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[Y Pwyllgor Menter a Busnes](#)

[The Enterprise and Business Committee](#)

14/01/2016

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[Committee Transcripts](#)



Cynnwys Contents

- 4 Introductions, Apologies and Substitutions
Cyflwyniad, Ymddiheuriadau a Dirprwyon
- 5 Craffu ar y Gyllideb Ddrafft
Scrutiny of the Draft Budget

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mick Antoniw	Llafur Labour
Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Jeff Cuthbert	Llafur Labour
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Andrew Clark	Dirprwy Cyfarwyddwr, Is-Adran Addysg Bellach a Phrentisiaethau, Llywodraeth Cymru Deputy Director, Further Education and Apprenticeships Division, Welsh Government
Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (The Minister for Economy, Science and Transport)
Julie James	Aelod Cynulliad, Llafur (Y Dirprwy Weinidog Sgiliau a Thechnoleg) Assembly Member, Labour (The Deputy Minister for Skills and Technology)
Simon Jones	Cyfarwyddwr, Trafnidiaeth a Seilwaith TGCh, Llywodraeth Cymru Director, Transport and ICT Infrastructure, Welsh Government

Huw Morris	Cyfarwyddwr, Sgiliau, Addysg Uwch a Dysgu Gydol Oes, Llywodraeth Cymru Director, Skills, Higher Education and Lifelong Learning, Welsh Government
Neil Surman	Dirprwy Gyfarwyddwr, Is-Adran Addysg Uwch, Llywodraeth Cymru Deputy Director, Higher Education Division, Welsh Government

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

Anne Jones	Gwasanaeth Ymchwil Research Service
Rachel Jones	Dirprwy Glerc Deputy Clerk
Andrew Minnis	Gwasanaeth Ymchwil Research Service
Gareth Price	Clerc Clerk

Dechreuodd rhan gyhoeddus y cyfarfod am 11:00.
The public part of the meeting began at 11:00.

Introductions, Apologies and Substitutions
Cyflwyniad, Ymddiheuriadau a Dirprwyon

[1] **William Graham:** Good morning and welcome to the public session of the Enterprise and Business Committee. I have received apologies from Gwenda Thomas. The meeting is bilingual. Headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 2. The meeting is being broadcast and a transcript will be published. May I remind Members and witnesses that there is no need to touch the microphones? In the event of a fire alarm, will people please follow the directions from the ushers? Are there any declarations this morning?

[2] **Eluned Parrott:** Yes. I'd like to make a declaration of interest. My husband works in a higher education institution.

[3] **Yr Arglwydd Elis-Thomas:** Yr **Lord Elis-Thomas:** I declare an

wyf yn datgan diddordeb fel interest as the chair of Bangor
cadeirydd Prifysgol Bangor. University.

[4] **William Graham:** Thank you very much.

Craffu ar y Gyllideb Ddrafft Scrutiny of the Draft Budget

[5] **William Graham:** We welcome Julie James this morning. Thank you very much for your attendance. Could I ask you to give your names and titles for the record, please?

[6] **The Deputy Minister for Skills and Technology (Julie James):** I'm Julie James. I'm the Deputy Minister for Skills and Technology.

[7] **Mr Morris:** I'm Huw Morris. I'm the director for skills, higher education and lifelong learning.

[8] **Mr Surman:** Good morning. Neil Surman, deputy director, higher education.

[9] **Mr Clark:** Good morning. Andrew Clark, deputy director, further education and apprenticeships.

[10] **William Graham:** Thank you very much.

[11] **Mr Clark:** Also, for the record, my wife works for a higher education institution in Wales as well.

[12] **William Graham:** Okay, thank you.

[13] **Lord Elis-Thomas:** There we are—we're all involved. [*Laughter.*]

[14] **William Graham:** Julie, thank you particularly for coming in today. I know you're standing in in part for Huw Lewis. We're grateful to you. I understand Huw is having a minor procedure, shall we say, and hopefully he'll be back in full harness shortly. So, I gather you want to make a short opening statement.

[15] **Julie James:** Yes please, Chair. I'd be very grateful. I just wanted to start off by saying thank you very much for inviting the Minister and me to

give evidence to the committee for our portfolio proposals for the draft 2016–17 budget. As you’ve already said, Chair, the Minister’s had to send his apologies this morning and he was very upset to have to do that. I’ve brought all of the officials with me who normally support both the Minister and me. So, hopefully, we’ll still be able to cover all of the questions the committee has. If not, we can always write to you with any further detail if that proves necessary, but I hope it won’t; I hope we can answer all your questions this morning.

[16] I just wanted to make some opening statements about setting the context for this committee and how the Minister and I have made some of these budget decisions, because this committee covers a small part of the portfolio in terms of its overall spend and I think it’s important for the committee to understand the full context of the decision-making process. So, I just wanted to say what our thinking has been across the portfolio. So, forgive me if some of it isn’t within the committee’s ambit, but it helps set the scene, I think.

[17] It will come as no surprise to any of you that we’re in one of the tightest public spending squeezes in the history of devolution. Our budget will be 11 per cent lower by 2019–20 than it was in 2010–11. But, despite that, we’ve got a very ambitious programme of educational reform going on—the biggest we’ve seen since 1944—and a lot of our budget decisions have been made with a view to not adversely impacting the roll-out of those reforms in our education sector.

[18] So, in that context, a number of factors have guided our thinking. The first has been to protect the fundamental elements of the major educational reform programme we’ve put in place and to sustain the recent positive uplift in attainment we’ve seen as a result of this work. We’ve got GCSE results up across the board, an attainment gap that is closing at every key stage of education and major interventions like our pupil deprivation grant having a clear impact on attainment of our poorest pupils. We want the momentum to continue, so we’ve chosen to protect the 1 per cent protection of school spending that we’ve made over the last five years into the next year, and possibly beyond.

[19] The second consideration has been to continue to build capacity within the system of Welsh education itself. So, that’s continuing to invest in the bedrock literacy and numeracy support underpinning almost every element of what we do right across the whole education and skills portfolio.

We've invested in the crucial work of developing the new curriculums, supporting professionals within the pioneer schools to make that a success.

[20] The third consideration is to invest in the fabric of the education estate so that we have world-class teaching and learning in world-class buildings. So, we've set an ambitious programme of infrastructure support up to 2023 through our twenty-first century schools and education capital programme, and we're supporting that with an additional capital allocation of £22 million next year.

[21] The fourth consideration has been to ensure that we are supporting as many learners as possible to stay in education and get the skills support they need. So, I'm very pleased to say that we've been able to find additional money to protect the further education budget next year and also to provide additional funding for more high-quality apprenticeships.

[22] This budget also levers significant extra funding for Wales in through European structural funds to make sure we're maximising every source of funding at this time of stretched resources.

[23] The fifth and last consideration has been to ensure that, where we are making investments and interventions, we're embedding these in a fabric of a generally self-improving system of education. So, a good example of this is how, in extending our investment in the Schools Challenge Cymru programme into the third year, we have sought this time to direct investment towards stronger schools that will work with our challenge schools to forge new partnerships or embed capacity in the wider regional consortia. So, this is moving us away from a culture of temporary external interventions from outside bodies towards a college-to-college, department-to-department, professional-to-professional model of support that is the hallmark of all world-class self-improving systems. We've obviously got much more work to do to achieve this, but we see this budget as enabling us to take another important step along that road.

[24] The final point I want to make to the committee is, as usual, I'm not going to pretend that there are not some very difficult cuts in this budget. I've been in front of this committee many times and said that we've had no good choices to make here. We've had to make some very difficult decisions to fund the priorities we've outlined, but where we've had to curtail specific programmes or budgets, we've tried to do that in a way that either embeds those gains in the wider system or tapers it so that the institutions can

recover resilience sufficiently to carry on. I'm sure the committee will want to ask specific questions about that, but I can give examples of that as we go through. One of the examples of that is the way in which we've tried to do everything in regard to the wellbeing of future generations Act. So, we've had a lot of success in hitting the targets that we've been set in that regard in terms of the self-improving system.

[25] I think also, critically, it's important to note for the committee that whilst we've done this major programme of reform, we've been successful in bringing the education profession along with us on this reform journey. The schools and colleges traditionally don't like a lot of change, for very good reasons, but actually these proposals are very well-received by the great majority of our educational institutions, establishments and professionals. So, I'm sure we'll dig into the detail of that, but I wanted to just set that context for some of the specific decisions that I'm sure, Chair, you'll be asking me about in the next hour.

[26] **William Graham:** I'm most grateful, Minister, as that was very helpful. As you can imagine, we've been given some excellent questions to ask. I'm going to start, if I may, and I've divided these into several sectors, but we ought to start with funding the higher education sector. So, first of all, what about the impact of the proposed cuts to the higher education provision budget expenditure line, and how are those, specifically in terms of funding for expensive subjects—and, Minister, you will know that this committee has a particular interest in STEM subjects—affecting the quality research and Welsh-medium provision?

[27] **Julie James:** The cuts to the HEFCW running costs or budget are what you're talking about there. There's a £41 million cut, give or take the odd percentage point, and £21 million of that is a transfer of student fee support just from HEFCW to the way we normally pay student fee support, just to regularise the position. So, that actually isn't a cut in any sense of the word, really. And there is a £20 million actual cut to the budget. HEFCW have a meeting very shortly to discuss how they are going to implement that. They have a number of ideas that we've obviously discussed—the Minister's discussed, and I've been part of some of those discussions, obviously—but I think we want to see what they propose before we come back. The Minister has the right, of course, to issue a remit letter to them, and he will do that, but we would like to see HEFCW's proposals first for that. I think the Minister is on record as saying—and I'll echo him—that we very much want to protect part-time provision if at all possible. However, it's for HEFCW to come up

with their proposals to us, and the Minister will respond in due course. It's not actually in my portfolio, specifically. So, if you have more specific questions on that, I think Neil and Huw will try to give you more detail, Chair.

[28] **William Graham:** So, without wishing to second-guess the Diamond review, how about introducing loans for taught postgraduates? Is that a possibility?

[29] **Julie James:** The postgraduate loan situation has been a very fraught one. I'm sure you've seen that the Minister has made several public pronouncements about how distressed we are about the situation of the Student Loans Company and, in fact, Chair, I'd like to suggest, if I may—and forgive me if it's a bit cheeky—that perhaps the committee would like to ask the Student Loans Company chief executive and chair, to come down and speak to you personally about why they have not been able to support Wales in this next financial year in the way that they've supported England, because, quite frankly, we're very angry about it. So, what they've done is that they've responded to pressure from English Ministers to do a postgraduate loan, and we have been told categorically that they cannot do that for us in the same period and I just think that that's not acceptable.

[30] **William Graham:** Would that find favour with the committee? Shall we invite?

[31] **Lord Elis-Thomas:** Yes, absolutely.

[32] **William Graham:** Okay. Well, I'll ask the clerk to do that. It would be quite appropriate, clearly.

[33] **Julie James:** So, the answer to your question is: they know that we want to do it as soon as possible. We would have liked to do it now. We haven't been able to, just for the administrative problems that they've had, but we are on record as saying that we'd like to do it as soon as possible.

[34] **William Graham:** One of your Government's policy intentions is widening access, so how are you going to monitor that the money spent by higher education actually brings that about?

[35] **Julie James:** So, what we've got is that, in the new Act, higher education has got to propose its fee arrangements to HEFCW, and, as part of that, they have to set out what their widening access arrangements are, and

it's for HEFCW to monitor that and comment back to us and to the institutions about those arrangements. So, that's a sort of broad-based approach. I think I'll ask Neil to talk to you a little bit more about the detail of that.

[36] **Mr Surman:** Yes, as the Minister says, the arrangement, insofar as the majority of universities' expenditure on widening access and the activities that support that are concerned, is covered by their individual fee and access plans, which are submitted to HEFCW and scrutinised by the funding council, and if they are satisfied that the institution's ambitions are sufficiently stretching and that the objectives and programmes of activity set out in their fee plans are adequate and appropriate, HEFCW then approves the fee plans and the institution is able to charge the higher level of tuition fees that that implies.

[37] There's been some separate work alongside that undertaken by WISERD—the Wales institute of social and economic research; I can never get the acronyms right—

[38] **William Graham:** Sorry, I didn't quite catch that. What's the—

[39] **Mr Surman:** The Wales institute of social and economic research.

[40] **William Graham:** Right, okay, thank you.

[41] **Mr Surman:** 'WISERD' for short. They've done an interesting piece of work for HEFCW—an analysis looking, over time, at widening access and how effective we have been in terms of promoting wider access in Welsh universities and the factors underpinning that. The WISERD analysis is quite interesting. It tells us, essentially, that widening access is a very much more complicated business than it appears. It sounds quite simple, but, in fact, there are any number of complex and interrelated factors that bear upon widening access, particularly for those who are more disadvantaged, and they have recommended a more strategic national approach to be developed. Now, we haven't yet undertaken that thinking, because the WISERD report is still quite fresh, but there is a piece of work for us now to do to take account of that and to work with HEFCW and work with our institutions to address some of the findings of the WISERD report. It's a very good piece of work, I think.

[42] **William Graham:** Thank you.

[43] **Julie James:** Can I just add to that, Chair, actually?

[44] **William Graham:** Please.

