

Date: 20 January 2022

Title of paper: Evidence paper on Draft Budget Proposals for 2022-23 – Economy Main Expenditure Group (MEG)

1. Introduction

This paper provides information on the Economy budget proposals as outlined in the 2022-23 Draft Budget published on 20 December 2021. It also provides an update on specific areas of interest to the Committee. The Arts and Sport activity is being scrutinised by the Culture, Communications, Welsh Language, Sport and International Relations Committee on 19 January 2022. This paper considers the Economic Development and Employability and Skills draft budget plans.

2. Strategic Context / Covid Impacts

The [Economic Resilience and Reconstruction Mission \(Mission\)](#), published in February 2021, established the fundamental recovery principles and direction for the economic policy of the previous administration. It was developed in consultation with Welsh stakeholders and, at that time, the Ministerial Advisory Group for Economy. It was built on the foundations of [Prosperity for All: Economic Action Plan](#), which set the course for inclusive growth and remains the framework for how public investment is directed. The [Programme for Government 2021 – 2026](#) includes a commitment to progress that Mission.

As part of that progression process, in October I held an Economic summit and subsequently gave an [Oral Statement on Moving the Welsh Economy Forward](#). We know there is a long-term demographic challenge facing the Welsh economy. The proportion of the population aged 16 to 64 years old in Wales has been decreasing year-on-year since mid-2008 – mid 2019– and could be just 58% of the population by 2043. We want to create the conditions where more people, particularly the disadvantaged and young people, feel confident about planning their futures in Wales. In particular, it is my hope that by taking bold action, we will create a future where more young people feel that they do not need to get out to get on.

At the same time, if more people also positively choose to come to work in Wales, we can address the risks that come with the decline in our working age population. Overall, this means implementing a progressive economic policy that focusses on better jobs, narrowing the skills divide and tackling poverty so that we create genuine fairness in how the economy grows.

However, whilst economic prospects have improved, supply chain and staffing issues and rising inflation are hampering the recovery along with new uncertainty around the Omicron variant. In paraphrasing the words of the Office of Budget Responsibility - Brexit will double (reduce UK GDP by 4%) the long running scarring effect that the pandemic (reduce UK GDP by 2%) will have on the economy.

The UK level of GDP for the first quarterly estimate of Q3 2021 was 2.1% below where it was before the coronavirus pandemic in October to December 2019. We will get a better picture for Wales when the OBR publishes its Welsh Taxes Outlook alongside the Welsh Government Draft Budget on 20 December.

Whilst the unemployment rate in Wales at 3.7% continues to fall and it remains lower than the UK rate of 4.2%, a key part of moving the economy forward will be our upcoming Employability Strategy which will be published in spring 2022. It will set out actions to accelerate progress on achieving the new labour market Milestones; tackle structural inequalities; focus on progression pathways for young people in the labour market; increase levels of qualification and progress our Fair work ambitions.

The new context demands a fresh approach to how we work and who we support going forward, to maximise the impact of the resources we deploy, and mobilise national interventions to better meet the needs of those groups less represented in the labour market.

3. Summary of Budget Changes

The table below provides an overview of the plans summarised at a high level by business area for the Economy MEG:

TABLE 1 - OVERVIEW OF ECONOMY BUDGETS							
Business Area	2021-22 Final Budget £'000	Change £'000	2022-23 Draft Budget £'000	Change £'000	2023-24 Indicative Draft Budget £'000	Change £'000	2024-25 Indicative Draft Budget £'000
Resource							
Economy	65,605	(48)	65,557	6,000	71,557	(4,400)	67,157
Arts & Sport	118,487	5,000	123,487	3,000	126,487	6,000	132,487
Employability & Skills	195,877	17,500	213,377	5,000	218,377	14,400	232,777
Total	379,969	22,452	402,421	14,000	416,421	16,000	432,421
Capital							
Economy	86,747	(7,517)	79,230	(3,380)	75,850	(200)	75,650
Arts & Sport	38,166	5,184	43,350	8,800	52,150	3,200	55,350
Employability & Skills	0	1,920	1,920	80	2,000	0	2,000
Total	124,913	(413)	124,500	5,500	130,000	3,000	133,000
AME							
Economy	17,525	-	17,525	-	17,525	-	17,525
Arts & Sport	16,000	-	16,000	-	16,000	-	16,000
Employability & Skills	15,000	(3,000)	12,000	0	12,000	0	12,000
Total	48,525	(3,000)	45,525	0	45,525	0	45,525
TOTAL ECONOMY	553,407	19,039	572,446	19,500	591,946	19,000	610,946

3.1 Resource

The changes in the baseline from the Final Budget 2021-22 are summarised below:

TABLE 2 - BASELINE CHANGES	
Changes	2021-22 £'000
Final Budget 2021-22	379,969
Apprenticeships - Covid reserve allocation	(16,500)
Communities for Work - Covid reserve allocation	(6,000)
St Athans delivery - Transfer in from Climate Change MEG	2,842
Digital Public Services - Transfer out to Climate Change MEG	(4,900)
Strategic Infrastructure - Transfer out to Climate Change MEG	(990)
Total Change	25,548
Draft Budget 2022-23	354,421

In 2022-23 the budget change is £22.452m – baseline changes of £25.548m offset by additional in year allocations of £48m which increase by £14m and £16m in 2023-24 and 2024-25 respectively. The additional allocations over the three years are summarised as follows:

TABLE 3 - ADDITIONAL ALLOCATIONS			
Detail	2022-23 £'000	2023-24 £'000	2024-25 £'000
Young Person's Guarantee	20,000	25,000	30,000
Arfor	3,000	4,000	4,000
Culture Strategy	5,000	8,000	14,000
Apprenticeships	20,000	25,000	30,000
Total	48,000	62,000	78,000

The allocations to Culture and Arfor support the delivery of the commitments in the Co-operation Agreement with Plaid Cymru.

