable financial settlement to go alongside devolution of franchising powers. If the UK Government takes the decision not to engage with us on the facts and evidence, then we will need to consider a number of options to mitigate the cost risks.

The anticipated budget required for the subsidy is based on the Outline Business Case. The revenue costs for providing rail services have been estimated and a funding envelope has been indicated as available to support services, which exclude the impact of the a series of financial matters.

My officials continue to manage these financial matters which will determine the final affordability of Wales and Borders rail services and the South Wales Metro. These risks will become clearer during discussions with UK Government and once we have a winning bid. At that point, the implications of these financial matters and how they will be dealt with will be part of the investment decision.

I cannot provide further detail of these at the moment due to ongoing negotiations, but a significant component of the additional cost being placed on us would be removed if the UK Government recognised that the Welsh Government can not be expected to fund inflationary cost increases on Network Rail's charges which were last baselined at the start of the current franchise

The bidders have been incentivised to introduce improvements to the services as soon as possible but some of the infrastructure and rolling stock improvements will not be immediate. The subsidy amount in the early years recognises the timescale that bidders will need to introduce their service improvements. There will be no fare increases or service reductions as a direct result of the lower franchise subsidy in the early periods of the next contract.

Metro Funding

Funding for the South Wales Metro was provided within the MEG during the 2017-18 budget planning round. The £173m is in addition to the funding already provided in the portfolio's core budgets as part of the 2017-18 Final Published Budget. The actual delivery profile for Metro will be heavily influenced by the solution identified by the preferred bidder for the new rail services contract. Therefore, there will be further allocations of funding in future budget rounds ensuring that the full £503m is provided.

The Draft Budget includes an indicative profile for delivery of the anticipated infrastructure. The actual infrastructure solution required to deliver Metro services will depend on the solution proposed by the preferred bidder. This will be known in more detail following submission of the bids.

The "Moving North Wales Forward" plan was launched in March 2017. Funding of £50m over four years was allocated in the 2017-18 Budget to develop the North East Wales Metro which will include road, rail, bus and active travel schemes. Work is currently ongoing to develop a programme of investments focusing initially on key employment hubs across the region which will inform the funding profile over the coming years. Whilst a number of schemes are being taken forward within existing budget provision of £50m, delivering the Metro vision will require significant funding beyond 2020-21 as it will inevitably involve delivering major infrastructure improvements.

2. Highways Investment

M4 Relief Road Funding

As highlighted in your questions the current estimate for the project is £1.1 billion. In line with early indicative delivery requirements, funding of £740m is earmarked in central reserves for the M4 relief road over the next three years. Pending the outcome of the public enquiry this allocation will be re assessed and may be re-profiled. The timescale for this major infrastructure project will go beyond the budget period with further funding required beyond 2020-21. This will be assessed in future budgets.

As outlined in the Welsh Government Draft Budget, borrowing powers may also be used for projects such as the M4. However the borrowing of £375m is not designated and is available for capital investment across portfolios. When the independent public enquiry has concluded I will be discussing the financial requirements with the Cabinet Secretary for Finance during future budget planning rounds.

Highway Projects - A465

I will update Assembly Members with the findings of the review of the A465 Section 2 scheme before the end of the month. The review will consider the current construction programme and cost, together with how the work is delivering against the social and environmental expectations. It will also consider what mitigation measures have been put in place to address any deficiencies.

The publication of four year capital budgets in 2017-18 has allowed for better planning of long term projects. In order to manage budgets and ensure that major highway projects are affordable there is also existing good practice in the industry. Schemes are procured using the Early Contractor Involvement method of procuring supported by efficient planning, the provision of reliable costs and timely delivery. A variety of contractual structures and mechanisms are used when delivering infrastructure projects and use is made of industry standard mechanisms, for example "fixed price" and "target cost" contracts. Adjustments to spend profiles are used to manage such mechanisms.

Programme and project management of road schemes are delivered in accordance with the bespoke "Welsh Government: Road Projects Procedures Guidance" which incorporates the Welsh Transport Appraisal Guidance – WelTAG. A recent external consultant review of the guidance has concluded that it represents good practice. Areas for improvement identified as part of this review are being implemented and may include the production of updated terms and conditions, the introduction of strategy documentation at the start of any procurement process and updating the way we commission our advisers.