[45] **Julie James:** I know that the Minister holds this as one of his dearest policy aims, so I'm sure he will be taking that forward with great interest and dispatch

[46] **William Graham:** Thank you very much. Jeff.

[47] **Jeff Cuthbert:** Yes. I was a little remiss when you asked for declarations of interest. In view of some of the later questions, I need to make it clear that I'm a member of the board of the National Training Federation for Wales, which deals with apprenticeships.

[48] **William Graham:** Okay. Thank you for the declaration.

[49] **Jeff Cuthbert:** Can I ask you about the impact of the budget decisions, particularly on part-time higher education provision? I do understand, of course, the overall situation that you have to face, but, certainly, I and many other AMs have been lobbied quite strongly on the issue of part-time provision, particularly by the Open University, because it's felt that it'll be a disproportionate impact upon them.

[50] **Julie James:** Yes, and I think, as I said, it's for HEFCW to come back to us in the first instance with their proposals for their budget, for their way forward. The Minister has the right to issue a remit letter, which, of course, he will do. He is on record—and I'll reiterate it one more time—that we concur with that entirely. We would like to see part-time education be one of the priorities. But, until we see HEFCW's comments back to us, we're not in a position to say one way or the other whether they agree with us or not. The Minister's also made some comments in public, which I think are worth repeating, about our support for the Open University and our concern that the Open University continues to play an important role in the university sector in Wales. But I reiterate, until we see the HEFCW proposals, it will be difficult for us to make specific comments. The committee will not have to wait very long; meetings are in very short order. Neil, would you like to—

[51] **Mr Surman:** The HEFCW council meets next Friday morning in fact, and they'll be considering their response to the draft budget proposals at that

meeting.

[52] **Jeff Cuthbert:** Do you mean tomorrow?

[53] **Mr Surman:** No, next Friday.

[54] **Jeff Cuthbert:** Next Friday.

[55] **William Graham:** Thank you. Rhun, do you have a supplementary?

[56] **Rhun ap Iorwerth:** Yes. On the wider cuts to the higher education provision budget expenditure line, really, and on the impact assessment studies that have been carried out, what impact assessment has been carried out on the effect of this cut on local economies where universities are based?

[57] **Julie James:** I'll ask Neil to come back to you with some of the specifics for the decision, but I'd just like to make a couple of comments there and reiterate, you know, that there have been no easy decisions here; nobody wants to make any of these cuts. I'd much prefer not to be in a position where I'm making any cuts at all. So, I think it's in the context of 'there have been no good decisions here'. However, it's important to point out at this point that the higher education arena of public life in Wales is the only one that still has an increasing budget, and although £20 million is a great deal of money, it's a very small percentage of their overall income. So, we have to set it in context.

11:15

[58] That's not to say that I'm happy about it or that I'm saying that it will be easy or that I'm saying that—. You know, there will be some difficult choices. But in the context that we're in, where virtually every other area of public life is looking at a declining budget, higher institutions are still looking at an increasing one. But I'll pass the specific—

[59] **Rhun ap Iorwerth:** But before Mr Surman expands on that, I would suggest that even difficult decisions—I accept that you're in a position where you are having to make difficult decisions, but even difficult decisions have to be based on evidence—

[60] **Julie James:** Absolutely.

[61] **Rhun ap Iorwerth:** —and the question is: what impact assessment studies have been conducted specifically on the impact of these cuts on the local economies of where universities operate in Wales?

[62] **Mr Surman:** I think the short answer to that is that there hasn't been a specific impact assessment of that sort, but that is—

[63] **Rhun ap Iorwerth:** Why would that be? Because there clearly can be a major economic impact.

[64] **Mr Surman:** Indeed there could, but there are so many factors at play besides the potential reduction in the HEFCW budget. It is true, as the Deputy Minister has just said, that, despite this cut, we still anticipate income, overall, to the Welsh university sector to increase over the next few years, from a little over £1.3 billion a year at the moment to something over £1.5 billion.

[65] **Rhun ap Iorwerth:** In what ways, in general?

[66] **Mr Surman:** Globally. So, if current recruitment patterns hold and if universities are able to continue to succeed in attracting students to Wales, given that the majority of their income now comes in the form of student tuition fees, we would expect income overall—now, of course, that will not be equally shared amongst our institutions; it will depend upon their specific circumstances, their particular offer to students, how attractive that offer is, and it is all dependent upon their ability to succeed in that market and attract students. If they are able to do that and if current recruitment patterns continue, we expect income levels, therefore, to increase over time. So, at the very top level, if we're talking about Welsh higher education in the round, we would not expect a reduction of £20 million or so in the HEFCW budget to impact very significantly, if at all, in terms of the local economy.

[67] Now, because of the complexities in terms of student flows, tuition fee income flows and all that that implies, and because of the other dependencies on university income as well—universities have income from lots of different sources, as you will know: tuition fees, in the main, HEFCW support, to some extent, but also research income, commercial income, spin-offs and all sorts of other things—. So, it's such a complex pattern, both within individual institutions and across Wales, between institutions, that the sort of analysis that would be required, I think, to assess the impact of this small reduction, relative to all of those other factors at play, would be

extremely difficult and probably require quite a substantial piece of research.

[68] **Rhun ap Iorwerth:** It's quite possible, as a result of the desperate need to increase recruitment, that grade expectations might have to be reduced. Coupled with the fact that there is less public funding, if you like, going into the universities, the effect will be a drop down the league tables, probably, for some Welsh universities, through no fault of their own and through no differing actions on their part. What impact assessment has been made of the effect of that, perhaps?

[69] **Julie James:** Just to say, I mean, one of the issues we've got is we're now going into the hypothetical, because, actually, we don't know any of those things yet—

[70] **Rhun ap Iorwerth:** But it's a risk.

[71] **Julie James:** Well, it's a risk but—

[72] **Rhun ap Iorwerth:** And you would have measured that risk. So, the question is: what assessment has been made of that risk?

[73] **Julie James:** Well, but the point is it's not an impact assessment; it's a risk assessment. It's a different sort of thing. And, actually, I'd just like to point out that the fee income that most universities get is also public money; it's not private money. So, they are being very, very heavily supported by the public estate. You know, as Neil has just pointed out to the committee, a lot of this is in the hands of the universities themselves: how they play themselves in the market; the decisions they make about grade boundaries; the offer that they decide to make; the level that they give inside their own institutions to differing—you know, to tuition, to research and so on. All of those factors play. These are not all public levers that we have here, so—

[74] **Rhun ap Iorwerth:** As you have prompted me, can I ask what risk assessments have been carried out of the risks of implementing these changes?

[75] **Julie James:** Well, the normal risk assessment in making these difficult decisions, because we know that all cuts carry some risks, but this is a sector, as has been pointed out to you several times now, where, actually, their income is going up and so the risk to them of some cuts in some parts of the public grant to them is considerably less, I would say, just on a

commonsense analysis, than the risk to an institution where their income is going down and we're making cuts. I mean, you know, we have very hard choices to make. But also we haven't spent an enormous amount of money on research to do that, because, frankly, I think that would be a waste of money and effort.

[76] **Rhun ap Iorwerth:** Would you accept that by changing the way, as you see it, that the money goes into universities—let's say that's what's going on—and shifting more money into student tuition fees, that then promotes the full-time undergraduate student at the expense of some of the other important elements of the work universities do—for example, part-time students, older students and research?

[77] **Julie James:** No, I don't, because we haven't yet seen the HEFCW proposals, as I've said many times. Obviously, this hasn't just come out of the blue. We've had long-term discussions with the university sector over many months, years and so on. This is not actually my portfolio area, but I have been present at some of those because we also discuss education across the board, because we've got FE and HE, HE and FE, and so on. But, you know, this has not been done in a vacuum. We've had long meetings, long conversations, much liaison with the sector, and as I say there have been no good choices here. But until we see the HEFCW proposals, and the Minister responds in his remit letter, I think it's premature to say what the impact might be on different areas, and I can't reiterate often enough, it seems, that we have said that we would like to see part-time provision well looked after in this settlement.

[78] **Mr Surman:** Can I—?

[79] **William Graham:** Yes, please.

[80] **Mr Surman:** Just a follow-up to that. I think there would be a limit as well to the usefulness of Government itself trying to undertake that level of risk analysis, because there are very severe constraints upon the extent to which Government is able to direct the funding council as to how the money it has available to it flows to institutions. HEFCW, of course, undertakes annual assessments of the risk position of individual institutions and deals with those issues appropriately. But Ministers are prevented by the founding legislation that set up the funding councils across the UK from directing how the money should go—to which institutions it can go, for what programmes of study, and which areas of activity it should support. Apart from the high-

level steer that Ministers are able to give through the remit letter framework—and that gives a pretty strategic level of direction to the funding council and to the sector as to what Government's priorities are—beyond that it is absolutely within the gift of the funding council exactly how the money is distributed, to what purpose, and to address which of the priorities set by Ministers. So, we could undertake the sort of analysis you're describing, but what we would then do with that information, given that we wouldn't have the tools as Government to direct the funding council, and what to do in response, I think, is rather difficult.

[81] **William Graham:** We're over a third—

[82] **Mick Antoniw:** Can I just come in on—?

[83] **William Graham:** One second, Mick. Let me just tell you this. We are one third through our time. We're on question 2 out of 17. So I want very short supplementaries if we're going to get through these questions.

[84] **Mick Antoniw:** It will be very short. I will just declare an interest as a visiting fellow at the University of South Wales. Of course, at the University of South Wales, 40 per cent of its students are part-time. Can I just ask you, then: what reassurance do you think you can actually give from Welsh Government in respect of the concerns that there clearly are with regard to the position of part-time students, bearing in mind the socioeconomic importance?

[85] **Julie James:** Only the assurance I've already given the committee several times, really, which is that until we see the HEFCW response to their new budget, we won't know specifically what they're proposing. But the Minister has made it very clear on numerous occasions, publicly and in committee and so on, that part-time provision is a priority for this Government

[86] **William Graham:** Thank you. Eluned.

[87] **Eluned Parrott:** Just to clarify, Minister, you seem to have suggested that an impact assessment undertaken by the Welsh Government on its decision making doesn't normally include an assessment of future risk. You seem to think that a risk assessment is a different thing to understanding the impact. What do you include in an impact assessment if not future risk?

[88] **Julie James:** Well, of course that's—. We're going to take up the rest of the time if I answer that question about all impact assessments. Of course, it entirely depends on the level of the decision, the nature of it, the amount of money that's included, the overall position of it in the portfolio, the position that we think the institution or otherwise is in when we decide to grant-fund or not, the nature of the funding, whether it's core funding—I mean, that's an impossible question to answer as a general statement of that sort.

[89] **William Graham:** Dafydd, please.

[90] **Lord Elis-Thomas:** Thank you. Could you tell me what impact you assess the decrease in the higher education funding council's running costs of some 10 per cent will have on the capacity of that body?

[91] **Julie James:** Yes. Again, we're waiting to see their proposals, but we have made some helpful proposals to them around the running costs. Obviously, their remit is changing very radically over the last five or six years, and as we've discussed many times, the amount of money they distribute is very significantly less. Their role in tuition fee distribution is gone. So, they have a different remit, a different ambit. We have suggested to them various things around accommodation proposals that we can assist them with, assistance with some of their HR alignments and so on. So, we've made some helpful proposals, I think, but, again, it's a matter for them to come back with specific proposals for how to manage that.

[92] **Lord Elis-Thomas:** I'm very grateful to Neil Surman for setting out very clearly the complexity of the higher education funding system, but I'm not sure whether this is properly comprehended, either by Ministers or officials, in its entirety. When you speak of projected fee increases in terms of income—sorry, an income increase in relation to fees and so on—you are as if you're describing a business that has a very different structure from the one that I am responsible for in the case of the university at Bangor. There is no margin here for the way that we work. The income that comes in services the substantial borrowings that we have made—these are not secrets—through the European Investment Bank and through other commercial loans—Santander, for example. This is all about improving the quality of the student experience, and that's an essential investment to attract students. So, when you're saying that the universities are there in the market, as it were, to attract students, how can we attract students to universities that are being denuded of resource for investment?

[93] **Julie James:** Well, I think it's a fair point. Many universities are very good at it—the university you're associated with is very good at it—but, in the end, we are in a situation where attracting students is the thing that levers in the most amount of money. I think it's worth pointing out at this point the very large number of English students that come in to Welsh heartland universities, bringing their loan income with them—

[94] **Lord Elis-Thomas:** Well, excuse me, Minister, you don't want to point that out to me; I'm the greatest advocate in the world for the north-west of England sending students to Bangor.

[95] **Julie James:** I absolutely know that already, and I acknowledge it very happily, but that's the market that we're in. I'm afraid, as I say—I can only reiterate—there are no good decisions here. I do not wish to be in this position. All of the decisions we've made have negative consequences for the organisations affected by them.

[96] **Lord Elis-Thomas:** But it's the scale of this and the timing of this. My vice-chancellor colleagues tell me that this means taking £60 million out of the system. Do you confirm that, or not?

[97] **Julie James:** No, I don't think that's right. As I said, we await the HEFCW proposals to see what their specific proposals for funding in the future are.