The resource allocation also includes non-cash depreciation of £11.598m each year for the sponsored bodies and Cadw.

3.2 Capital

The capital allocations are supported with a zero based review to deliver the new Wales Infrastructure Investment Strategy. In addition the capital plans are supported with an additional funding of **£60m** to protect arts and culture and deliver the cultural strategy: a priority in the Co-operation Agreement. This will also support wider priorities for economic development. An overview of the capital budget assessment is provided in the following table:

TABLE 4 - CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Business & Regional Economic Development (inc. Life Sciences)	40,801	27,230	23,850	18,650	69,730
Valleys Taskforce	9,000	-	-	-	-
Tech Valleys	7,750	5,000	5,000	5,000	15,000
Strategic Infrastructure	4,200	-	-	-	-

TABLE 4 - CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Development					
Property Infrastructure	8,386	10,000	10,000	10,000	30,000
City & Growth Deals	0	22,000	22,000	22,000	66,000
Business Innovation	4,066	5,000	5,000	10,000	20,000
Science	4,874	5,000	5,000	5,000	15,000
Tourism	7,670	5,000	5,000	5,000	15,000
Arts Council of Wales	1,575	400	400	400	1,200
National Museum of Wales	6,697	4,500	5,000	5,000	14,500
National Library of Wales	3,695	2,500	2,000	2,000	6,500
Support for Local Culture and Sport	1,430	11,700	21,500	24,700	57,900
Creative Wales (inc. media)	7,019	5,000	5,000	5,000	15,000
Cadw	8,731	10,000	10,000	10,000	30,000
National Botanic Garden of Wales	375	1,200	200	200	1,600
Royal Commission	15	50	50	50	150
Employability (inc. YPG)	0	1,920	2,000	2,000	5,920
Sport Wales	8,629	8,000	8,000	8,000	24,000
Total	124,913	124,500	130,000	133,000	387,500

To note that Strategic Infrastructure Development has transferred to the Climate Change MEG.

3.3 Annually Managed Expenditure – AME

The AME budget of £45.525m provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, pension valuation fluctuations for National Museum of Wales, the National Library of Wales, Sport Wales and Careers Wales. To note, there is a decrease in budget of £3m when compared to the Final Budget for a reduced requirement for Careers Wales. The budget is regularly reviewed and future adjustments made in supplementary budgets.

4. EU funding – implications

We are fully aware of the issues being faced by businesses as a result of the UK leaving the EU which, among other things, has resulted in additional costs, delays, staff shortages, access to certain goods, as well as grappling with increased paperwork and border checks associated with moving goods in and out of the EU. We have been working closely with our business representative organisations to understand these issues as well as providing support through our Business Development Managers. This budget includes investment in Business Wales and the Export Action Plan, demonstrating the practical steps we are taking to support Welsh exporters, our network of dedicated International Trade Advisers will continue to provide one-to-one advice to companies.

Our Regional Economic Frameworks (REFs) will be published shortly. They have been co-developed and co-designed with stakeholders in the regions. The Corporate Joint Committees which will be established in 2022 will ensure decision-making and

prioritisation happens in the local areas and regions and will enable them to develop their own distinctive strengths and opportunities and play a much greater role in allocating funding and managing portfolios of distinct regional projects. We will continue to work with our partners to seek opportunities for further investment in the regions of Wales.

5. Wellbeing of Future Generations Act 2015 and Preventative spending

In this unprecedented context we continue to be guided by the five ways of working in the Well-being of Future Generations (Wales) Act 2015 to improve how we make decisions. We recognise the need to collaborate with our partners and to use our collective resources effectively to plan for the tough choices ahead.

The Act forms the blueprint for a Wales that is economically, socially and environmentally sound. This government's ambition is for new national milestones to drive collaborative, shared action and act as a key measure of the pace and scale of change needed in a number of key areas.

Budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. The spending decisions have not only considered how best to meet the current demand for services but have also focused on supporting interventions. This preventative approach is an important part of our planning, both now and in the future.

We are doing all we can to support our path to recovery, ensuring the stronger Wales which emerges from the pandemic continues to value equality at its heart. Over the next three years we will continue to protect, rebuild and develop our public services, deliver for vulnerable people and communities across our country, invest in our rich heritage and culture and invest in a stronger, greener economy. That is why this year, we have prepared the budget around priority areas where our resources can have the most impact.

6. Equality, Sustainability, Welsh Language and Demographic Considerations

We have over recent years taken an integrated approach to impact assessments, as well as taking into account the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act, which continues to be an important driver guiding our Budget considerations.