Innovative financing of schemes is also important in maximising the budget availability. The remaining dualling of the A465 road is to be progressed by a Mutual Investment Model, starting next year. The private-sector partner has not yet been appointed.

Investment in the Trunk Roads Network

The Welsh Government operates, maintains and upgrades the £15bn Welsh strategic road network to comply with the statutory responsibility to provide a safe and reliable trunk road network. As well as regular maintenance, this is delivered through capital improvement projects managed by the Network Management Division but largely delivered through the Trunk Road Agents. Funding for the M4 will not compromise our ability to maintain the safety and serviceability of the network. Traffic volumes on the M4 remain high and are factored into the long term planning for maintenance.

Projects to be delivered are determined by the Network Management Division's planning team and are based on factors such as performance and asset condition. The total provision in the Draft Budget to support roads infrastructure, maintenance and improvement is c£658m over three years. We take investment in the motorway and trunk road network very seriously and last financial year invested over £130m in maintenance and minor improvement alone.

The remaining capital budget of £358m over the financial years 2018-19 to 2020-21 for New Road Construction and Improvement, including the Newtown By Pass, A494 A55 Deeside

Corridor, improvements in the A55 for Abergwyngregyn to Tai'r Meibion and major improvements for Junctions 15 and 16 on the A55. This also includes £15m for the north to south dualling for the A487 and the A470 allocated as part of the Plaid Cymru Two Year Agreement.

3. Well Being and Future Generations Act 2015 and M4 Relief Scheme

Sustainability is the central organising principle in our planning process, ensuring that our decisions take account of not just economic, but social, cultural and environmental objectives and impacts as well. In so doing, we are adopting an approach to embed involvement, collaboration, integration, long term investment and prevention into our policies and delivery.

In considering the M4 relief road there are significant potential community, health and environmental benefits. Some examples are:

- Helping to create a healthier and more cohesive community by stimulating economic growth and regeneration. Locally, the scheme would provide improved access to employment sites with the capacity to cater for 15,000 jobs.
- Ensuring that as many construction jobs as possible are filled by local workers and at least 20% of those to be new entrant trainees and apprenticeships.
- Improving air quality as a result of the scheme, most notably in urban areas adjacent to the existing M4 corridor.
- Doubling the woodland lost to the scheme by planting over 110 hectares of new woodland. I am keen to explore how public access can be promoted to these areas to maximise the amenity value to society as well as realising the environmental benefits that woodland brings.

The Project will provide the long-term, sustainable solution to the serious problems associated with the M4 around Newport. In concert with Metro, it forms an essential part of our vision for a world-class, integrated transport network for Wales.

The Public Inquiry into the M4 Project is nearing completion. Independent inspectors are robustly scrutinising all aspects of the scheme not just economic impacts including climate change adaptation and sustainable development. This is an open and transparent process that allows everyone to have their say, both for and against, so that we can fully consider the economic, social, cultural and environmental objectives and impacts.

Our budget proposals have continued to look at how we embed the five ways of working to help us maximise our impact, inform plans which support Taking Wales Forward and take an integrated approach to considering impacts on protected groups, support a focus on our shared national goals and deliver a sustainable economy and nation for future generations.

Our refreshed Wales Transport Strategy will be developing policies that will positively impact on travel behaviour and reduce the negative impact traffic has on our communities and quality of life. The Strategy will reflect the well-being goals and principles as well as delivering our national strategy *Prosperity for All*.

Should the M4 relief road go ahead, it must be delivered sustainably, with cross cutting benefits felt locally and across Wales. The scheme has 15 objectives that aim to bring cross-cutting benefits across all aspects of wellbeing. Alongside a robust Business Case,

the scheme would produce positive effects on people and the environment. For example, the nearly 3km shorter route would not just reduce journey times, accidents and congestion it would reduce carbon emissions and improve air quality.

I am mindful of our requirements to reduce CO2 emissions 80% by 2050. The M4 Project, as with other congestion pinch point schemes, will contribute to achieving our goal, alongside Metro and electrification of the rail network and the implementation of electric cars.

I am keen to collaborate with the Future Generations Commissioner and ensure that all projects, and our wider transport strategy, maximise contribution to the wellbeing of Wales. The Commissioner's submissions to the Inquiry are welcomed and will be taken into account, alongside all others, in decision making on this project. The Commissioner has been involved in an ongoing review of our Welsh Transport Appraisal Guidance to ensure it aligns with the Wellbeing and Future Generations Act. In light of the requirements of the Act, the M4 project has published a Sustainable Development Report assessing against the seven goals and produced a five case model Business Case.