[98] **Lord Elis-Thomas:** Just one final question on this: what is the relationship of the Government currently with HEFCW? Is it a positive one, or a negative one? If HEFCW reports in a way that makes it clear to Government that the budget line will have to be reconsidered, what will be the response? I know that's a hypothetical question, but what I'm trying to get at is to what extent HEFCW now has been emasculated by this Government in the way its funding cuts have affected its capacity to be able to defend the sector.

[99] **Julie James:** Well, I can only speak from my point of view about the relationship, and from my point of view, the relationship with HEFCW is a perfectly good, very good, working relationship. We have good meetings with them on a regular basis, where we have a full and frank discussion. I can't speak for the Minister, but I've been at many meetings with the Minister with HEFCW, and those meetings are perfectly good, ordinary liaison meetings that you'd have between a Minister and an arm's-length body of that sort. So, as far as I'm concerned, the relationship is a good one. I certainly don't

think it emasculates HEFCW in any way. This is a very difficult time for everybody. The higher education institution sector is in a huge amount of flux. You've only got to see what's happening over the border to see that. The complete marketisation of the system in England is clearly going to have ramifications.

[100] **Lord Elis-Thomas:** Yes, but what I'm trying to get at—and I'll Mr Surman if he'd like to respond to this—is what's the point of a funding council that can't fund?

[101] **Julie James:** Well, they can fund. I don't think you need to ask Mr Surman that. Clearly, we haven't taken all their money off them; this is a cut, it's not a decimation.

[102] **William Graham:** Mick.

[103] **Mick Antoniw:** I wanted to ask about the Coleg Cymraeg—just, really, two things. Firstly, do you consider that it is value for money? There's £30 million there, and what is the basis of that and what is the evidence for that? Bearing in mind that you've talked about a re-evaluation, there's no indication yet as to when that re-evaluation may be. So, I don't say this critically, really, but just to ascertain precisely what the money will be used for, what it will be delivering and when the re-evaluation will take place.

[104] **Julie James:** Well, we had a report in January last year, which concluded that the Coleg had made significant progress in broadening and extending the range of Welsh-medium higher education study opportunities. It also confirmed that the work done by the Coleg since its inception has focused on building the supply-side capacity and significant steps have also been made towards creating a sustainable system for Welsh-medium higher education. For example, there's been a marked growth in the number of lecturers teaching through the medium of Welsh, and I think the Minister said yesterday in his appearance in front of a different committee that he valued and respected the work of the Coleg. So, I think that's the current position. Again, I'm sorry, it's not in my portfolio, so I have to ask colleague officials to answer in more specific detail.

11:30

[105] **Mr Surman:** As you say, Minister, there's been a relatively recent evaluation just a year or so ago, and it seems a little precipitous, perhaps, to

do another one just now. The Coleg has been a success, and we want it to continue to be a success, along with all of the other stakeholders affected by these decisions. Of course, we're in discussion with the Coleg; in fact, with the Minister and colleagues last night, we had a meeting with Universities Wales. I have a meeting with colleagues from the Coleg next week. HEFCW is very much involved in these discussions as well, and everybody involved in those discussions wants to see the Coleg continue along its current path. There is no sense in which we wish to risk the success that the Coleg has achieved so far, but there are difficulties in doing that. I would have to say we're having very productive discussions with the university sector as well about how best to support the Coleg and to support Welsh-medium provision going forward. And I'm personally still relatively optimistic that we'll achieve the outcome we all desire.

[106] **Mick Antoniw:** You have indicated, obviously, that there will be an evaluation exercise at some stage. How periodically do you anticipate these being carried out?

[107] **Mr Surman:** We haven't put a timetable for the next evaluation; I think perhaps it would very much depend upon how and in what ways the Coleg develops. It has proven itself; the early model that has been used to develop the Coleg is clearly one that has had some success. Whether that is the right model for the future is something I think we now need to test with the Coleg and with our university sector colleagues. And then, perhaps, beyond that whether we understand how the Coleg will develop and will continue. I think we can look more sensibly at how best to evaluate that—

[108] **Mick Antoniw:** So, it's work and evaluation in progress.

[109] **Mr Surman:** Always. We undertake, as you can imagine, annual discussions and evaluations about progress along the route. In terms of a formal evaluation at some set stage, I think we're not yet at the point where we can say when the next will be.

[110] **William Graham:** Eluned.

[111] **Eluned Parrott:** Thank you. 'Decimate' means to take away one in 10; this takes away three in 10, so, you know, I think that we need to be realistic about the scale here. But one thing I wanted to ask was about the accounting arrangements surrounding the higher education funding that we've got. Of the £41 million cut, obviously you've described £21 million of that as being

transferred between budgets. I wonder if you can explain to us why those transfers have been necessary, because, clearly, those kinds of moves between budgets make it difficult for those budgets to be seen to be clear and transparent.

[112] **Julie James:** The high-level explanation for that is just that we've put all the tuition fee grant subsidy into one budget, so it's actually more transparent and simpler. So, that's why I'm saying the £41 million is comprised of £21 million transferred for the fee loan support, and £20 million is an actual cut to the funding arrangements. I don't know what other detail you want, really.

[113] **Eluned Parrott:** I'm just wondering why that has been chosen to—

[114] **Julie James:** Because we think it simplifies it.

[115] **Eluned Parrott:** Thank you for that answer. I want to talk about the modelling of the tuition fee grant, and, from the original modelling you did when this policy was introduced, how far reality diverges from the modelling financially, and whether or not the anticipated number of English students have come into the Welsh higher education system.

[116] **Julie James:** In terms of the modelling, the latest estimates from the Student Loans Company suggest that the end-year outturn will be around £240 million, which is about £2.5 million higher than the forecast produced by the statistical department of the Welsh Government, and about £10 million higher than that forecast by the higher education funding council. The forecast spend is within the parameters of the original modelling. That's the high-level stuff. It's well within the parameters at £2.5 million higher than the statistical modelling.

[117] I don't have the detail in front of me in terms of English students coming across the border; I don't know if you do, Neil.

[118] **Mr Surman:** We know that there is an income from English students. It might be better, if you're seeking an analysis of actuals against previous forecasts, if we perhaps write to the committee subsequently with those details.

[119] **William Graham:** Please; that would be very helpful.

[120] **Eluned Parrott:** That would be very helpful, because, clearly, that modelling is absolutely dependent on making sure that the number of English students coming into Wales to fund and cross-subsidise students here in Wales, and the number of international students as well, are maintained. Clearly, if we could have that information, that would be helpful.

[121] **William Graham:** Oscar.

[122] **Mohammad Asghar:** Thank you very much, Chair. Minister, thank you very much for all the information that you're giving us. What consideration will be given to Sir Ian Diamond's factual interim report, including the part-time higher education in Wales final report, published on 18 December last month, before the final 2016–17 budget allocations are decided?

[123] **Julie James:** The interim report is just factual. There are no policy considerations set out there; he's just put a factual report out. And so the short answer to your question is 'none' because we won't be doing anything about it until we see the policy recommendations later in the year—or whoever the Government is will see the policy recommendations later in the year—because what he's done is he's just set out all these factual findings in the interim report. There aren't any policy recommendations at all to follow.

[124] **Mohammad Asghar:** Thank you very much.

[125] **Julie James:** Do you want to add anything to that, Neil?

[126] **Mr Surman:** I was just going to say, alongside the factual evidence, which is essentially repetition of the views of all of the stakeholders who submitted evidence to the Diamond process, there's also the underlying conclusion in the interim report that there is no agreement whatsoever amongst those stakeholders as to what the future solution should be, and that is the next stage of the process for the Diamond work. And it's when we get that thinking in, when we get the recommendations as to what the future model should look like, that the Government will be able to respond to that.

[127] **William Graham:** Joyce.

[128] **Joyce Watson:** As you say, Minister, there were no easy decisions, but, nonetheless, there have been some decisions and priorities that have been taken. I wonder if you could explain why, in terms of education and skills, some priorities have protected budgets and other budgets have not been

protected.

[129] **Julie James:** Yes, certainly. What we've done, as I set out in my opening remarks, is we've had a series of principles in which we've taken a view across the whole of the education and skills portfolio, and those have been around protecting the major reforms in our education programme right through, and, so, the whole of the context of the budget setting has been done in the context of that. The Minister and I have been through the entire budget line by line on a large number of occasions, looking to make sure that we make appropriate decisions, and that we have the least impact on all of the organisations dependent on us. The programmes most affected by the reductions, if I can go at it that way, because that's the most transparent way to do it, I think, are: Careers Wales, which have been reduced by £2 million; we've reduced financial contingency funds by £700,000, which reflects a series of historic underspends; and the higher education cut of £20 million that we've been discussing so far in the committee.

[130] In terms of protections, we've protected further education, as I said in my opening remarks, and we've protected work-based learning. Indeed, we've managed to increase that by £10 million—we've got the £5 million from the budget agreement with the Liberal Democrats included in that, and an additional £5 million from Welsh Government funding. The student support budget has been increased by £31.1 million—£21.1 million of that being the transfer that we've already discussed, and an additional £10 million additional funding, so that we stay within the parameters of the forecast that we've just discussed. We'll obviously write to the committee with the forecast, as we've just agreed.

[131] **William Graham:** Dafydd.

[132] **Lord Elis-Thomas:** I think I've asked enough.

[133] **William Graham:** Thank you very much. Jeff.

[134] **Jeff Cuthbert:** Yes, thank you. If I may, I'll save some time by combining two questions.

[135] **William Graham:** Please do.

[136] **Jeff Cuthbert:** European funding. I'm well aware how important that is to Wales, but could you just describe the main outcomes that you're

expecting from the use of European funding within your budget, and, given that Jobs Growth Wales is very well supported by the structural funds, perhaps you could clarify how you intend to make sure that the next round of Jobs Growth Wales will continue to provide value for money.

[137] **Julie James:** Okay. I'll start with that last part of your question, Jeff, if you don't mind. What we've done there—. We don't have the final valuation yet because this is the end of a European funding round, as I'm sure the committee is well aware, so all of the programmes are waiting on final impact assessments, and so it's just in the queue with everything else. It's sort of unfortunate that that coincides with an election year, but there we are, that's the European funding round for you.

[138] But what we've done is we've taken very careful account of what was said in the interim impact assessment for Jobs Growth Wales, and we've adjusted the programme accordingly. And so, for example, employers are now responsible for paying the national insurance contributions for the youngsters who are on the Jobs Growth Wales programme, whereas we were paying for that before. That's about the sustainability of the employment and so on. We've stopped the public sector strand because that didn't show the sustainability figures that we would have liked to have seen, and that's because of the difficulties many local authorities have had with their budgets and so on. So, we understand the reason for it, but nevertheless it's no longer a supported strand, and there have been some adjustments to the parameters for the programme and so on. All of those are with a view to satisfying the value-for-money recommendations at the interim evaluation report. So, we've done those so far.

[139] In terms of European funding, we've got a whole series of approvals already sorted out for WEFO. That's for traineeships, apprenticeships, Jobs Growth Wales, Progress for Success and ReAct. That's a Welsh Government investment of £449 million and a European social fund investment of £189 million. Those projects support around 137,000 people so far. But we're still waiting on approvals for a number of other projects.

[140] **Jeff Cuthbert:** If I could, have you done any assessment—I know it's the nightmare scenario—in the event of the UK voting to leave the European Union of the sort of impact it could have? Would it truly decimate, not in the old Roman-army sense, but in the modern, accepted sense of the word?

[141] **Julie James:** I haven't seen a formal assessment of that, I must say. But

you've only got to look at what would happen to the funding for the programmes I've just set out to see what would happen. So, if we didn't have the £189 million, those programmes would be very severely reduced and some of them just wouldn't happen at all.

[142] **Jeff Cuthbert:** Thank you.

[143] **William Graham:** Can I ask you to ask your question on apprenticeships now, please?

[144] **Jeff Cuthbert:** Certainly. Clearly, I think everybody accepts the value of apprenticeships, both to the apprentice him or herself and indeed to the Welsh economy. In terms of the future of the apprenticeship programme within your budget and portfolio, how are you going to ensure that funding will be sustainable, say, over the duration of the apprenticeship? Also, what assessment have you done to ensure that the apprenticeships that are offered—and I appreciate there's going to be more emphasis on higher level apprenticeships—will continue to be relevant to the needs of the Welsh economy?

[145] **Julie James:** Again, starting at the back end of your question, Jeff, the committee will know that we've put a series of regional learning skills partnerships in place across Wales. They are tasked with, amongst a number of other things, researching local labour market intelligence, so that we understand what the needs of the economy are on that regional basis, as well as nationally. The idea is that they are able to assist the work-based learning providers in designing the courses necessary to suit the economy in those areas. Also, we're hoping that the regional skills partnerships will have a major impact on driving the ambition of the young people, and indeed any adults who are looking to change career, in terms of understanding what is available in terms of the market locally and choosing their learning programmes appropriately.

[146] I think it's all very well to have an enormous desire to be something, whatever it is—an astrophysicist, for the sake of argument—but, if you want to stay in your local area, then it's important to understand how you might achieve that ambition while staying in your local area, or what your needs to move around the globe might be and so on, and understand the programme of learning that you need to undertake. That's the same for the apprenticeship programme. We've long understood that for academics. But I see that as exactly the same for apprenticeships. So, you need to understand

what's likely to be available to you in the local economy and direct your training and learning needs in that direction—if that's where you want to stay. If you're happy to move all over the world, then, obviously, you can make decisions accordingly.