The Draft Budget, published on 20 December 2021, sets out the impacts of our spending decisions, including highlighting spending decisions that directly impact on our stakeholders. This is complemented by the Strategic Integrated Impact Assessment (SIIA), outlining the contextual evidence that has supported our spending decisions. The SIIA also includes more-detailed case studies on the impacts of specific spending decisions, including our key PfG commitment on the new Young Persons Guarantee programme.

The three-nation NOS Governance Group ensures that activity relating to the development and review of NOS with employers and stakeholders aims to be inclusive, representative and reflect the diversity of the four UK-nations. An audit of the end-to-

end NOS system has been commissioned to identify current good practice and areas for improvement within the NOS system relating to equality and diversity.

The policy relating to National Occupational Standards (NOS) requires that consultation on the development and review of NOS should take place with a representative sample of employers from across the whole of the UK and all sectors in Wales and include an assessment of demand for Welsh translation. Where need is identified, Welsh Government NOS funding supports the translation of NOS into Welsh and their quality assurance, to ensure accuracy and consistency in terminology. Accurate translation is important as Welsh NOS frequently inform the content of Welsh-medium vocational qualifications and training programmes.

In formulating our plans, the following key demographics trends from the most recent report, produced by the Office for National Statistics (ONS), on [national population projections \(2018-based\)](#) have been considered which suggest that:

- The population of Wales is projected to increase by 2.7% from 2018 to 3.22 million by 2028, and by 3.7% to 3.26 million by 2043. The number of children aged under 16 is projected to decrease by 4.7% to 536,300 between 2018 and 2028.
- The number of people aged 16-64 is projected to increase by 0.2% to 1,927,700 between 2018 and 2028.
- The number of people aged 65 and over is projected to increase by 16.3% to 758,600 between 2018 and 2028.
- The number of people aged 75 and over is projected to increase by 29.3% to 378,100 between 2018 and 2028

*The ONS will be publishing updated national population projections for Wales (2020-based) on 12 January 2022. Population projections are trend-based projections that provide estimates of the size of the future population, and are based on assumptions about births, deaths and migration. The assumptions are generally based on past trends. These projections, therefore, do not make allowances for the effects of central or local government policies or changing economic circumstances on future population levels, distribution, and change.

According to the latest [Relative Income Poverty](#) statistics for the 3 year period up to March 2020.

- Between 2017-18 and 2019-20, 23% of all people in Wales were living in relative income poverty. The percentage of people living in relative income poverty has been relatively stable in Wales for over 15 years.
- In Wales, 31% of children were living in relative income poverty in 2017 to 2020. This figure has increased from 28% reported last year and is a 2 percentage point increase based on the unrounded data.
- Between 2017 and 2020, 22% of working-age adults in Wales were living in relative income poverty.
- The percentage of pensioners in relative income poverty fell by 1 percentage point for the second consecutive period following a gradual rise since around 2013. 18% of pensioners in Wales were living in relative income poverty between 2017 and 2020.
- People in social rented housing were more likely to be in relative income poverty (at 48%) than those in private rented (41%) or owner occupied housing (13%).
- 73% of children living in a workless household were in relative income poverty compared to 25% living in a working household in 2017 to 2020.

- Lone parent households were the family type most likely to be in relative income poverty (at 46%). 30% of people in single female households with no children lived in relative income poverty.
- In the past, most people living in relative income poverty were living in households with children. However, the pattern is now less clear with a similar proportion of those living in relative income poverty living in households with children and without children.
- For the period 2015-16 to 2019-20 (an average of 5 financial years) there was a 29% likelihood of people whose head of household comes from a non-white ethnic group living in relative income poverty. This compares to a 24% likelihood for those whose head of household comes from a white ethnic group
- In the latest period (2017-18 to 2019-20): 38% of children who lived in a family where there was someone with a disability were in relative income poverty compared with 26% of those in families where no-one was disabled. For working-age adults, 31% who lived in a family where there was someone with a disability, were in relative income poverty compared with 18% of those in families where no-one was disabled.

7. Impact on Deprivation and Poverty

At the Economic Summit in October 2021 I outlined our ambitions for moving our economy forward as we strive for a stronger, fairer and greener Wales. The Summit was joined by the Confederation of British Industry, the Wales Trades Union Congress, the Federation of Small Businesses and the Welsh Local Government Association and started a conversation about how we can work together for a team Wales recovery that is built by us all. Supporting stronger local economies will be essential to the job of tackling poverty. We are looking to attract more people to live and work in Wales, which can address the risks that come with the decline in the proportion of the population of working age. We will develop a coherent and compelling offer and explore further graduate retention opportunities and support for start-ups to encourage the growth of more firms that are grounded in Wales

8. ECONOMY BUDGETS

The detailed breakdown by BEL activity is explained in the following sections.