The ongoing Public Inquiry process is allowing all views to be heard. The Project is being openly and robustly scrutinised by Independent Inspectors to determine whether it is the sustainable, long-term solution to the serious problems associated with this gateway to Wales. The outcome of the Inquiry will inform a final decision next year on whether to proceed with construction. The Wellbeing and Future Generations Act considerations will be central to the decision making.

Overall I am satisfied that my Department is not only fully engaged in discharging the requirements but will also deliver the spirit of the Act. The 2018-19 Draft Budget is a step in that process. It is clear that better integration across public bodies will be central to more effective service provision as will collaboration with public service users.

4. Local Authorities – Transport Obligations

Local government funding is awarded based on specific criteria for transport and economic priorities to ensure that allocations to the local authority transport schemes help to meet our aspirations. The Draft Budget includes capital budget allocations in 2018-19 for two specific funds:

- **Local Transport Fund - c£6m** for existing schemes – capital to support transport projects that enable improvement in economic activity, access to employment, healthier travel, connecting communities and tackling poverty and to develop active travel schemes identified in the Integrated Network Maps.
- **Local Transport Network Fund £4m** – capital to support work on bus congestion and bus priority measures on strategic public transport corridors.

Whilst we were able to maintain Local Transport Fund grant levels for 2017-18, long term budget constraints mean the budget allocation for the Local Transport Priorities has reduced to £10m for 2018-19.

However we spend money on national initiatives which have local benefits such as the pinch point schemes. A good example of this is the M4 Junction 48 at Hendy where a reconfiguration of the interchange will mean that traffic will flow more smoothly, reducing queuing lengths both on and off the motorway and improving safety.

A number of local bus networks have been affected by the failure of local bus companies in recent years. In response, we invited relevant local authorities to identify the actions and funding necessary to maintain those networks for the benefit of bus passengers. We allocated £300,000 to enable Wrexham, Flintshire and Denbighshire Councils to support the bus network in their areas. This is a good example of our ability to remain responsive to the challenges faced by local government.

We would consider any future request for additional funding from local authorities on its merits, and in the light of budget pressures and competing demands for funding at the time.

Bus Services Support Grant (BSSG) - £25m

Local authorities receive un-hypothecated funding through the Revenue Support Grant mechanism to enable them to support socially necessary but uneconomic bus services. Despite budget pressures, resulting from challenging settlements from the UK Government, we have maintained BSSG at £25m since 2013-14.

These BSSG allocations to local authorities supplement their expenditure from their own budgets for subsidising bus and community transport services in their areas. Although it is disappointing that some authorities have cut their own budgets for this purpose in recent years; some now even allocate no funding whatsoever from their own budgets for supporting bus and community transport networks in their areas.

Active Travel

The funding situation is complex for active travel due to the diverse range of funding sources, mechanisms, and bodies involved in directly funding or supporting active travel projects. Capital infrastructure for walking and cycling is funded for example by central and local government, developers, other public bodies and other third parties such as charitable bodies. The revenue budget primarily supports walking and cycling, training and promotion.

However promotion of walking and cycling is embedded within many other programmes, in particular in the health, education and environment sector. As this is something that we want to strengthen further in the future, I have asked officials to review the funding that is within the control of the Welsh Government, but set this in the wider context. The methodology will consist of:

- Examination of funding streams within Welsh Government and, as far as information is obtainable, outside it;
- A broad appraisal of short, medium and long term active travel projects identified as part the Integrated Network Maps and estimated associated costs;
- Evidence including exploration other of funding models used elsewhere in the UK and exemplar countries;
- Option development, including funding levels, mechanism and delivery models; and
- Emerging findings from working with key partners represented on the Active Travel Board.

The review is important to ensure we are making the best use of resources in achieving the shared outcomes. I will update the Committee in due course.

5. Concessionary travel in Wales

Concessionary bus travel for older or disabled persons

In the context of challenging budget settlements affordability is always a key consideration. It remains the policy of the Government to maintain free bus travel for older people, disabled people and some injured service veterans that is universally available on scheduled local bus services in Wales. Our mandatory free concessionary bus travel scheme provides local authorities with sufficient funding to enable them to reimburse bus operators for the revenue foregone in having carried pass holders for free. In line with the relevant legislation, local authorities' objective is to ensure that their reimbursement leaves bus operators 'no better or no worse' off and our funding has enabled them to meet this objective. We also continue to provide authorities with £3 per live pass to meet their costs in administering the scheme.