[147] In terms of the sustainability, we direct funding towards ensuring that people on the programme complete, and then the new starts come afterwards. For the new starts, we make sure that there is sufficient budget to complete their programme because that's why we have such a good completion rate in Wales—amongst one of the many reasons we have good completion rates in Wales—because we like to ensure that learners are in stable environments where they can complete their programme. So, it's very difficult to say exactly how many new starts this new money will achieve, but we think it'll be 2,000 to 3,000 new apprenticeships—some of them are longer programmes and some of them are more expensive and so on. But there'll be around 2,000 to 3,000 new apprenticeships as a result of the money that's gone in.

[148] **Jeff Cuthbert:** Can I ask then, on apprenticeships, in terms of the contribution that could be made by employers? I know that they pay the wages, obviously, clearly, and we pay for the training, more or less. What's the current state of play in terms of the co-financing issue?

11:45

[149] **Julie James:** Actually, as you'll know, Jeff, we had done a consultation on the way our apprenticeship programme works, and then the apprenticeship levy was announced just as we were about to announce the outcome of the consultation. So, it stopped while we sought to understand the apprenticeship levy arrangements. I have a series of meetings with various Ministers from devolved administrations and England over the next few weeks, where we hope to bottom that completely. Then we will be making the announcements, based on our own consultation, as to what the shape of the apprenticeship programme will be in the future. Those sorts of considerations will be concluded in those announcements. So, I'm afraid you're just a little bit ahead of me in the committee, in terms of my understanding of where we might be. But, obviously, co-investment is a major platform for us. We clearly want the programme to be as sustainable as possible. Clearly, we know that, where employers invest, they tend to be more sustainable programmes.

[150] **Jeff Cuthbert:** Thank you.

[151] **William Graham:** Thank you. Eluned, on Careers Wales.

[152] **Eluned Parrott:** Thank you, Chair. I wanted to ask about careers services. You mentioned that as one of the organisations most highly affected by this budget—a 10 per cent decimation of their budget this year. Actually, over recent years, we are looking at a cut of more than half in the funding that careers services have received. Now, I understand that the Children, Young People and Education Committee were told yesterday that the savings will be sought by making a move towards digital services and co-location of offices with further education. So, just bottoming that out a little bit, in terms of digital services, what assessment have you made of how a digital service can be proactive in encouraging young people to take up things like apprenticeships that they may not have considered before, or can be effective in effecting culture change towards tackling things like gender bias within the apprenticeship programmes?

[153] **Julie James:** Yes, that's a very interesting point, actually. I hope you all know that we launched the skills gateways for both business and individuals earlier in the year, and we've got some very early results from that. I'm not in a position to be able to release those yet because they are just very early results. But it looks like they're successful in directing, particularly, young people into slightly different avenues. I hope you're all familiar with the new websites; I think they are great, myself. There are a lot of little video vignettes about, you know, tackling some of the prejudices that I know the committee has looked into on numerous occasions. So, if you say a sector to somebody—agriculture, they think 'dairy farmer'; and, if you say 'construction', they think 'bricklayer'. Whereas, in fact, actually, agri-industries in Wales encompass an enormous range of employment, from the most high-tech lab conditions you could possibly imagine to, indeed, the redoubtable dairy farmer, and construction the same. We've seen a huge increase in the number of women going into construction industries in project management, quantity surveying, and so on. What those websites are doing is attempting to give people easy digital access to that range in an accessible format that youngsters will understand. We've also revamped all the Facebook, Twitter, Instagram and things-I've-never-heard-of-yet programmes that youngsters access all the time. We've got those very popular quiz things—you know, 'What career do I most look like?'—and some celebrities to go with it: 'Oh look, I'm an astronaut', for the sake of argument. I'm using all the high-profile ones that I can think of at my age,

but, actually, there's a very wide range of things on there.

[154] I'm sure you've heard me say many times, Eluned—and I'll say it again for the committee—that I've always believed that you can't want to be something you've never heard of. So, it's extremely important to make people understand what those jobs are, and how you have an ambition to be them in the first place. Then it's for us to have a careers service that lines up behind that to make sure that people have the right information first time, to make the right choices early on. So, one of the things we've put, for example, in place is the common application process. At 16, at the moment, you have the opportunity to thoroughly consider what your choices might take you towards after 16. I would like to see that driven down to 14, when you first start to make the defining choices of your career. I'm sure you've all come across—. I have no empirical evidence for this, but I have lots of anecdotal evidence for this: I come across people in work-based learning programmes all the time who made the wrong decision at 14 or 16, and have taken several more years of publicly-funded education to sort themselves back out again. Clearly, we'd like to minimise that. So, going back to the first question about Careers Wales, what we're trying to do is make them take their diminishing budget and redirect it towards the kinds of services that support that kind of thinking.

[155] Also, we have a system in the schools called Hwb, and that's a big digital learning platform, and we're looking for the careers service to line up with the education service to make sure that the careers advice available through Hwb is fit for purpose, because one of the other things I'm sure the committee's taken cognisance of many times in the past is that when people say 'careers service' they don't necessarily mean the careers service; they mean the careers advice they were given in school, which is not necessarily the same thing—well, actually, it often isn't the same thing. And so one of the mismatches we're trying to address, through this digital platform, is to line those two things up more effectively.

[156] **Eluned Parrott:** Minister, digital platforms are very helpful for students who are motivated enough to follow that through and to do that, but I am very concerned about the impact of cuts on face-to-face careers guidance for those young people who are less engaged; who don't know what they want to do, who haven't got to that point in time, and those face-to-face careers interviews are incredibly important for those individuals, particularly if we're looking at cuts to things like offices for Careers Wales, through things like, for example, co-location with FE colleges. Well, the careers

service offices actually provide services to unemployed adults and to NEETs. How on earth are you going to get young people who are not in education, employment or training to go to a careers office that is in a provider of education? They are, by definition, not in an FE college, so that co-location isn't where they are. How are you going to make sure that, with this change in delivery, those vulnerable young people are not going to be left behind by that change?

[157] **Julie James:** That's a very good point, well made, but I think it's important to remember that Careers Wales are not the only people working with those young people, and the other thing we've protected in this budget is the youth engagement and progression framework workers. And so what we're expecting is that those youth services, in their entirety, work together far more ably in order to pick up the people most at risk and identify them early on, and that the money is carefully directed, so that face-to-face, expensive provision is directed to the most vulnerable and needy. I will say at this point, Chair, because I know the committee's very engaged in this as well, that that includes older workers with complex problems, not just youngsters. But it means that the service can be directed towards those most vulnerable, whilst for those who need generalised information, or who are sufficiently confident to access that through Skype or Webchat—it's still a personalised service, but it's not face to face in a room; it doesn't mean that it's not face to face over a computer, I will say—those things can be delivered a great deal more simply and ably by a highly trained careers adviser—and they are highly trained, and I would like to say at this point and put my gratitude on record to the careers service, which have been magnificent throughout all of this and their workers are excellent, and I would like the committee to acknowledge that we are acknowledging that in no uncertain terms—but that they make the most of their valuable time and resource. For example, they can service an enormous amount more people digitally from a single office, via the web, via Hwb, via Webchat and so on, than they can by being peripatetic around the country, taking up a lot of time and energy in travelling and so on. That's not to say that some people won't always need face to face; of course they will, but I think the days where everybody gets a face-to-face interview are long gone, and that's a very expensive way of delivering a service.

[158] **Eluned Parrott:** And just finally from me, very shortly, how does the balance between the cost of restructuring weigh up against the savings you're making by closing offices? Clearly, there are restructuring costs; there will be costs in terms of staffing and going through that process. How much

is that going to cost within this year's budget?

[159] **Julie James:** It's not at all clear that this cut requires staffing reductions at this point. I'm not clear that it won't happen either, but I'm not clear that it will; it's not an absolute inevitable follow-on that there will be staff reductions from this, and that's because Careers Wales has a large amount of non-core funding also. It receives funding from ESF projects for example, and other areas of funding, and it's the usual complex situation, so, until we see what the whole of the funding arrangements are for next year, it's not clear that there will be staff reductions as a result of this, although I have to say that it's not clear that there won't be either. And the income profile and the value of funding to planned ESF activity and so on, which is not yet approved by the Welsh European Funding Office, until we see what that might be, I have no idea what the eventual overall budget might look like in terms of staff reductions. I could tell you what the core would look like, because, obviously, that's the bit that we fund directly. So, it's not clear yet; we're in discussions with the careers company all the time. I chair the careers forum for Wales, where we're in discussion about all of this as well.

[160] This is a much wider picture than just careers, and, as I reiterate to you, it does depend as well on their liaison with youth work—youth reference people, the youth progression framework people and a large number of other organisations. So, we are concerned that they make the most of their money, that they rethink the way that they approach some of this budgeting and that it's not a salami slice. So, I don't want to see just a 2 per cent reduction of every service they provide. We want to see a proper baseline analysis of what can be offered for the amount of core funding they have, what is additional to that for the ESF, and then we can take a view.

[161] **Eluned Parrott:** Thank you.

[162] **William Graham:** Joyce.

[163] **Joyce Watson:** We did have, Minister, as you know, a real interest in employability of all ages from this committee, and you are about to launch Skills for Employment Wales with that in mind. It is due to start in April 2016. Are you able to tell us whether you've set any outcomes within that programme?

[164] **Julie James:** That's still going through the approval processes at the

moment. So, until the approval processes are sorted out, I won't know what the absolute outcome is because part of the approval process with WEFO is around what the outcomes are and aren't. I'm afraid officials are still in the process of negotiating through WEFO. A lot of that is now being done through the regional skills partnerships, so it's not directly funded by the Welsh Government. So, the Activate your Potential proposals, which I'm sure you've all heard about, are now being done regionally. I'm quite happy to come back to the committee as soon as I have specifics—

[165] **William Graham:** We'd be grateful for that. Are you happy with that, Joyce?

[166] **Joyce Watson:** Yes.

[167] **Julie James:** —but I'm afraid I haven't got them about my person at the moment.

[168] **William Graham:** Thank you for that undertaking, Minister. Rhun.

[169] **Rhun ap Iorwerth:** Just a quick question on traineeships: you seem quite optimistic about what you can achieve through better marketing in limiting dropout numbers and increasing uptake. I wonder if you can tell us what lessons you think have been learnt that make you feel that optimism, and what kind of outcomes targets have you set for yourself?

[170] **Julie James:** Sorry, I'm going to sound like a broken record now, and I apologise, but we're actually right in the middle of the process of review of traineeships. It was also delayed while we tried to sort ourselves out over the apprenticeship levy and so on. It is not absolutely clear with the apprenticeship levy whether the word 'apprenticeship' includes traineeships or not. So, what you mean by 'apprentice' is a big part of this conversation. But we're actually, as we speak, undertaking a very detailed review of our traineeship provision, with a view to doing exactly as you've said—working out what works, what doesn't work and so on. As soon as I've got that, I'm more than happy to come back to the committee with it.

[171] **Rhun ap Iorwerth:** But you've obviously done enough work to say that you're optimistic that things are going to get better.

[172] **Julie James:** We have, but we've done enough work to know that we need to do a much more detailed analysis to be absolutely certain where we

put our money. So, we've done the initial evaluation, and that's led us to say, 'Okay, we need to have a proper look at this.' The second we've got that in a situation where I can give it to the committee, I am more than happy to do that.

[173] **William Graham:** Thank you. Oscar, on your question?

[174] **Mohammad Asghar:** A quick one.

[175] **William Graham:** Yes, please.

[176] **Mohammad Asghar:** Thank you very much, Chair. The final evaluation report found that—the quote is:

[177] 'all local authorities have made progress with implementing the Youth Engagement and Progression Framework since October 2013.'

[178] How will the draft budget for 2016–17, Minister, be used to ensure that the progress continues, particularly in view of the budgetary pressures on local authority spending?

[179] **Julie James:** Well, we protected that budget. Members will remember that I made a statement about youth work on the floor of the Senedd relatively recently, towards the end of last term, about the reference group that is working with me on youth work. They're due to report about their future requirements. So, what we've done is protected the budget for the youth engagement and progression framework inside local authorities because local authorities are undergoing, as I'm sure you all know, a moment of flux, although it's not as bad as we all thought it might have been at some point. But youth work is not a statutory service. So, in some areas, youth work has been badly hit. I will say that, across Wales, that's very patchy. Some local authorities have been excellent and have protected their provision very well. That's not the case across the board, however. It's very different.

[180] So, the purpose of that has been to protect the youth engagement and progression framework workers in each local authority so that we can make sure that we have a base on which to take forward the youth work reference outcomes. Again, this is a personal opinion—it's not my ministerial hat—but I would seek to protect some youth work because it's very important work that it does all by itself but also because of its interactions with careers and so on, which I was outlining in an earlier answer.

[181] **William Graham:** Finally, Minister, can I just ask you about the adult community learning? They've suffered substantial cuts over the years. Is it likely that your Government may publish a revised policy, do you think?