The three year resource investment of £204.271m is summarised in the following table:

TABLE 5 – RESOURCE INVESTMENT								
Business Area	2021-22 Final Budget £'000	Change £'000	2022-23 Draft Budget £'000	Change £'000	2023-24 Indicative Draft Budget £'000	Change £'000	2024-25 Indicative Draft Budget £'000	Total £'000
Business & Regional Economic Development (inc Strategy Policy Development & Life Sciences) **	9,298	3,000	12,298	(1,750)	10,548	-	10,548	33,394
Business Wales (inc Entrepreneurship & Social Enterprise) **	17,116	-	17,116	9,443	26,559	(4,096)	22,463	66,138
Tech Valleys	2,250	-	2,250	(225)	2,025	-	2,025	6,300
Valleys Task Force	100	-	100	-	100	-	100	300

TABLE 5 – RESOURCE INVESTMENT								
Business Area	2021-22 Final Budget £'000	Change £'000	2022-23 Draft Budget £'000	Change £'000	2023-24 Indicative Draft Budget £'000	Change £'000	2024-25 Indicative Draft Budget £'000	Total £'000
Export, Trade and Inward Investment	4,692	-	4,692	-	4,692	-	4,692	14,076
Centre for Digital Public Services	4,900	(4,900)	-	-	-	-	-	-
Strategic Infrastructure Development	990	(990)	-	-	-	-	-	-
Property Infrastructure	4,026	2,842	6,868	-	6,868	-	6,868	20,604
Healthy Working Wales	831	-	831	(268)	563	-	563	1,957
Corporate Programmes & Services	861	-	861	-	861	-	861	2,583
Strategic Business Events and Communications	200	-	200	-	200	-	200	600
Business Innovation	604	-	604	-	604	(304)	300	1,508
Science	1,350	-	1,350	-	1,350	-	1,350	4,050
Tourism	11,962	-	11,962	(1,200)	10,762	-	10,762	33,486
Events Wales	4,718	-	4,718	-	4,718	-	4,718	14,154
Programme Support	1,707	-	1,707	-	1,707	-	1,707	5,121
Total Resource	65,605	(48)	65,557	6,000	71,557	(4,400)	67,157	204,271

** 2021-22 Final Budget – Business & Regional Economic Development and Business Wales activity is restated to reflect consolidated budgets for comparison

Budget Changes

There is a small decrease in 2022-23, when compared to the 2021-22 Final budget, due to the alignment of the new portfolios: Climate Changes MEG – transfers in St Athan £2.842m and transfers out Strategic Infrastructure Development £0.990m and Digital Public Services £4.9m. This is offset by the additional allocation of £3m for Arfor.

In 2023-24 there is a further allocation of £1m for Arfor and £5m for Business Wales. This is offset by budgets reprioritised (regional and business development £2.050m; Life Sciences £0.7m; Tech Valleys £0.225m; Healthy Working Wales £0.268m and Tourism £1.2m) following assessment of the budget requirements of £4.443m which was reallocated to replenish loss of EU income in Business Wales.

In 2024-25 there is a further saving of £0.304m following the closure of Intermediary Body for European programmes and a reduction of £4.096m to manage the available budget for Business Wales.

The three year capital investment of £230.730m supported by the zero based review is summarised in the following table:

TABLE 6 - ECONOMY CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Business & Regional Economic	40,801	27,230	23,850	18,650	69,730

TABLE 6 - ECONOMY CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Development (inc. Life Sciences)					
Valleys Taskforce	9,000	-	-	-	-
Tech Valleys	7,750	5,000	5,000	5,000	15,000
Strategic Infrastructure Development	4,200	-	-	-	-
Property Infrastructure	8,386	10,000	10,000	10,000	30,000
City & Growth Deals	-	22,000	22,000	22,000	66,000
Business Innovation	4,066	5,000	5,000	10,000	20,000
Science	4,874	5,000	5,000	5,000	15,000
Tourism	7,670	5,000	5,000	5,000	15,000
Total	86,747	79,230	75,850	75,650	230,730

Business and Regional Development

The resource budget supports partnerships, engagement and initiatives to progress the ambitions in Economic Mission The [Mission](#), and employability for inclusive growth and building the economy for long term sustainability.

Capital funding of £69.730m is available for the Economy Futures Fund and other strategic developments in supporting businesses. Additional Financial Transactions capital may be allocated in the Final Budget. The Development Bank of Wales (DBW) also improves the ability of businesses in Wales to access finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market. An update is included at sections 10.1 and 10.2.

Business Wales

The total budget of £66.138m over three years supports youth entrepreneurship and the young person's guarantee, start-ups, micro-businesses, SMEs, disability champions, social enterprise and responsible business practices. The services support those with hidden barriers and targeted support will continue to be delivered to support such as female and youth entrepreneurs and BAME groups. The budget also includes provision of £3m for the foundational economy enabling jobs at the heart of local communities across sectors such as care and health services; food; housing; energy; tourism; construction and retail. Further detail is included in section 10.6.

Tech Valleys

The initiative is a £100m commitment over 10 years to create 1,500 sustainable jobs focused on Blaenau Gwent and hinterland by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries. Most recently investments were announced which supports the Mission: [Robotics workshop](#) and the [Resilientworks](#).

Valleys Taskforce

The plan maintains an annual revenue budget of £0.1m. The capital programme to deliver Our Valleys Our Future was extended to 2021-22 and will be embedded in future programme development.

Export Trade and Inward Investment

The Export Action Plan was published on 15 December 2020: [Written statement](#). The budget of £14.076m over three years will invest in services to help exports and recognises the value of Wales as a trading nation. Further detail is included in section 10.15.

Property Infrastructure

The Mission reinforces the importance of ensuring adequate supply of employment sites and premises to secure competitive advantage in attracting, retaining and growing businesses in Wales. The revenue budget of £20.064m over three years ensures that Welsh Ministers meet their legal and statutory obligations as landlords and land owners in managing the Economic development property portfolio, including the management of St Athan and the unitary payments under the Lloyd George Avenue PFI scheme. The budget is supplemented by other income, primarily rental receipts and profits from disposing of land and buildings.