The Welsh Government launched a public consultation on the Mandatory Concessionary Fares Scheme in Wales on 10 October which will end on 12 January 2018. Based on the outcome of the consultation, it is anticipated that we will bring forward proposals in the spring about any changes that may be proposed for further public consultation.

Examining the long term demographic changes, it has been estimated that about 1 million people living in Wales will be entitled to free bus travel by 2030. It is therefore important that we ensure that our free bus travel scheme is sustainable in the longer term and is organised so that it continues to meet the needs of the people who benefit from the scheme.

Community Transport

Community transport is reimbursed as part of the concessionary fares scheme as funded by Welsh Government and local authorities. Therefore it is accommodated in the overall funding allocation for concessionary fares in the Draft Budget.

In response to representations from the community transport sector, local authorities determined that they had under-reimbursed community transport operators for certain local bus ("Section 22") services they provided. We noted the local authorities' calculation of the uplift required to compensate the community transport operators for their under-reimbursement in accordance with the "no better or no worse" obligation on authorities.

Each local authority is responsible for determining the reimbursement it should pay to operators of local bus services to fulfil their obligation and we continue to provide local authorities with sufficient funding to enable them to meet their obligations under the relevant legislation. Any operator that considers it has been under-reimbursed as a result of a decision by a local authority may appeal to Welsh Ministers.

MyTravelPass

Our discounted bus travel scheme for 16 to 18 year olds, MyTravelPass has a positive impact on young people, enabling them to access opportunities for work, education, training and apprenticeships and will be of particular benefit to people from low income households and help to tackle poverty. Traveline Cymru records the number of enquiries about the scheme on a weekly basis. Welsh Government evaluates this data against the number of travel passes in circulation to determine trends in take-up and the impact of marketing and promotion.

MyTravelPass facilitated a series of focus groups with young people to ascertain the impact of its promotion of the scheme and has reflected its findings in the current marketing campaign, which it is undertaken on behalf of the Confederation of Passenger Transport. Through social media and other engagement, MyTravelPass notes and acts upon comments by applicants and others who have visited its site to improve its availability and information. I am pleased that this action is improving the take-up of the scheme.

The current consultation considers a range of options to build on the existing scheme and includes:

- Higher discounts
- Higher upper age limit
- Specific eligibility for defined groups that require additional support such as carers, volunteers or those re-joining the job market.

These changes are being considered to provide a more attractive offer, to encourage more young people to use the bus and achieve modal shift. This, in turn, will assist the bus mode to contribute towards wider policies, including decarbonisation, social inclusivity and the well being of future generations.

Initial funding of £14.750m was allocated for the Young Persons' Discounted Bus Travel Scheme in the Budget Agreement with the Welsh Liberal Democrats. We allocated £5m in support of the MyTravelPass scheme during 2015-16 and a further £9.750m in 2016-17. Although the scheme was live from 1 September 2015, much preparatory work was undertaken in advance. This included pump-priming funding for marketing, design and security testing of the web portal, setting up card production and administrative functions and an allowance for auditing and configuring on-bus electronic ticket machines.

Reflecting the fact that initial start-up costs and ICT were already in place following Welsh Government's investment during previous years, along with initial promotion of the scheme, an analysis of trend data indicated that £1m should be set aside to compensate bus operators for carrying younger persons aged 16 to 18 at one-third discounts during 2017-18. This sum was agreed with representatives of local authorities and the Confederation of Passenger Transport.

The actual outturn will depend on a range of factors, including the number of recorded journeys by 31 March 2018. This year's budget provision was determined to reflect experience gained from the first phase of the pilot, launched in September 2015, including the impacts to date of marketing, the fact that there had been no previous equivalent scheme against which to estimate take-up, use and cost and the initial feedback we received from younger people about the offer.

The scheme operates at no cost to local authorities, in contrast to the mandatory scheme for older or disabled persons, where the local authorities contribute around £10m per annum, reflecting the fact that they had offered similar schemes before the mandatory scheme was introduced. Detailed pass application data is held by MyTravelPass.