12:00

[182] **Julie James:** I would dearly like to say 'yes' to that question. We've protected it in the sense that it hasn't got any further cuts. It's certainly taken its fair share already. We're in long discussions with the sector about how best to go forward, and certainly if there were any extra money available, I would personally be seeking to persuade the finance Minister to give it to us for that area as they have taken, as you say, a substantial cut. But I'm delighted to say that that's the end of it. They haven't had any more to bear. We've had good conversations with work-based learning providers about how to go forward from here. But I will put on record and say that's one of the most difficult decisions we've ever had to make, and it wasn't easily made. We've protected basic skills provision, education as a second language—essential skills, effectively—but all of the craft and the recreational type of learning, which is so important to communities and older people and so on, have suffered a severe cut. That's not something I've been very happy about having to do, but I'm extremely pleased to say that that's the end of it, and there won't be any further cuts in this next budget.

[183] **William Graham:** Very good. Thank you very much, Minister, for your attendance today. We're most grateful to you and your officials. Thank you.

[184] **Julie James:** Pleasure.

[185] **William Graham:** Members now will come back about 12.45 p.m, please, to allocate questions for this afternoon. I'm sorry, 1.45 p.m. Thank you.

*Gohiriwyd y cyfarfod rhwng 12:01 ac 13:59.
The meeting adjourned between 12:01 and 13:59.*

[186] **William Graham:** Good afternoon and welcome back to our committee this afternoon. We're grateful to the Minister for coming to give evidence. Minister, could I ask you to give your name and title for the record, please?

[187] **The Minister for Economy, Science and Transport (Edwina Hart):** Yes.

Edwina Hart, Minister for Economy, Science and Transport.

[188] **Mr Jones:** Simon Jones, director, transport and ICT infrastructure.

[189] **William Graham:** Thank you very much. Minister, did you want to make a brief introduction?

[190] **Edwina Hart:** Yes. If I could just say, Chair, that we've been looking at what we've done in terms of paperwork and I appreciate that, probably, the presentation of the budget differs slightly this year. I think we might have to try and provide clarification as we go forward, but if necessary, I'm more than happy to prepare a year-on-year comparison paper for the committee for their further deliberations, because I recognise that this format isn't necessarily very helpful in terms of the dialogue and discussion.

[191] **William Graham:** Thank you very much, Minister. The trouble is, like you, we are equally constrained for time on this one.

[192] **Edwina Hart:** Yes, I know.

[193] **William Graham:** So, I'm going to start the questioning, if I may, Minister. Particularly on the presentation of the draft budget, could I ask why a new approach to the presentation of budget baselines has been adopted, and can you give examples of capital infrastructure projects that are recurrent and non-recurrent, to illustrate the rationale for the change?

[194] **Edwina Hart:** Yes. The issue of capital is quite clear, can I say? We are actually anticipating further capital allocations, which will be a matter for the Minister for finance—probably towards the end of February, I think, we're anticipating on that. The draft budget presented has been adjusted because of the main expenditure group adjustment and we've taken out, I think, the baselines to take out non-recurrent allocations. There is a reconciliation at annexe A of the paper, but as I said, the biggest adjustments relate to capital, where the detail of that is—how much is it?

[195] **Mr Jones:** It's about £200 million.

[196] **Edwina Hart:** Yes, about £200 million of non-recurrent allocations. This approach, I think, has made the difference to the presentational issues.

[197] **William Graham:** Okay, thank you. The road and rail scheme action

shows a reduction of £109 million compared with the allocation in both the December 2014 final budget, the 2015 budget and the June 2015 supplementary budget. Minister, would you like to make a comment?

[198] **Edwina Hart:** Yes. We've already had an allocation from central finance—it was £80 million—in on that, which includes the £27 million that's already in it for road and rail. This has already been allocated to priority projects and I think what I can do in my note is clarify all of that and how it goes across.

[199] **William Graham:** Okay. And, just finally from me, do you anticipate any further announcements before the budget is finalised, which could, perhaps increase the allocation?

[200] **Edwina Hart:** Well, we know the likelihood in terms of capital, but no decisions have been made. Also, as well, in terms of where the budget stands in terms of how we've dealt with the MEG and some of the underlying, I know there are concerns being generally expressed about some budget lines totally in my MEG—not just here, but on the culture side. Obviously, if the committee has any suggestions or any comments on that, it might be something that we might want to consider adjusting. But, in terms of the cash, I think my cash settlement for revenue is as it is, but there may be changes within the capital. I may look at certain issues around revenue.

[201] **William Graham:** Thank you very much. Jeff.

[202] **Jeff Cuthbert:** Thank you. Good afternoon, Minister. In terms of the draft budget, of course, this is for the first financial year when the provisions of the Well-being of Future Generations Act 2015 will be in force. I'm just wondering how that Act has influenced the way in which you've set the budget, and in particular, the role of the budget advisory group on equality—exactly what impact that has had—and then, finally, on Welsh language issues.

[203] **Edwina Hart:** Can I say that Welsh language issues are actually one of the core priorities, and have been with us for a long time in terms of how we've dealt with issues within the department? In terms of the department, we don't see this as any additionality; we see it as core to everything that we've undertaken. Some of the work that we've done over the years, particularly in the Teifi growth zone, with the use of the Welsh language in terms of business, I think, shows that this is core to our activities. It isn't just

a requirement of the law; it's something that we feel is absolutely right in what we're undertaking.

[204] In terms of the future generations Bill, I think what we've done—. There's a common approach, obviously, across Government to the way that these issues are being dealt with and we've always looked at the principles behind that Bill in terms of what we've got to do, because we've got to look at the long term in terms of sustainability. When you look at some of the projects that we've undertaken, and at our infrastructure projects like superfast and how we deal with economic prosperity, that helps. The council for economic renewal plays a role in this, in keeping us on the straight and narrow about the long term of these issues. The national transport finance plan, I think, is an example—which is a very highly consulted plan on some of the issues—that also shows our long-term aims in terms of sustainability and the economy. But part of this is also the prevention issues, as well, when you look at these issues. You've got to have outcomes as well for some of the other things we do, like bus and rail, which give more equality. Those, actually, come to the heart of some of the issues we need to do on the equality agenda about certain areas you need to look at. Also, as well, our activities go about how we integrate with the young persons' rail stuff, which was part of our agreement with the Liberal Democrats, which also goes to the heart of some of the work we need to do in this particular area.

[205] But, in terms of what we do on the equality agenda, that's actually core in what we've undertaken, because, obviously, we've looked at gender and equality budgeting for a very long time on some of these issues. I think it's important for us to recognise that the group that deals with this with us looks at it on every aspect of the budgets as we go through. It's very important, I think, in the decision-making process, because we've looked at it in terms of how it impacts on people and services. So, we looked at it regarding community transport, which is a very important issue, I think; the Wales and borders franchise consultation, which was also very important in key equality elements; superfast Cymru, as we've already alluded to; and the national transport finance plan, as well, which we've alluded to. So, we understand that their role is there and they form part of the consideration of all aspects of the budget.

[206] I think it's important that we recognise that we've got to engage and collaborate with everybody to get this message across. But I think what has happened with the future generations Bill and its goals has helped to focus attention even more clearly on the sustainability agenda and how we need to

have policies for the long term that benefit, and not necessarily look for short-term solutions that might be politically very good, but at the end of the day don't actually help the long-term aims that I think we want in terms of growth within the Welsh economy and everything.

[207] **Jeff Cuthbert:** Right, in terms of the FG Act, are you able to show any specific examples of change in terms of this budget compared with previous budgets?

[208] **Edwina Hart:** I would say that, in terms of what we've done—I wouldn't say there were necessarily big, specific changes, would you, Simon? We've looked at collaboration more.

[209] **Mr Jones:** I think you're right, Minister. A lot of the principles are the principles that we adopt anyway, so they're kind of enshrined in the way that we go about planning for our work, because of that long-term approach, because of that collaboration approach and because of that involvement approach, actually, which are central to what we do anyway across economy and transport.

[210] **Edwina Hart:** Also, as well, I think it's fair to say that our sector panels, when they've looked at their responsibilities in terms of future generations, and when they've looked at the development of work and businesses in Wales—they've looked at supply chains, the sustainability of supply chains and the sustainability of jobs, and how that can feed into the local economy. So, I think from that we've got more positive examples of the way that people are working and thinking, rather than giving you something definitive, because we don't see this like a targeted mechanism, at all; we see it as properly integrated into everything that we do as a department. In terms of the economy, that's the way you should look at things.

[211] **Jeff Cuthbert:** Thank you.

[212] **William Graham:** Oscar.

[213] **Mohammad Asghar:** Thank you very much, Chair. Minister, thank you very much for this. My question is on revenue reduction and value for money in your budgets. So, could you clarify the reduction in the economy and science revenue allocation between the 2015-16 supplementary budget—rather than the Welsh Government's revised budget for 2015-16—and the draft budget for 2016-17? Further to this, what specific services or

programmes will be most affected by these reductions in the 2016 budget?
Thank you.

[214] **Edwina Hart:** If I can deal with the issues that are most affected, I think, by the revenue reductions, which are about £23 million according to our chart here. I had to look at this. It's actually been a very difficult thing, I have to say, to look at in terms of budget cuts. I tried to minimise the impact of reductions on public services, jobs and growth, and to ensure the safety and reliability of the strategic road network as part of this. When you think of the discussions we've already had this week about what happened with the bad weather and everything, we have to look at the strategic reliability of the network. So, what I've tried to do is—I've had efficiencies, I think that's fair to say. We've had some reprofiling; we've had the timing of draw-down of EU income, which we've been able to deal with; we've had a better management, I think, of the property portfolio in terms of getting things; and we've had a total detailed review of activities. Everybody's had to justify every activity. We also work with our agents and everything to see what we can do, and we've had a reduction in the costs, I think—Simon, how much—of Finance Wales.

[215] **Mr Jones:** It's about £250,000.

[216] **Edwina Hart:** Yes, in their running costs, to get them fit for purpose. We're focusing on the services that people need as part of our budget now, to keep the core going. In addition, of course, the adjustments of the supplementary—I think it's in annex B of the paper I've presented, Chair, on this—. There is a movement for non-recurrent allocations with the Wales rate relief scheme and the enterprise zones, because the UK Government didn't carry on with their retail relief scheme for 2016–17, and we've obviously carried on with the small business relief scheme, but, of course, I'm more than happy to clarify in detail some of these. But I think, Simon, you've got a list you could go through for the benefit of committee, and we could then put this in writing.

[217] **Mr Jones:** Sure. So, in terms of the areas of reductions—. So, for the Business Wales entrepreneurship scheme, it's about a £6 million reduction, which is really about reprofiling the way that we're using the European money. There are some areas around property disposals. As the Minister mentioned, we've taken a view on how we manage our property asset. There's a £6 million reduction in terms of the way that we manage the trunk road agents, but, as the Minister says, the heart of what we're doing with the trunk road agents is ensuring the safety and reliability of the network. So,

we've taken that reduction whilst maintaining our focus on that element of what we do, and really that's about taking a long-term view of how the trunk road agents operate, a root-and-branch review of their activities, and looking into the detail of that. We spent six months doing a study on that piece of work.

[218] On Finance Wales, I think there's a good-news story there, actually, because it's a measure of the success of Finance Wales that they're actually able to take that reduction in funding from us because of the successful way that they're managing the funds and working on a more commercial basis.

[219] Tourism: we've taken about £1.6 million or £1.7 million out of the budget by looking again at the requirements for Visit Wales. Again, there's some reprofiling work that has gone into the £750,000-ish reduction into science. And then, as the Minister mentioned, we've done a kind of ground-up review of all of our activities to just look and see where the money was actually required. That saved us about £3 million in total across the entire portfolio in the economy department.

[220] **Edwina Hart:** Also, in terms of science, when we were in discussions with the chief scientific adviser, she's been very good at looking at other funding mechanisms to match any money that we've got and has been very successful in terms of Horizon 2020. So, we have tried to maximise the support we can get elsewhere to try and keep programmes going. But it has not been easy in terms of trying to deal with the particular areas around this agenda.

[221] **Mick Antoniw:** Minister, you started to answer what I was going to ask about, which was the extent to which we can utilise EU funding to mitigate some of these areas. I know a lot of that actually happens, but I wonder if you're in a position to actually quantify not only the usage but also the extent to which, perhaps, we're increasing usage to, I suppose, try and counter the impact of our own revenue reductions?

[222] **Edwina Hart:** I think I can give a good example here, because there's been talk that the Business Wales budget, which hasn't actually been reduced, because we've actually accelerated the draw-down from the European programme to do that, so we can get the programme and the funding maintained—. That programme is focused very much on what outcomes we want in terms of new jobs created for businesses and everything. So, we've been very successful in the European funding agenda

on that.

[223] Also as well, Sêr Cymru, as I mentioned, has been very important, because I think we've had £7 million out of one fund that we've dealt with with the chief scientific adviser. Of course, we've got the money that's coming in from the networks as well, and we've added money in for UK research councils, which she's also been able to get additional money in for. I think now, because we're in very difficult times, there's more of a strategic look across the department for other sources of income that we can get in to actually bolster budgets. There's more, I think, of an understanding of partnership arrangements, and rather than us perhaps driving it, about help and assistance, we can help them elsewhere. I think, even though it's awful you've got your budget cuts, it's actually making you think differently.