The capital budget of £30m over the next three years is supplemented by c£10m p.a. receipts from land and property sales. This enables delivery of modern sites and buildings that are capable of meeting companies' timescales for occupation to provide Wales with a real competitive advantage over other locations. All direct build commercial projects undertaken will aim to achieve a Net Zero carbon in use standard and the Welsh Government's Sustainable Buildings Policy will apply to projects delivered in partnership with others.

City Deals

The city and growth deals in Wales are long-term (15-20 years), three-way investment agreements between the Welsh Government, the UK Government and (jointly) the local authorities in each of the four regions to deliver lasting regional economic growth. Three deals are underway in Wales – in the Cardiff Capital Region, Swansea Bay City Region and North Wales. The Final Deal Agreement for Mid Wales is due to be signed in the New Year.

The Draft Budget includes provision for the Cardiff Capital Region only – for £22m in 2022-23. The Welsh Government is considering options for reprofiling its contribution to the funding for the Swansea Bay and North Wales deals following the UK Government's announcement that it would accelerate its contribution to these deals to provide the funding over ten years rather than 15. Budget plans for the Swansea Bay and North Wales deals, and in due course for the Mid Wales deal, will be clarified once the options have been considered.

Each government contributes funding to the Welsh deals on an annual basis. It is for the relevant local authorities, working together as a region, to decide how to use the funding over the lifetime of their deal – together with investment from their own budgets, from other public bodies and from the private sector – to deliver the outcomes set out in the deal agreements and the approved business cases.

Corporate Budgets

The **Healthy Working Wales** budget of £1.957m over three years delivers workplace initiatives supporting the healthy and active ambitions set out in the programme for Government. The funding includes the Mind Cymru Time to Change Wales programme, which challenges negative attitudes and behaviours in the workplace towards mental health problems. The budget from 2023-24 includes an anticipated saving based on current activity.

The **Corporate Programmes** annual budget of £2.583m over three years includes the business customer relationship management system expenditure and provision for reviews.

The Communications budget of £0.2m each year supports business events and strategic engagement.

Business Innovation

The Mission has a clear commitment to continue financial support for RD&I schemes, the SMART suite of programmes, SBRI Accelerator and Collaborative Innovation Support Programme (CRISP). To note that the European programmes complete in 2022-23 and currently £20m capital is planned for the next three final years. An update is included at section 10.17.

Science

The revenue budget of £4.050m over three years includes re-establishing a new National Science Academy grant programme designed to support STEM studies, activities and promote careers choices in science throughout Wales. This budget also contributes to Welsh Government's Office for Science promotion and engagement activities including stakeholder engagement seminars, public attitude Science surveys, British Science Week, Science in the Senedd, WJEC Innovation and CREST Awards, LSW Medals, commissioned science performance reviews and promotion of diversity & gender equality in R & I and STEM.

The capital budget of £15m continues the internationally recognised Sêr Cymru programme that helps maximise the beneficial impacts of research expertise, specialist innovation facilities and supply of talented researchers. This programme (highlighted in Nov 2021 by Welsh Government as one of the five 5 R,D& I priorities) has already helped build a depth of researchers and science infrastructure in Wales which did not exist previously and contributed to improving Wales science and research performance over the past decade.

Further information is available in sections 10.17.

Tourism

Tourism development and marketing investment of £33.486m is aligned to the recovery plan [Let's Shape the Future](#) to support the sector emerge from the pandemic. The recovery plan is designed to bridge back to our overall longer-term strategy - [Welcome to Wales-Priorities for the Visitor Economy 2020-2025](#) to grow tourism for the good of Wales, delivering economic, environmental, and social benefits. From 2023-24 there is a revenue saving of £1.2m based on assessment of the marketing plans and the reprioritisation to support Business Wales, which is impacted by the loss of EU income.

The planned annual capital investment of £5m in high quality visitor experiences and a Brilliant Basics fund for small scale tourism infrastructure improvements. This allocation is available alongside the £50m Wales Tourism Investment Fund, which is delivered in partnership with the Development Bank of Wales.

Further information is available in section 10.11.

Events Wales

The annual budget of £4.718m will continue to develop Wales-grown events (sports, arts and business) while continuing to recognise the exceptional opportunities offered by mega international events, such as World Cup 2030 and Tour de France, and to deliver real social, economic and cultural benefits and legacies in line with Welsh Government priorities.

We will continue to aim for a full geographic and seasonal spread of events around Wales, including supporting development of event-relevant infrastructure, and support the growth of a strong and sustainable sector in Wales by investing in skills and supply chain development.

Programme Support

The annual budget of £1.7m delivers the Wales European Funding Office Technical Assistance EU funded operations.

