



Russell George AM
Chair Economy, Infrastructure &
Skills Committee

SeneddEIS@assembly.wales

11 January 2019

Dear Russell

Thank you for your letter of 10th December regarding the 2019-20 Draft Budget scrutiny session and your comments and further requests for information. I will address each area in turn.

Brexit preparedness

Whatever the form of Brexit, the UK leaving the EU will cause disruption. That is why, as a responsible government, we will continue to plan for all possible outcomes.

It is imperative that all the administrations across the UK work collaboratively to plan how to mitigate the most serious effects of a breakdown in the negotiations between the UK and the EU27 - the Welsh Government is strongly committed in doing this.

We have repeatedly and strenuously raised the need for the UK Government to properly share information on the steps they have taken to prepare. We are glad that this is beginning to happen but there is a need to increase the flow of information further. The reality is our ability to plan is limited by what the UK Government shares with us. The UK crashing out of the EU would be disastrous and that is why we have worked tirelessly against that possibility.

Despite the backdrop of uncertainty, we took action immediately after the referendum to mobilise resources and to build capability across government to respond to Brexit. This has ensured that we have engaged extensively with stakeholders right from the start to understand their concerns and priorities and to be active in setting out coherent policy positions to influence the UK Government's approach to exit negotiations and prepare for the multiple possible outcomes.

We have produced detailed, evidence-based policy proposals on how the right kind of Brexit can protect jobs and put forward proposals on trade, immigration, the future of the UK and a range of other issues once we are out of the EU. We are also providing help to organisations across Wales to get ready for Brexit with a dedicated £50m EU Transition fund. From this fund a £7.5m Business Resilience project has been approved. This funding is actively extending our capacity to help businesses prepare and respond to Brexit

challenges, and includes funding a new Business Resilience grant. We have also provided funding for a Brexit Transition Support Programme for Welsh local authorities.

Active Travel

When applying for Welsh Government funding, local authorities must demonstrate, in accordance with the Application Guidance, that they have followed the Welsh Government Transport Appraisal Guidance (WelTAG) and that they have developed their proposal using the five ways of working under the Well-being of Future Generations (Wales) Act 2015.

The Active Travel Fund frequently complements funding from other sources, such as developer contributions and other capital investments, such as relating to tourism, regeneration and enterprise zones. The grant application process encourages match funding, by applying a progressive score depending on the level of match funding, but it is not a condition of funding. The scoring criteria contain an element for monitoring and evaluation of schemes which receive funding and whether the scheme offers value for money.

The Local Transport Grant application Guidance and scoring criteria for Active Travel Fund can be found at the following links:

<https://beta.gov.wales/transport-grants-guidance-2019-20>

<https://beta.gov.wales/sites/default/files/publications/2018-12/capital-grant-application-assessment-criteria-and-weighting-19-20.pdf>

State of Roads

I think it might be helpful to clarify the £60m funding announcement further. The Welsh Government's draft budget announced on 2nd October provided for £60m capital for local authorities over 3 years (2018-19 to 2020-21) for highway refurbishment. Although the majority of the capital funding provided for local government is unhypothecated, this funding is being provided through a specific grant so that it will be used for this particular purpose.

You have asked about additionality. Highways refurbishment is capital spend and differs from revenue funded maintenance as it is for improving the fabric of the local roads infrastructure with the objective of extending the life of the asset. This should reduce the call on local authority revenue maintenance budgets in future but additionality against the revenue budgets may not be straightforwardly demonstrated. However, the normal terms and conditions of such grants would require Authorities to report the use of this funding to Welsh Government and to update their asset management plans as well as to continue to work with us to monitor and evaluate the road condition across Wales.

Rail disruption

I discussed with you the recent disruption to our rail services. Transport for Wales (TfW) experienced a combination of difficulties relating to autumn weather conditions along with damage caused to the rolling stock during Storm Callum. Engineers worked as fast as possible to rectify the issues faced by the rolling stock and normal timetable services resumed on all TfW routes from Monday 17 December.

I will continue to hold TfW to account for these matters and seek regular updates that the rail services are being delivered as we expect. TfW is committed to ensuring that routine issues such as autumn weather have less impact in the future. They have assured me that

customers across the Wales and Borders network will see a step change in availability within the year.

TfW will be replacing the entire fleet in future as part of an £800m investment in rolling stock, and £40 million is being invested in the current fleet. This investment will fund additional services in addition to customer experience and accessibility improvements. The first trains are due to arrive during 2019.

This investment in rolling stock is made possible through the structure of the contract we procured, which is funded through our ODP Agreement Grant.

The Future of Transport for Wales

Thank you for advising me of your inquiry into the development of, and governance arrangements for, TfW. I look forward to receiving your report in due course.

Business support and the Economy Futures Fund

I appreciate the Committee's interest in the Economy Futures Fund and the wider aspects of the new operating model introduced by the Economic Action Plan, including the Calls to Action and Economic Contract. These are important issues and I want to ensure that the Committee has a full understanding of the process and the opportunity to discuss any concerns it has. To this end, I would like to offer the Committee the opportunity of a technical briefing session with my officials, at which they can share with you an anonymised sample of Economic Contracts and talk you through the process.

Foundational economy

The Economic Action Plan identifies four foundation sectors (food; retail; care and tourism) where we recognise the scope to work more effectively across Government and with the sectors to maximise benefits. To guide cross-government activity, and help the sectors adopt common approaches to tackling common issues, we are committed to producing a single and integrated enabling plan. This will identify the strategic challenges and opportunities common to all four sectors and policy responses to these.

To help inform the development of the enabling plan, we have established a sub-group of the Ministerial Advisory Board on the Foundational Economy, and will be holding a workshop in February 2019 with key stakeholders and leading domestic and international practitioners. I am keen that we allow time for these experts to help shape the enabling plan and so I anticipate the enabling plan will be published in the first quarter of 2019. The £1.5m budget allocation remains available, as part of the 2017 budget agreement with Plaid Cymru, and the work with the Ministerial Advisory Board sub-group and others will help inform how that budget will be deployed to best effect.

Yours sincerely



Ken Skates AC/AM

Gweinidog yr Economi a Thrafnidiaeth
Minister for Economy and Transport