This combination of inputs was also intended to reflect differences between urban and rural operations. As a result, it is not possible to provide a breakdown of expenditure per pass since 2015. However, the compensation per journey should be available for 2017-18 once that data is analysed. In the 2018-19 and 2019-20 the budget is maintained at £1m to support the scheme.

6. Economic Action Plan – Budget Implications

The Economic Action Plan will take forward the ambitions in *Prosperity for All*. The Plan will set out how we will deliver our commitments, including how other services and programmes across Welsh Government will also contribute. The Draft Budget plans have been developed alongside the Plan to ensure that it aligns to our future priorities. We will deliver some key changes through the Plan including:

- **Economic Contract** – to drive added value through business support.
- **A focus on a number of thematic National Sectors and Foundation Sectors** – to support prosperity and maximise the opportunities in growth sectors whilst playing an active role in foundation sectors.
- **Regionally Focused Economic Development** – to help tailor our delivery to specific challenges and opportunities in different parts of Wales.

The Plan will be wide-ranging and draw on our levers across Government to grow our economy, spread opportunity, and promote well-being. It recognises the pressure on resources and therefore the importance of working much more coherently, effectively and strategically across Government on our core priorities.

I will be considering presentational changes to the published budget to clearly align the Economic Action Plan with financial resources. It is important to recognise that a key element of the Economic Action Plan will be the Economic Contract, which is about the relationship between business and government to stimulate growth, increase productivity, and make Wales fairer and more competitive. It will provide the framework for understanding respective roles and the means by which government and business support each other in delivering shared objectives to underpin inclusive growth. All the appropriate changes are likely to be reflected in the 2018-19 supplementary budgets as the Economic Plan is established.

Strategic Equality Plan

Tackling barriers to employment, equipping individuals with the skills they need, and fair work are core to the Economic Action Plan. It is difficult to enter into specifics without pre-empting the Plan, but the Economic Contract will shape how we use our business support in future to promote skills development and fair work.

Our prioritisation of the care sector will help to build capacity – removing another potential barrier to employment for those who have caring responsibilities. We are awaiting the recommendations of the Fair Work Board which will have an important role to play in shaping our future approach.

This is not about specific budgets being used to support such outcomes – it is about all our budgets contributing to these outcomes. Entrepreneurship budgets for example support engagement with stakeholders and promotion of responsible business practises on the Business Wales website.

7. Support for Foundational Economy

The Draft Budget includes £1.5m in 2018-19 to support the foundational economy, as part of the Two Year Budget Agreement with Plaid Cymru. There is currently no provision in 2019-20 as the funding will support new initiatives which will be considered in terms of broader economic impact and taken forward with other stakeholders.

I recognise the important contribution the foundational economy makes to the Welsh economy. It is built from the activities which provide the essential goods and services for everyday life, regardless of the social status of consumers. The foundational economy is nationally distributed along with population. It is vital for many people in Wales - not only to provide the goods and services they need but also as an employer.

Without pre-empting the Economic Action Plan, the £1.5m allocation will be used to support delivery of the enabling plans which we will work with the foundation sectors to develop and address some of the challenges and opportunities these sectors face. By supporting innovation, improving management, filling skills gaps, helping develop new business models and, ultimately, encouraging better pay and conditions, we can develop those more resilient local communities.

We will have more to say on our broader ambitions for the foundational economy as our Economic Action Plan is presented. We want to harness the power and opportunities presented by the foundational economy.

8. The Development Bank of Wales

The Development Bank of Wales will be a core component part of the Welsh Government's economic policy and delivery. It will be a cornerstone organisation for investment and business support, given its increased scale and breadth of expertise, it is well placed to meet the challenges and opportunities we will inevitably face and make Wales more prosperous and secure.

The Development Bank of Wales will be self financing from 2018-19. In recent years, the operating subsidy paid to the former Finance Wales has decreased significantly from over £5m to £1.74m in the current financial year, as the company increased the levels of fee income from invested funds. The fee income that continues to be generated from existing funds, combined with the fee income that will arise from investment of new funding over this budget period will enable the Development Bank of Wales to be self sustaining. The efficiency saving of £1.74m in core operating funding which previously supported Finance Wales is reflected in the Draft Budget plan.