9. SKILLS BUDGETS

The three year resource investment of £664.531m is summarised in the following table:

TABLE 7 - SKILLS & EMPLOYABILITY RESOURCE BUDGETS								
Business Area	2021-22 Final Budget £'000	Change £'000	2022-23 Draft Budget £'000	Change £'000	2023-24 Indicative Draft Budget £'000	Change £'000	2024-25 Indicative Draft Budget £'000	Total £'000
Apprenticeships	113,533	3,500	117,033	5,000	122,033	5,000	127,033	366,099
Employability (including Young Person's Guarantee) - consolidates Marketing skills and Careers Wales	70,936	20,000	90,936	(5,000)	85,936	14,400	100,336	277,208
Employability (including Young Person's Guarantee)	1,400	-	1,400	-	1,400	-	1,400	4,200
Communities for Work	9,972	(6,000)	3,972	5,000	8,972	(5,000)	3,972	16,916
Communities for Work - Non cash	36	-	36	-	36	-	36	108
Total Resource	195,877	17,500	213,377	5,000	218,377	14,400	232,777	664,531

Budget Changes

There is an increase in 2022-23 when compared to the 2021-22 Final budget due to the streamline of BEL's within the skills activity: Merger of the Careers Wales BEL, Marketing BEL and Skills Policy BEL into the new Employability (including YPG) BEL – This is offset by the additional allocation of £20m for Young Persons Guarantee and £20m for Apprenticeships and a baseline adjustment of £16.5m out of the Apprenticeship BEL due to a one off allocation from the Welsh Covid reserve last financial year.

In 2023-24 there is a further allocation of £5m for Young Persons Guarantee and £5m for Apprenticeships. This is offset by £10m reprioritisation of budget to support the loss of EU income for Business Wales and Communities for Work.

In 2024-25 there is a further allocation of £5m for Young Person Guarantee and £5m for Apprenticeships.

Apprenticeships

The revenue budget of £366.099m over three years supports the delivery of the apprenticeship programme to employers and their employees, with a particular priority for new recruits, throughout Wales. Further detail is provided in section 10.19.

Employability (including Young Person's Guarantee)

The Employability (including YPG) revenue budget of £277m over three years funds the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in, and progress at work through skills and training support; underpinning a number of key PfG commitments. It also facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs in Welsh Government priority areas which are important for the economy of Wales.

Skills and employability support can further these aims by focussing investment and interventions on those who are under-represented in the labour market and who face disadvantage and inequity in accessing skills, qualifications and employment. This will help eradicate the gap between the employment rate in Wales and the UK by 2050, with a focus on Fair work and raising labour market participation of under-represented groups.

The BEL also funds Careers Wales which delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales. In addition to the revenue budget, there is a non cash depreciation budget of £1.4m.

Communities for Work Programme

The revenue budget of £16m over three years supports the Parents, Childcare and Employment (PaCE) and Communities for Work programme. PACE is a £21.5m project jointly funded by the European Social Fund and Welsh Government, working in partnership with Department for Work and Pensions (DWP).

PaCE targets economically inactive parents aged 25 and over, and parents aged 16-24 who are Not in Education, Employment or Training (NEET). This is also the cohort covered by the Youth Guarantee. All parents enrolled onto PaCE have childcare as their main barrier preventing them accessing education, employment or training opportunities. Almost 95% of parents that join the PaCE programme are women. To the end of November 2021, PaCE has supported 6,643 people (including 398 disabled people and 202 people from Black, Asian and Minority Ethnic Communities) and helped 2,939 people into work, of which 124 were disabled people and 81 people from Black, Asian and Minority Ethnic Communities).

Communities for Work is a £102m programme jointly funded by the European Social Fund and Welsh Government working in partnership with the Department for Work and Pensions, Local Authorities and Voluntary Organisations. It supports economically inactive and long-term unemployed people, focusing on two separate groups - those aged 25 and over; and those 16-24 year olds who are Not in Education, Employment or Training (NEET). This is funded from Communities for Work BEL and there is a £3.972m budget for 2022-23.

CfW provides a community based person-centred approach, offering holistic support to tackle a range of complex barriers that participants face. Up to the end of October 2021, the programme has supported 33,373 people (including 3,735 disabled people and 2,144 people from Black, Asian and Minority Ethnic Communities), and helped 13,872 people into work, (1,053 disabled people and 1,010 people from Black, Asian and Minority Ethnic Communities).

This BEL has a baseline reduction of £6m compared to final budget due to funding received last financial year from the Covid reserve. The budget has seen an increase of £5m in 2023-24 to support against the loss of EU income, but the baseline is restored to

funding levels in 2022-23 for the last financial year, but will be a priority for any additional funding that becomes available, but will be a priority for any additional funding that becomes available.

TABLE 8 - SKILL & EMPLOYABILITY CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Employability (inc. YPG)	-	1,920	2,000	2,000	5,920
Total	-	1,920	2,000	2,000	5,920

The investment in capital of £5.9m over three years supports the Careers Wales activity. Careers Wales is a wholly owned subsidiary company of the Welsh Government. The capital budget will support the organisations estates strategy to align to [Future Wales: The National Plan 2040](#). Strategic environmental development and sustainability will be built into the new spatial strategy with a focus on the national and regional growth areas through adopting the ‘Town centre first’ approach.

10. ECONOMY – KEY POLICY UPDATES

Additional information has been provided in response to the specific areas highlighted by the Committee as follows:

10.1 Business Support – Recovery from the pandemic

Since April 2020, the Welsh Government has provided more than £2.6bn to support Welsh businesses, mostly via the Economic Resilience Fund, in a package that has been designed to complement and build on the support provided by the UK Government. The budget plan does not include any additional recovery funding.