[224] I have to say, on the European side, when people talk about the European Union, European funding in some of these areas is actually a lifeline in terms of projects and the development of the Welsh economy. You've only got to look at the strategic help they give—and we're not just talking about the mainstream programmes, but other things, especially when you look at universities' research and all those areas—an enormous amount of money can come in from that source. So, as a department we're quite passionate in our relationship with the European Union and the WEFO office to ensure that we can get as much resource as we can to ensure we can deliver what we want to in developing the Welsh economy.

[225] **William Graham:** Eluned.

14:15

[226] **Eluned Parrott:** Thank you, Chair. I'm quite concerned about the Science for Wales policy area, and in particular not only what's happening within your own budget, but the impact that cuts in other parts of the Welsh Government budget are going to have on the policy objectives that are within your purview. So, for example, within the science strategy area and public understanding of science, we've had cuts to organisations such as Techniquest, which could seriously undermine some of the policy objectives there, and we've heard this morning about cuts in higher education, in terms of revenue, which not only could undermine our ability to deliver expensive subjects, otherwise known as science, but it could also then undermine universities' ability in the future to draw down funding from places like the European Investment Bank for capital projects in research facilities. So, what

impact do you think those are likely to have on your policy area, and what are you doing within your own science budget to try and mitigate the impact of these things?

[227] **Edwina Hart:** Well, obviously, I have detailed discussions with the chief scientific advisor about how we mitigate these issues, and we are content with the level of discussion we're having with other departments and that we will be able to do what we need to do in terms of the way we're developing the budget. It's not ideal, but we've had to think smarter and quicker, and I think that's what we've tried to do. I think it's important to recognise that everybody's got to take cuts.

[228] The area that originally concerned me particularly is industry and apprenticeships. All those issues were obviously of concern, because industry wants to get the right abilities in. But we've had very good discussions, I have to say, with the other department. We are content that we will be able to deliver what we want for industry in terms of what we're able to offer with those discussions. We recognise there's going to be a lot more imagination in some areas about how we deliver certain things. But I can never say in life it's ideal; it would be lovely, lovely, lovely always to have more money and never worry about it, but I've got to work within the budget that we've got as a Welsh Government, and even though I might want to say I want other money elsewhere and people say that to me—because I impact on other people as well with my budget decisions—I think we do have an understanding across Cabinet how we impact on each other, and we try to mitigate it as much as possible. There will always be complaints on the science side of the house, because I, like you, am absolutely passionate about getting this agenda right in terms of science, because I do see science and the opportunities between business and the universities et cetera as being a real growth area for us in terms of making us a very smart economy, encouraging innovation and doing things. But, at the end of the day, we recognise that we've got the correct balance here.

[229] **Eluned Parrott:** Okay, thank you.

[230] **Edwina Hart:** The best balance we can have at the moment.

[231] **William Graham:** Joyce Watson.

[232] **Joyce Watson:** Good afternoon, Minister. I just wonder whether you're able to clarify the amount of direct business support provided for in the

budget for 2016–17, and the comparative amount for the previous year.

[233] **Edwina Hart:** Well, I've obviously given some annexes, I think, haven't I? I think it's in annex C I looked at jobs created and the amount of money. Yes?

[234] **Mr Jones:** Sorry, I think that might be in your pack, Minister.

[235] **Edwina Hart:** It's in my pack?

[236] **Mr Jones:** Yes.

[237] **Edwina Hart:** Yes, so I've had a look at it. Have you got the figures to hand, so we can go through some of the figures? Yes?

[238] **Mr Jones:** Yes.

[239] **Edwina Hart:** Can I say, we have safeguarded a lot of thing through our expenditure in terms of business support and the impact on jobs? We've been supporting the new Ford eco engine in that area; we've got the life sciences hub, which we've continued to support; we've got a strategy across the piece in terms of ICT, with tech hubs and everything; we've done a lot with Hitachi-GE Nuclear Power Ltd and Horizon Nuclear Power in terms of what we're doing on the nuclear area; and, of course, in terms of Business Wales, we've carried on that support. We've also as well, in terms of growth, been supporting that excellent announcement last week about the institute for the semiconductor technology, which I think is absolutely first class. I think we give funding of about £12 million on that, and the combined investments underpin our commitment to it. It's part of a big European operation—Europe comes in again in terms of what we're doing—and it's enabled, of course, Cardiff to get a research grant of some £17 million as a result of the support. So, we're keeping business support going within those particular areas. So, I think we've tried as best we can in terms of business support.

[240] Also as well, we spoke earlier about Finance Wales, and we've considered support for the JEREMIE microbusiness loan fund, the small and medium-sized enterprise fund, the technology seed fund, and the repayable fund for SMEs. So, all the way through, we've prioritised what we can do, but there are schemes that we won't be able to prioritise. When we did the Wales economic growth fund, which we did successfully, that was for a limited

period, and we might not be able to do that again in real terms, but we are concentrating now more on repayable finance, which is finding favour with business. I have to say that, with the move in Finance Wales to a development bank, a new chair in Finance Wales, a new way of thinking within that board, I think we'll be able to use Finance Wales much more, as we would all, I think, collectively across the Assembly, wish to use them, like a bank. So, that will keep up, I think, our support in that particular area.

[241] **Joyce Watson:** I notice, Minister, that the enterprise zone budget has a reduction. Is there an explanation for that? Has that money been redeployed somewhere, or was it finite money that was put in place?

[242] **Edwina Hart:** In terms of the enterprise zones?

[243] **Joyce Watson:** Yes.

[244] **Edwina Hart:** In terms of the enterprise zones, we just juggle around budgets, and they have as well when they require—. A lot of projects, especially some of their road projects, which we've only got to look to improvements in Deeside and elsewhere on what we're doing, are just within other budgets. So, these are simply the mechanisms for managing these issues.

[245] **Joyce Watson:** Okay. So, it's necessarily a reduction; it's that the money's gone out—

[246] **Edwina Hart:** It's not necessarily a bad thing. So, I'm sure that when I see the enterprise zone chairs next week, they will be the first to indicate to me that they would like to see something more substantial in their hands. But I think it's a question of recognising that when we do improvements for broadband and the support for that, it's from another budget area, but it actually affects enterprise zones. It's a much more joined-up way of doing it, because it's important now that we appraise properly what we've been asked to do. We've had to review all underperforming projects, which has been a vast task. We stopped the business rates in one area and we looked at the legacy single investment fund; that's been a big issue for us. And when you look at what we've done in terms of Wales's economic growth, that was about £7,000 per job per head, as compared to the repayable business finance cost per job, which was £17,000. So, you've got to take all these into account, and you've all got to look at them but still keep up your business support, but be realistic, I think, about what decisions you take in terms of

allocations and who you support and where.

[247] **Joyce Watson:** Okay.

[248] **William Graham:** Rhun.

[249] **Rhun ap Iorwerth:** Just a couple of questions, I suppose, to finish this section on seeking an insight into why you've made some of the decisions that you've made. I'm looking for specific outcomes here in asking what activities within the economy and science area of your portfolio have delivered the greatest impact in terms of growth and jobs, and how the assessment of those successful areas has affected your decisions on your budget allocations.

[250] **Edwina Hart:** I think when I look at some of the successful areas, and I think we can all agree, irrespective of parties, that life sciences have produced a lot of jobs through a very innovative way of doing the fund. And that hasn't been easy getting the innovation to allow us to actually do the stuff we wanted to do within life sciences.

[251] In terms of financial sector jobs as well, the way we've encouraged jobs to come in which are high-quality jobs—. So, I think we also have to look at the quality of the jobs that are coming in in certain areas, which has also been very good, because you've only got to look at Deloitte when they had that high-level call centre, which, you know, involves international languages, and the business they've undertaken has also been very important.

[252] I also think we need to look at what we've created in information and communications technology. We've been very successful; we've got Alert Logic and all these companies coming in. ICT has been good. I think the formula that was established a long time ago of concentrating on key sectors is actually more successful in terms of achieving jobs, because you have the staff who are in place in to do it. You know what types of budgets they want, and they're very different in what they want, do you know what I mean, in terms of start-up grants, whether they need help with training and everything? And I think that area has made the difference to me.

[253] In terms of manufacturing, I think that the support that we've put in somewhere like Ford has been absolutely crucial to ensure that they've carried on with that. And there are things that are coming to fruition quietly

now, hopefully, with some announcements in the next few months that will indicate that we've been right.

[254] The other area where I think it's been good to put investment in, even though it's not our project, is the training that we've done, particularly in north Wales in relation to nuclear and the work we've done with the supply chain in that area. I think that that will give us very positive outcomes in the future, if, of course, the UK Government decides to sign-off and get that programme going.

[255] The other area that I had hoped there would be delivery was on our support, of course, for the tidal lagoon, because I think that was an enormous opportunity for Swansea, west Wales and across the piece and elsewhere to have manufacturing opportunities and training, because the training that we're doing for nuclear—. If we do good-quality training, it's so transferrable everywhere else. And if that's not going ahead, that's going to be a considerable knock. We have invested in terms of time and relationships a lot, which might not now—not because of anything we've done—come to fruition.

[256] But I would be happy, if the committee wanted, for us to give specifics on companies that we think have had the greatest spend for the buck in relation to the sectors, if that would help.

[257] **Rhun ap Iorwerth:** That answers the first half of my question in a way, in that you've identified, looking back, what you think has been successful, and it would be useful to have as much information from you as possible on how you've quantified the success of those areas. The second half of the question, I suppose, is looking ahead, and how identifying those areas has influenced your decisions on 2016–17. One would assume that having identified those successful areas, that would mean that they're value for money, that there are more bangs for your bucks, and that perhaps you would want to invest more in those areas, perhaps at the expense of other less successful areas. Can you show us examples of having identified a successful area you've decided to invest more in it?

[258] **Edwina Hart:** Well, I might not have decided to invest, but my partners might have done. So, there are issues around that. In terms of life science, yes, we will continue to invest in that area, because we see it as a growth area. We'll continue to invest in financial and professional services, which I think is not just about Deloitte or anything; it's actually about professions,

lawyers, companies and all that type of stuff. We've got to continue in advanced manufacturing, where we're actually at a very difficult place in terms of the Welsh economy on some decisions at the moment. We're all aware, I think, of the crisis in steel and some of the issues around manufacturing, and it's very important to recognise that, sometimes, you've got to be fleet of foot in terms of what you might want to support in terms of keeping something because we think it's good for the nation.

[259] I'm not trying to avoid the question, but these are issues for me that are constantly in my mind when we were looking at the budget agenda, where it's easy to identify ICT, a growth area; we know people are really interested in what we're doing. When I look at the Swansea city region, with the BT test bed, and the way they're looking to bring private money in for funds to get more start-ups, we will support that and underpin it because it is growth, but, at the same time, I've got to balance against strategic industries that might need our help because the pound's so high, because there's certain policy issues and agendas, and that's why it makes it very difficult to answer your question. Just to say, where I've had a positive response from the sector panels, I've tried to maintain my faith with them about where they see that growth is. I've tried to maintain my faith as well, particularly in manufacturing, which is quite difficult in some areas, but then you've got to look at what we've done in the enterprise zones and who we're trying to encourage to get in there as well. So, it might not be a clear answer for you, Rhun, but I'm trying to give you an indication of the difficulties on this.

[260] **Rhun ap Iorwerth:** And you'll understand, obviously, that this is an important part of the budget scrutiny process in particular and it's quite difficult to identify in the budget lines.

[261] **Edwina Hart:** Yes, it is; it's very difficult.

[262] **Mr Jones:** It might also be worth saying that the sectoral approach is really around the short-term view, but, actually, there's a complementary part of the regime that is about infrastructure, which is taking a long-term view of that. And, I think, if you're talking about areas where we need to be successful, things like continued investment in broadband and transport are crucial drivers for growth.

[263] **Rhun ap Iorwerth:** Any information you can give us again about a good area, more money, or—

[264] **Edwina Hart:** But the infrastructure thing, I think, is important, Chair, because we've got to get the infrastructure right for the modern economy, and it goes on to the whole issue of rail; it goes on the regulation of buses; it goes on the standards of roads delivery—it goes under a whole range of areas. I think the concentration on infrastructure that we're giving, and the way we're looking at infrastructure now, is helpful for economic growth in the future, because what companies do ask you is about transport links for their employees, the standard of trains for employees and how they can get their stuff in and out. So, that is integrally linked into all of that, so we do take a holistic view of that and try and prioritise. When it's come to very difficult decisions, I have to say, on transport and projects, I've added another dynamic in, which is the economic benefit of doing it, which I think is quite important.

[265] **Rhun ap Iorwerth:** On the flip side, very briefly, because I'm conscious of the time, you've already mentioned that you've made savings of around £3 million in identifying areas that you didn't think were successful and could do without the funding. Are there examples? Can you provide us with examples of what's gone?

[266] **Edwina Hart:** Yes, we've had a look at quite a few things in that, and if it would be helpful, in terms of time, we'll put it in our note.

[267] **Rhun ap Iorwerth:** Lovely; that's good, thank you.

[268] **William Graham:** Jeff.

[269] **Jeff Cuthbert:** Thank you. Can I talk about broadband please, Minister? I know that you've expanded and extended the contract with BT to mid-2017, and that the contract, so we're advised by the Deputy Minister for Skills and Technology, now includes a clawback mechanism. Can I ask you how you think that's working, or how it's going to work, and then, also, can I ask you, linked to that, about the Access Broadband Cymru scheme, and how confident you are that the moneys allocated will, in fact, lead to a much greater take-up of broadband?