The business case is predicated on new funds of £139.75m which is supported through a combination of Financial Transaction Reserve (FTR) capital totalling £99.75m and £40m legacy funds which will be generated from the former Finance Wales funds. In the 2017-18 Final Budget the four year capital plan included an allocation of £45.75m in the MEG, of which £28m FTR is profiled over financial years 2018-19 to 2020-21. A further £30m for the Property Fund was included in the Housing MEG. In summary of the £99.75m FTR capital, a total of £75.75m has been approved within the portfolio budgets and the additional funding requirement of £24m will be bid for under future budget rounds.

The availability of funding for investment is a key risk for any banking institution. However with the funds already under management from the former Finance Wales and the new funding the Development Bank of Wales is in a strong position. In the event that Welsh

Government approval is not secured for the £24m funding requirement identified in the business case then the mitigation against potential reduced fund fees for the Development Bank of Wales would be to manage and reduce operational costs accordingly.

The decision to locate the headquarters of our new Development Bank in North Wales is part of a wider commitment we have as a Welsh Government to spread prosperity and jobs across to every region of Wales. The location strategy is available on the Development Bank of Wales's website and provision is included in the six year plan. This may be accessed using the following link:

<https://developmentbank.wales/sites/default/files/2017-11/Pan%20Wales%20Strategy.pdf>

Given that we are in commercial negotiations to secure the lease for a property it would be inappropriate to comment on the costs of establishing the new headquarters. We anticipate the opening of the new headquarters in Wrexham in the New Year with around 20 staff, with the aim to build up to a team of 50 by 2021.

I trust that the responses will address the Committee's areas of interest and look forward to updating the Committee further on the priorities within my portfolio. Thank you for your continued support.

Yours sincerely

*Thanks so much for your kind understanding.
Yours ever,
Ken*

Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport

Mark Drakeford AC/AM
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref

Simon Thomas AC
Cadeirydd
Y Pwyllgor Cyllid
Cynulliad Cenedlaethol Cymru
Bae Caerdydd
Caerdydd
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21 Tachwedd 2017

Annwyl Simon

Cyn sesiwn graffu ar y Gyllideb yr wythnos hon yn y Pwyllgor Cyllid, roeddwn am amlinellu fy mwriad i ailstrwythuro Cyllideb ddrafft 2018-19 i gyd-fynd â'r portffolios Gweinidogol newydd ar ôl ad-drefnu'r Cabinet.

Roedd cynigion y Gyllideb ddrafft amlinellol a gyhoeddwyd ar 3 Hydref, a chynigion y Gyllideb fanwl a gyhoeddwyd ar 24 Hydref, yn adlewyrchu portffolios Gweinidogol Llywodraeth Cymru ar y pryd.

Er mwyn bod yn gwbl glir ynghylch Cyllideb Llywodraeth Cymru a'n cynlluniau gwariant, fy mwriad yw ailddatgan tablau Llinell Wariant yn y Gyllideb y Prif Grŵp Gwariant (MEG) a gyhoeddwyd yn rhan o'r cynigion gwariant manwl ar 24 Hydref, i gyd-fynd â strwythurau newydd y portffolios.

Newid gweinyddol yn unig fydd hyn i reoleiddio'r newidiadau i'r strwythurau newydd a'r portffolios Gweinidogol. Wrth ailddatgan tablau'r gyllideb, byddwn yn cysoni'r tablau a gyhoeddwyd ym mis Hydref i gyd-fynd â'r strwythurau newydd. Wrth wneud hyn, byddwn hefyd yn ailddatgan sefyllfa Cyllideb 2017-18 i gefnogi'r gwaith o graffu ar yr Ail Gyllideb Atodol yn ddiweddarach yn y flwyddyn ariannol hon.

Mae tablau diwygiedig Llinell Wariant yn y Gyllideb y Prif Grŵp Gwariant yn cael eu hadolygu ar hyn o bryd gan Ysgrifenyddion y Cabinet a'r Gweinidogion. Byddaf yn cyhoeddi'r tablau cyn y drafodaeth ar y Gyllideb ddrafft ar 5 Rhagfyr.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Tudalen y pecyn 38
We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Rwyf yn anfon copi o'r llythyr hwn at Gadeiryddion y pwyllgorau polisi.

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

Mark Drakeford AC/AM

Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance

Mae cyfyngiadau ar y ddogfen hon

Eitem 6

Mae cyfyngiadau ar y ddogfen hon