In the 2021-22 the Welsh Government made available a £35m package to help SMEs in Wales relaunch, develop, decarbonise and grow to help drive Wales’ economic recovery. The funding will support more than 1,000 business, help to create 2,000 new jobs and safeguard a further 4,000 jobs with grants of up to £50k available. This funding will continue to support businesses into 2022-23.

The funding provides an opportunity to kick-start and grow the economy as we focus on creating a fairer, greener and prosperous future for Wales and will be specifically targeted at businesses with project proposals to:

- Focus on decarbonisation and the climate emergency that will help Wales meet its legally binding net zero carbon emission target by 2050
- Progress the ambitions in the Mission (including fair work, skills, industry / services of the future, apprenticeships and collaboration with universities and business to maintain graduate talent in Wales)
- Help businesses to work co-operatively to support local supply chains, including local delivery and logistics services
- In addition the fund seeks to provide support to the Covid response in terms of well-ventilated work spaces and the ability to work smartly

Business Wales also support businesses through and recover from the pandemic by the delivery of information, guidance and direct support to entrepreneurs and businesses in Wales to help them start, grow and prosper and respond to key challenges such as the pandemic. In addition, the Welsh Government Business Innovation Team are positioned to support businesses and entrepreneurs on a one-to-one and a one-to-many basis for all aspects of developing new products, processes & services.

The Development Bank of Wales is well placed to help Welsh businesses through, and to recover from, the pandemic and access finance they need to start up, strengthen and grow. It can provide loans from £1k right up to £10m, as well as mezzanine, and equity funding; and helps businesses find the right finance partner to leverage in private finance with its own gap finance when necessary.

Economy Futures Fund

Launched in May 2018 the Economy Futures Fund is the simplification and rationalisation of a number of existing financial support schemes. As a pre-requisite for funding, applicants must have demonstrated contribution to the principles of the Economic Contract.

Business seeking funding from the Economy Futures Fund will be expected to contribute to at least one of the five Calls to Action, this is based on the principle of “something for something” and supports those businesses that wish to adapt to grow.

The schemes that currently make up the Fund are:

- Capital Investment and aid for Job Creation
- Research Development and Innovation (Including SMART Cymru)
- Environmental Protection scheme
- Tourism Investment Support Scheme/Wales Tourism Investment Fund
- Creative Production Funding
- Repayable Fund for SMEs

Since its launch in May 2018, 452 offers with a value of over £107m have been accepted.

10.2 Regional Economic Development

The Economic Action Plan (EAP) outlines the basis for a regional approach to economic development across Wales, recognising the distinctive opportunities of particular regions and seeking to build upon them to deliver enhanced prosperity for all, whilst addressing the barriers that prevent this.

Since the appointment of the Chief Regional Officers and their teams we have sought to foster closer and more effective collaboration with our regional partners and stakeholders. This is bearing real dividend and through collaborative effort with our key partners across the regions we are delivering tangible differences to businesses and communities across all regions of Wales. As the voice of government in the region and the voice of the region in Government, the Chief Regional Officers and their teams are influencing and informing national policy and programmes, as well as delivering targeted support in the various regions through the regional capital stimulus funds and support for key business across the regions.

The development of REFs is an essential part of our commitment to a more regionally focussed model of economic development - developing the distinctive strengths of our regions, supporting inclusive and sustainable economic growth and maximising

opportunities to address regional and local inequalities, contributing to the well-being goals for Wales. REFs are intended as a vehicle to help promote collaborative regional planning and delivery amongst public, private and third sector partners, working to a shared vision and a set of common economic development objectives. In taking forward the development of the REFs we have been acutely aware of the immediate reset and recovery required in the wake of the Coronavirus pandemic, but also the need to set out the longer term aspirations for the regions, aligned to the Mission. The REFs will be published shortly.

Since the publication of the OECD's report, *The Future of Regional Development and Public Investment in Wales*, in September 2020, Welsh Government officials have been working with the OECD to develop a project to support the implementation of some recommendations from the report.

The new two-year project began in September 2021 and its scope includes:

- vision-setting, planning, cross-sector coordination and integration for regional development policy and public investment
- practices and mechanisms for realising regional development policy and public investment objectives

In 2020-21 £0.1m will be paid to the OECD and a final payment will be due in 2023-24. Overall the economic development initiatives are budgeted within the Business and Regional Economic Development revenue budget.

10.3 Regional Development – Impact of UK Government Schemes

In terms of the Levelling Up Fund and Shared Prosperity there is concern that the funding allocated to industrial decarbonisation schemes, such as the Industrial Energy Transformation Fund (IETF), Cluster Sequencing and the Hydrogen Fund, is not adequate in scope or scale to enable decarbonisation projects across England, Wales and Northern Ireland in the short to medium term. Whilst Welsh based businesses have successfully applied for support via IETF there has been limited opportunity for success within other funding streams. Welsh Government is in active discussion regarding appropriate business models to enable the decarbonisation of Welsh industry.

The South Wales Industrial Cluster members are investing over £24m which has in turn leveraged over £26m of UK Government funding to Wales since 2019, including £21 million of Industrial Decarbonisation Challenge funding to deliver a Phase 2 Route Map plus a variety of deployment projects across South Wales. Additionally, over £2m of Industrial Decarbonisation Research & Innovation funding has been allocated to Welsh universities dedicated to activity within industrial clusters.