[270] **Edwina Hart:** As part of that, I'll ask Simon—because this is Simon's baby, as it were, the Superfast scheme—to come in. I think what's also relevant is that we've got to ensure that we get the demand in as well, to make sure that this contract works. There are a lot of issues in that because

we've got to reap the benefit of our investment in it to make sure there is absolute take-up on it. I'll ask Simon to cover the clawback provision stuff, if I may, Chair.

14:30

[271] **Mr Jones:** The requirement for clawback has actually been in the contract since we let it in June/July 2012. It covers three areas. There's one that is about if BT actually manage to deliver the contract for less money than they thought they were going to build it for when they first started, any saving that they make comes back to us. So, if they say it's going to cost x and it costs y, we get the difference between x and y. We get all of that difference.

[272] When they bid for the contract, they estimated how many people were going to take the service up. That estimate of the revenue that they were going to earn over the following seven years formed part of their financial calculations for them putting the bid in. If they get higher take-up over the seven years, following the completion of their build, we get a substantial share of that money coming back to us.

[273] We also get take-up revenues for what we call additional services. So, if they build fibre cables and ducts around Wales and then those cables or ducts get used for other things like providing a service to a mobile telephone mast, we get a share of that as well. So, we get shares of whatever money comes in.

[274] So, just to illustrate the kinds of numbers that we might be talking about, it's very difficult to estimate the costs on the deployment side, because BT are still building it. They're telling us it's going to cost however much they bid it for. We've got a lot of work to do and they've got a lot of work to do to demonstrate that they've actually spent the money on our project. So, they've got to prove to us, through every single invoice, that that money was spent on our contract, during the life of our contract, and it's solely for our contract, and that they haven't over-egged it.

[275] So, there's an awful lot of work on due diligence to make sure that we get exactly what we paid for. Once that exercise is complete, then we can do the reckoning up on who owes who what. Our liability is absolutely capped at £205 million. So, however much BT spend, if they blow the bank on this, our liability is absolutely capped. So, it's difficult to work that one out.

[276] In terms of the take-up clawback—. Actually, we're talking about substantial amounts of money. Our take-up target, which the Deputy Minister announced back in the autumn, is for 50 per cent of premises that have been passed to be able to take this service up by 2023. It's a pretty ambitious target, but we're on course for that at the moment. If we get to 50 per cent take-up by 2023, we're talking about nearly £60 million of money that we'll be able to get back from BT as our share of the success of the project. So, that £60 million should be considered when we're talking about how we're going to spend the money on things like Access Broadband Cymru and filling in gaps. That's a big part of the budgeting thinking for that. In terms of the additional services, actually, we're waiting for BT to come back to us with an estimate of what that might be and how we're going to work that out.

[277] **Jeff Cuthbert:** If I may, on the access to broadband, how effective has it been to date in terms of encouraging take-up, particularly in some of our most disadvantaged areas, so that they're not actually further behind the more affluent parts of Wales?

[278] **Mr Jones:** If I take the two parts of that, the take-up side of it and the Access Broadband bit, separately. The take-up part: through the contract that we've got with BT, there's a piece of work there that is about telling people about the availability of the service. Across Wales, we've managed to get to 21 per cent take-up and we haven't finished building this thing yet. So, we're well on target to where we need to be. That 21 per cent take-up target isn't uniform across Wales. There are some local authority areas that are performing better than others and we've got a lot of work to do make sure that everybody reaps the benefits of that. But that's part of our plan. It was always likely to be that way, partly because of the timings of the way that we completed things.

[279] We've provided a whole load of information to people about when and where the programme is going to be made available to them—we've had several iterations of the when and where—and we're listening to people's comments on that. I think the really important part of this take-up and demand-stimulation piece is about thinking about how businesses make use of this. Going back to the growth agenda in the previous questions, the Minister has announced a £12.5 million project for businesses' exploitation of superfast broadband, part of which has got £7 million of ERDF funding attached to it. That's a five-year programme to share the benefits of

superfast broadband with businesses. It's not sufficient for businesses to just go and take up the service, although that's a useful metric; what we really want is for businesses to be able to improve the way they operate and to get an economic dividend from being connected to the superfast network.

[280] In terms of the Access Broadband Cymru scheme, superfast has now touched 550,000 homes and businesses across Wales, so we're in the region of 80 per cent to 85 per cent of premises now being able to connect to superfast broadband. ABC really is a scheme that's about providing services for those who haven't yet got that availability. The Minister announced at the beginning of this year that ABC would now be made available to everybody in Wales. So, anyone who doesn't have access to superfast broadband at the moment is able to make use of the ABC scheme. We've also combined that with the ultrafast connectivity voucher scheme, which allows businesses to be able to get substantial grants to be able to connect to services of at least 100 Mbps. Previously, that was focused on enterprise zones; now that's available across Wales.

[281] In terms of the affordability of that, the numbers of people subscribing to the ABC scheme have been declining as the superfast scheme has rolled out, because people can get access to fibre broadband. We have a budget allocation for the ABC scheme, which we believe is sufficient. As I say, the clawback money, which is substantial, will help with the provision of services to the areas that don't get access immediately.

[282] **Jeff Cuthbert:** Okay, thank you.

[283] **William Graham:** Minister, on business rates, when do you hope to make your decision on the scheme for the next financial year?

[284] **Edwina Hart:** Yes, I hope to be able to—. As I indicated, I think it was in committee previously, I should be able to do this by the end of the month. We are very pleased that we've done the small business rate relief scheme, but obviously I am giving consideration to other issues in light of what developments there might be within the economy and jobs, and other issues currently, which I know the committee is aware of. A number of factors inform policy decisions on this. Some take-up on some of the schemes hasn't been as good as we wanted. Of course, when the UK Government finishes something and we don't have any cash for it, you've got to look very carefully at that. I should hope that we'd be able to have something by the end of the month, and I will certainly let the committee know, because there

are issues about specific sectors that I've been asked to look at. We have used it previously—business rates for specific sectors—when we had the Murco stuff and everything. Of course, you'll appreciate that the issues around steel are very much in all our minds at the moment.

[285] **William Graham:** I think there's a question from Eluned now that she wanted to ask specifically.

[286] **Eluned Parrott:** Thank you. Just with regard to some of those issues, clearly, we've talked about small business rate relief, we've talked about the potential for plant and machinery relief, and we've talked about reviewing the hardship relief provision as well.

[287] **Edwina Hart:** Yes, we have.

[288] **Eluned Parrott:** What level of flexibility does the current budget envelope that you've set in this area give you to be able to act in those areas?

[289] **Edwina Hart:** You've hit the nail on the head, because the business rates relief can be exceptionally costly, can't it? So, we'll continue to look at what we need to do to introduce new reliefs on that basis. We've got to look at the wider context, I think, and some of the issues that we might have to look at are in the wider context of what's going on in the industry, but I won't be in a position until certain other things may or may not happen to make any decisions finally before the end of January. Obviously, the finance Minister is well aware of the issues surrounding some of these.

[290] **Eluned Parrott:** Thank you.

[291] **William Graham:** Rhun.

[292] **Rhun ap Iorwerth:** Very briefly, you've touched on Finance Wales and on the operational efficiencies that they're making. I don't know whether you've got anything major to add on those operational efficiencies and what they might be that have enabled them to make those savings.

[293] **Edwina Hart:** I think they've started to refocus better on their existing resources, utilising them much better. We've obviously had a change of management in there, a change of chair, a new direction within the board, which I think has made things work very well. We've also been fortunate that we've been able to do it as financial transactions money to help Finance

Wales with their money. Of course, they're doing a good job now in terms of the feasibility of the development bank, which we see as the way forward. I think they've got a broad range of funds that they now manage for us, and they're managing them very well. That's giving them flexibility, I think.

[294] Also, as well, as a result, I think, of some of the Assembly inquiries and the recommendations that have been made, they're much more in the community. They're much more being seen with business and everything, which makes them very good. I think they're starting to use the skills of their workforce much better, because they've got some very able people in Finance Wales, and they're the ones making the suggestions about how we can make improvements. Sometimes when you let people think and don't stifle it you get the best results.

[295] **Rhun ap Iorwerth:** And from a successful Finance Wales, hopefully, can come a successful development bank, and hopefully that can happen sooner rather than later. What budgetary preparations have you made for the establishment of a development bank proper in terms of developmental costs over and above what Finance Wales are providing, and so on?

[296] **Edwina Hart:** Well, the new chair of Finance Wales appeared before the Finance Committee to talk about the work of Finance Wales and how things were developing. I'm going to be advised by him as to what he considers to be necessary in terms of budget allocations in the future. He thinks that this is not going to be—. You're not going to see, on 5 May or 6 June, a development bank. He says we've got to work through the process, because there will be a lot of financial regulation—. There are a lot of issues surrounding the development bank. I would suggest, Chair, if I may—because I know there's interest, Chair—if you do have the opportunity before we go into election mode here, perhaps a discussion between the committee and the new chair of Finance Wales to explore these issues might be very helpful for Members who might be coming back in terms of the development of the policy in this agenda. Because I think the Finance Committee found that exceptionally helpful in terms of the dialogue, and I think that he can go through, as a banker himself as well, the various hurdles and the issues that need to be addressed.

[297] **Rhun ap Iorwerth:** But if a step was to be taken within the next 12 months, within the budget year, to move ahead, and we were in the position in terms of regulation and so on, it would be a matter of going into contingency funding.

[298] **Edwina Hart:** It would be a matter, but on the other hand we'd have to be advised by him. He'd need us to decide what additional staff you require and what you want for that. So, there's the preparation for that that might take you into the following financial year. They might decide they want more help with funds, et cetera, but they're pretty healthy in terms of funds and the funds that they manage to be able to establish it. I think this is a discussion that might be worth having, Chair.

[299] **William Graham:** Thank you for that suggestion. The clerk will pass that on. Thank you. Joyce.

[300] **Joyce Watson:** We have a national transport finance plan, Minister—or, rather, you do. I just want to ask if there's anything that is causing you any concern whatsoever about the affordability of items within that plan for the forthcoming year, especially when we look at the national transport finance plan interventions and any capital projects that lie within that?

[301] **Edwina Hart:** Well, I think the plan does give us a better understanding of affordability and deliverability, and that is the issue why it is. I think at its heart, as I've indicated earlier, is the safety and the reliability of the network: because people can't function and businesses can't function unless we have that element of reliability. Some of the funding is from existing budgets. However, you know, there's a lot more money in external funding. Mick Antoniw asked me earlier about the European Union on this, and the Commission has confirmed that we satisfy a lot of the conditionality relating to the European development funds. That's very good news for this. This agreement now gives the opportunity for speaking with WEFO, spending and allocation.

[302] Also as well, the plan, in terms of programmes, Joyce, does identify capital improvements, particularly on the A55—because I think we all acknowledge that there are issues there—the A40, TEN-T, which is also particularly important, and of course we'll have the draw down on some of the metro issues as well on that.

[303] We've also as well, in terms of the transport plan, got money in terms of Valleys modernisation from the UK Government. We've got the issues around our axis 4 programme, and, of course, the final issue on this is Network Rail. We'll be having other funding awarded via Network Rail. So, we're looking at funding opportunities all the time.

[304] Some schemes that are really very important to us—A465—will also be seen for innovative funding opportunities. The Finance Minister is particularly keen on the non-profit distributing investment model. Of course, this is all contained in all our infrastructure developments and our planning on capital allocations that the Finance Minister looks at. And, of course, there's public borrowing looked at over the period. So, in terms of the plan, I think we know where we're going, strategically, in terms of undertaking.

[305] Now, on transport revenue funding, would you like some of the funding summary totals to help discussion at this stage, Joyce? Simon, do you want to come in? I think you've got some figures on that.

[306] **Mr Jones:** Yes, Minister. The revenue budget for transport, as I think the Minister has explained to you previously, is dominated by two or three major elements of activity. So, concessionary fares, the Wales and borders franchise, and the highway maintenance work, which use up the majority of the £300 million revenue allocation. That's likely to be maintained, I think, over the course of the five years of the plan.

14:45

[307] **Edwina Hart:** Yes, and I think we can look—. If it would be helpful, we can give you, in terms of transport revenue funding, the amount of figures that will be involved over that duration, the assumed central capital elements, you know, and costs with Network Rail. So, I'm more than happy to put some of these further figures in a note to give an understanding of how we deal with it over a period, because the transport stuff, unless they're very small schemes, is never delivered in a one-year period, is it? They are always developed over a couple of years, in terms of what we need to be able to do.

[308] **Joyce Watson:** And could I ask, Minister—? We've asked about the finance and, quite rightly, you've given us an indication of what that is, but could I ask then how the Government will monitor and evaluate any delivery according to the new plan and if there's any variation in the way that that might be done from the way that it was done previously?

[309] **Edwina Hart:** I think that the delivery of projects is actually the key issue, because, in recent years, in terms of delivery of our road plans, we have kept to budget and we've ensured contractors have kept, in the main, to time, unless there have been issues on roads that are outside our control.

[310] But where we, of course, have no control is over the plans that are developed by Network Rail in terms of rail. I've been having discussions only this week about that tiny stretch from Wrexham to Saltney and what speed the trains need to go on, what work needs to be done and the different stories that apply. We're putting investment into this, and we're not getting things delivered on time. I'm always very reminded, Eluned Parrott, of our concerns about the delivery of things around Cardiff and how those are out of time with Network Rail, and that is the area. Whereas, when we contract, we can get to grips with keeping it on time and on budget, yes? But, when we go to Network Rail, it is a whole different ball game in terms of an understanding of budgets and everything. Budgets can change, I can assure you, within months—estimates and how they've done the estimates. That is the most frustrating area, actually, in terms of anything we do, because we've paid for work as part of arrangements elsewhere that should benefit the people of Wales that, necessarily, hasn't done so as of yet, in terms of times. This is a really difficult issue for us in terms of the plans that we're making on transport infrastructure.

[311] So, it's very important for us that we continue our dialogue with the Department for Transport, that we have the control we need for the franchise arrangements, and we have more impact into Network Rail. Now, we do have regular meetings with Network Rail, but I'm forced again—I'll be signing off a letter, probably later today, complaining about another aspect to do with Network Rail policy and about how it's impacting on us. And it's impacting, necessarily, on how we run our budgets when we're involved with them. Also as well, when they make decisions about it, sometimes something falls on us that shouldn't fall on us, yet we've had no say in the first place.

[312] I'm sorry to be so pessimistic, but I don't see any light at the end of the tunnel in some of these dealings with Network Rail. It seems to be an organisation that is so difficult—even though you deal with, sometimes, very good individuals. It's an organisation that doesn't seem to be joined up in understanding strategic delivery of transport projects, and we can't afford that in Wales. We can't afford to be left out on a limb. When you add to this that we've got to get to grips, I think, in terms of transport, with our bid in terms of north Wales, the disappointment of not going to Swansea—all these issues impact on how we deal with our transport plans.

[313] **William Graham:** Mick, very quickly.

[314] **Mick Antoniw:** Very quickly, is that the same experience you've had in terms of the issues that we've raised here and referred on, obviously, with things like the new station at Cardiff and the redevelopment of rail there, et cetera?

[315] **Edwina Hart:** It's all linked up. It's to get the right decision from the right person at the right level. I find it incredibly frustrating that I answer questions from Members in the Chamber, I issue letters about something that's happening and, a few weeks later, I've got another meeting with Network Rail and that's not happening necessarily and that is not what I've told you. We can't carry on like this. It's because we have no control over it.

[316] I have seen a willingness within the UK Government to get to grips with Network Rail in my discussions with the Secretary of State for Transport, but I do think that we're almost timed out on some of this stuff if we don't get a move on. We do need to have powers here; there's no doubt in my mind. If they had to appear before you and justify what they had to do in terms of it, we might see whole different reaction.

[317] **William Graham:** Thank you very much. Oscar.

[318] **Mohammad Asghar:** Thank you very much, Chair. Minister, how, in practice, will the trunk road agents save £6 million in 2016 in discharging their statutory duties without reducing the level and quality of service delivery and the approach to 'independent monitoring' of the agents' savings regulation plans, and whether both plans and monitoring reports will be published in future?

[319] **Edwina Hart:** Right. Well, as Simon indicated, we did a six-month review on this, so it wasn't something that—. We, like you, wanted to understand how we could make savings and still keep up the safety and reliability of the network. They say, by using technology and other things, that they can get savings. Now, the review has also been assessed. Am I correct, Simon?

[320] **Mr Jones:** Yes.

[321] **Edwina Hart:** That's in terms of whether it's accurate, because it's very important that we get this right, and the savings have been independently verified in terms of value for money, and that we can continue looking at our priorities and ensuring the safety of the network. So, we had work done on

all that as well, didn't we?

[322] **Mr Jones:** We did, Minister, yes. So, we engaged independent consultants—EC Harris—to do this work for us. So, they've scrutinised—they've looked at all of the work that we did for that six months of activity—to just give us that sense check that what we're asking for is achievable. So, we've done a huge amount of scrutiny of all of the activities of the trunk road agents. You can imagine: this asset is worth £13.5 billion, so there's an awful lot of activity that goes on to maintain that asset. So, what we've done is we've scrutinised all of the activities that are undertaken by our agents to make sure that we can do them in the most efficient possible way given the structures that we have in place. So, we're confident that the £6 million saving will be realised, and, to make sure that that money is realised, we're in the process of appointing another independent party to come and help us with the scrutiny and the delivery of those savings.

[323] **Edwina Hart:** And, of course, we've got a variety of remedies that we can use if they don't successfully deliver what we've told them to do.

[324] **William Graham:** Eluned.

[325] **Eluned Parrott:** Thank you. I want to ask about active travel. Now, clearly, this is the only policy area within your purview that has been legislated upon within this Assembly, so, clearly, it's important to you. However, if you look into the budget, it doesn't have its own identifiable expenditure line, and, if you compare the sustainable travel expenditure area with the programme for government mapping of expenditure that you've provided us with, it's completely unclear what money, if any, is going to be spent on the implementation of active travel. Why isn't there a budget line, and how much will you be spending on active travel in this next year?

[326] **Edwina Hart:** Well, obviously—. Funnily enough, this morning I've actually been talking to businesses about active travel as being key in the development of how we want to develop Wales in terms of how we build what we do, how we go to work, how we do our leisure and everything. I've obviously allocated £24 million to local authorities for local transport schemes, and, of course, in terms of some of the developments I've done in terms of road schemes, I've also dealt with the active travel issue by cycle routes, et cetera. Also as well, the local transport fund is also available for priorities in this area. But I am very well aware, because I was with Professor Cole this morning, of the desirable level of funding—I think that he put it at

about £30 million—for some of this. This is a longer-term aspiration, but I'll be absolutely honest, I've tried to maintain the funding levels in all areas, and that's what I've tried to do, but I don't think that I would be able to squeeze any more out. That doesn't lessen the Government's commitment. It's just because of the way that the budget is balanced.

[327] I understand your point about transparency on budgets, and, if I may, Chair, I will take it away with officials to see if I can make it more transparent, for the benefit of committee, about where things are, and perhaps do some analysis of what's happened in previous years that will indicate what happened, if that would help at all.

[328] **Eluned Parrott:** That would be helpful. Thank you.

[329] **William Graham:** Thank you very much. On bus services and concessionary travel, you've frozen the grant again for a third year. On all-Wales concessionary fares, could I ask you about that? What's the current situation there?

[330] **Edwina Hart:** We will be carrying on our commitment to concessionary fares. They've proved extremely popular and also, I think, worth while in a much wider socioeconomic context as well. That's why I think we've been pleased with our agreement with the Liberal Democrats to move it into young people's fares, which I have to say has been successful. But it's interesting that I'm starting to have correspondence from young people asking us to give more publicity to this, and also they're finding that drivers on buses don't seem to know about the pass or understand. So, we're having dialogue with the bus operators about this to give more encouragement for young people to take it up so that they can go to school or employment or whatever, which we think is very important. But, in terms of support for bus services, we've allocated support for bus services. It's an enormous benefit, I have to say, to the companies to have these concessionary fares to add up what they can do. The problem is that we can't get what we want because we don't have the total control that we require over buses in terms of regulations. And local authorities reimburse them appropriately. We give guidance to local authorities, and we are facilitating a lot of negotiations on how we can improve things further on this.

[331] **William Graham:** But have you actually come to an agreement with the operators yet, or are you still in negotiation?

[332] **Mr Jones:** We're still in negotiations, so it's probably not appropriate to talk about it.

[333] **Edwina Hart:** Too much.

[334] **William Graham:** I understand. Mick.

[335] **Mick Antoniw:** I just wanted to ask a couple of questions on the youth concessionary fares figures, because this is a budget that's gone up from £4.75 million to £9.75 million. Obviously, it's a very important area. Your evidence to us when we discussed this with you in December of last year was that there was a take-up of about 100,000. The strategic impact assessment figures from the department indicate 3,500 for the mytravelpass scheme. Are we talking about different things here? I mean, where's the anomaly in the figures? I think that's where the confusion came to us.

[336] **Mr Jones:** There are about 100,000 people who are eligible to receive the pass at the moment, and 4,000 initially have taken it up, according to our latest figures. So, I think the discrepancy is the eligible pool versus the numbers who have taken it up to date.

[337] **Edwina Hart:** And I think, this year, we'll spend about £5 million on it. And I think when I answered Eluned Parrott, I indicated that we've got to do more in terms of the companies making their drivers understand what it is, and the companies knowing and the young people knowing, because we do want this budget taken up, in terms of the fact that we think it's very useful in a lot of key areas.

[338] **Mick Antoniw:** So, the difference is that we've identified potential take-up, but that's not in fact the take-up, but a potential take-up of 100,000, and we're there. Okay, I understand that figure now. Okay, thank you.

[339] **William Graham:** Minister, we're almost out of time;, but do you mind if we just go on for a couple more questions?

[340] **Edwina Hart:** No, not at all.

[341] **William Graham:** Thank you very much. Oscar.

[342] **Mohammad Asghar:** Thank you very much, Chair. Minister, my

question to you is about the affordability of the Wales and borders rail franchise, particularly whether any Welsh Government-funded services over and above contracted services are at risk.

[343] **Edwina Hart:** Can I say in terms of the rail franchise, we might not have been ideal in terms of what was signed, but we have to say that we've seen such a significant growth in passenger numbers over the period, if you look at passenger numbers, it's been an enormous success in terms of what's happened? Now, services provided under the franchise are a known commitment, and, obviously, the new franchise has got to take into account the expectations of the people of Wales and what we can do. So, we're currently working with the UK Government to get the appropriate transfer.

[344] Now, the costs of rail services are calculated on a base agreed at the commencement—am I correct?—of the franchise arrangements. And what is that? You can explain the technical details on this.

[345] **Mr Jones:** So, when the contract was signed in 2003, there was a particular amount, and then that amount has escalated over time according to an indexing figure. And I think that indexed figure is now at around £140 million or £150 million a year. There are some additional services that the Welsh Government have contracted to deliver, which are covered in this year's budget, to answer your question.

[346] **Edwina Hart:** Yes, and we haven't got some information yet, because it's not available, to look at some calculations.

[347] **William Graham:** Thank you. Eluned.

[348] **Eluned Parrott:** Thank you. I wanted to ask about delivery of the metro and where the money for the metro is coming from. But, firstly, is phase 2 of the metro simply the money that's been allocated to Valleys lines electrification, or is that going to include other associated infrastructure projects such as, for example, investment in some bus rapid transport or, potentially, bus stops and infrastructure of that nature?

[349] **Edwina Hart:** The budget, I think, makes provision for a number of projects that have been carried forward under the umbrella of the metro. I think the metro is just a scheme that's going to carry on and on in terms of what we do. The Ebbw Vale frequency enhancements, I think, are part of that as well. The metro station improvement programme is also a part of that,

and other things will feed in. But the issue of funding for phase 2 will be a consideration for the First Minister in terms of how the metro is dealt with.

[350] **Eluned Parrott:** And in terms of the £580 million or £600 million—

[351] **Edwina Hart:** The £600 million.

[352] **Eluned Parrott:** —the £600 million that's been allocated for phase 2, does that include the £125 million that the UK Treasury earmarked for the electrification of the Valleys lines?

[353] **Edwina Hart:** Yes, as far as I am aware, that is the case, but, in 2016–17, we'll concentrate on related design and procurement.

[354] **Eluned Parrott:** Okay, thank you very much.

[355] **William Graham:** Jeff.

15:00

[356] **Jeff Cuthbert:** Thank you. Can I just quickly ask you about the current state of play with city regions and the city deals? Is there any part of your budget for 2016–17 that will form part of your contribution to the Cardiff capital regional fund? How satisfied are you that the Welsh Government and, indeed, the Welsh local authorities have sufficient resources to make all of this a reality?

[357] **Edwina Hart:** I'm obviously aware of the work that's going on with regard to the city deal, and not only in Cardiff, as there are discussions down in Swansea. However, the matters are principally matters for the finance Minister and not for me.

[358] **William Graham:** Right, okay. Rhun.

[359] **Rhun ap Iorwerth:** Just briefly, on the North Wales Economic Ambition Board, is there anything that we can identify in this budget that is specifically aimed at helping the ambition board, other than they would want to look at all aspects of the economy budget?

[360] **Edwina Hart:** Well, no, what we've done with the ambition board, as and when they've required help and assistance, and whether they've required

specialist help, is that we've been able to provide that through existing budgets. They haven't actually asked us for anything over and above that at the moment, but we are ready and able to help, because they've done such an excellent job in drawing the communities together in north Wales to get a very coherent and strategic approach to the economy of the area and their needs in terms of transport and training.

[361] **Rhun ap Iorwerth:** So, you'll be open to requests.

[362] **Edwina Hart:** Yes.

[363] **William Graham:** Thank you very much, Minister.

[364] **Edwina Hart:** Thank you very much.

[365] **William Graham:** We are most grateful for your attendance today. Thank you very much.

[366] There are papers to note, thank you very much. That closes our public meeting.

*Daeth y cyfarfod i ben am 15:01.
The meeting ended at 15:01.*