The HyNet project, which covers both north-west England and north east Wales has been shortlisted to receive Track 1 funding via the Cluster Sequencing programme. It remains to be seen at this stage whether any Welsh based activity will be funded via this process.

10.4 Foundational Economy Plans

The additional funding allocated to the Foundational Economy in 2021-22 supported specific project activity which built on the Foundational Economy Delivery Plan, published in March 2021. In addition, the funding supported the initial launch of the Backing Local Firms Fund

(BLFF), focused on food, social care and future skills associated with the Optimised Retrofit Programme.

There is a further allocation of £3m in the 2022-23 draft budget. A strategic review of current activity has been undertaken and key stakeholders engaged to identify long term priorities. The allocation will support scaling up the BLFF to enable Welsh businesses to access support which will help them grow. Within the BLFF, we will provide grant based assistance to assist businesses to develop capability to engage in delivering the Optimised Retrofit Programme to help optimise the value of this investment for communities and economies across Wales. The BLFF will continue to enable indigenous food producers and suppliers to attain the necessary food safety accreditations required for involvement in public sector food supply chains and we will identify how the funding can support producers with growth potential for accelerating into the larger retail and hospitality markets. The care sector is a significant part of the Foundational Economy and funding will help businesses in the sector to respond to the ongoing recruitment crisis and help introduce new care provider capacity.

The way the public sector undertakes procurement has a profound impact on the Foundational Economy. Experience from work to date illustrates that there is huge ambition across the public sector to better engage with businesses but lack of capacity hinders progress. Funding will enable additional capacity to help public bodies to collaborate and utilise procurement to deliver place-based priorities linked to local wellbeing plans.

As part of our cross-government working, Foundational Economy is supporting the business decarbonisation programme and potential funding requirements for this work is in the process of being established. In order to support spreading and scaling of best practice and to provide places where people and organisations can collaborate, we will support Communities of Practice for the Foundational Economy and consider how these will best operate taking account of national, regional and thematic considerations.

10.5 The Development Bank of Wales (DBW)

The 2022-23 budget does not currently include any further capital provision for the DBW as allocations in previous years have positioned the development bank to continue making investments in 2022-23 and beyond in line with the Remit Letter issued to the DBW by the Minister for Economy in November 2021.

It should be noted that the reclassification of DBW by the Office of National Statistics, for the purpose of national accounts, is resulting in some changes to how expenditure and, therefore the budgets for DBW are presented and reported. The reclassification outcome determined by the Office of National Statistics was confirmed on 31st August 2021 and applies retrospectively to 2017 when the DBW was established.

For those parts of the DBW group reclassified to the central government sector, work is now underway to restate budgets in line with standard HM Treasury procedure. This is expected to have a neutral effect on WG budgets with no impact on the investment plans already in place for DBW. This exercise is due to complete by end of 2021-22 and, to the extent it will impact on 2022-23 budgets, will be reflected in the first supplementary budget of 2022-23.

In addition to the equity mechanism that the Wales Management Succession Fund provides for management buy-outs, DBW also has other funds (the Wales Flexible Investment Fund and Wales Business Fund) which can provide loans to employees more widely in order to facilitate worker buy outs (employee owned businesses).

These debt based funds enable DBW to more directly contribute to the PfG objective of providing greater support for worker buy-outs.

More information is available at the DBW website:

[Performance and impact | Development Bank of Wales](#)

10.6 Business Wales

The draft budget plans include £66.138m over three years for Business Wales activity. In 2021-22 the budget levers in £15.7m ERDF funding with a further £11.4m in 2022-23. In 2023-24 budget of £9.443m has been reprioritised to replenish the EU funding with a managed reduction in 2024-25. This will enable the service to engage with over 60k businesses, deal with over 30,000 direct enquires, provide information to over 12,000 entrepreneurs and businesses, direct support to 3,000 businesses and entrepreneurs to create start-ups and jobs. The funding will also enable the Business Wales digital platform to handle 10 million calls entrepreneurs and businesses across Wales.

Business Wales provides businesses and entrepreneurs with a single point of contact for business information, advice and support from the public, private and voluntary sectors, and can be accessed digitally via <http://businesswales.gov.wales> and social media channels; the helpline; and offers a combination of online, telephone, 1-2-many and 1-2-1 business support which is tailored according to client need and the different regions of Wales, dependant on local requirements.

The Business Wales service is positioned to:

- Raise entrepreneurial aspiration and activity in Wales leading to an increase in self-employment and the business birth rate.
- Improve the competitiveness, survivability and productivity of micro businesses and SMEs in Wales resulting in sustainable growth and good quality jobs.
- Ensure that support is easily visible, simple to use and well connected with the private sector and other policy instruments.

It is a fully bi-lingual, flexible service that can be adjusted to accommodate regional considerations as well as the specific needs of individuals and businesses.

Complementing the helpline and digital offer, the main Business Wales advisory service provides direct business support to pre-start, start and growth businesses through one-to-one relationship management and workshop activities. The service currently operates virtually but also works with a range of partners to deliver services to SMEs in locations across Wales.

Examples of Business Wales cross cutting delivery

- Direct engagement activity through entrepreneur role models - Big Ideas Wales who deliver talks to inspire young people 25. This is complemented by financial support to colleges and universities to develop their entrepreneurial capacity.
- A universally available digital support platform, including Business Online Support service, the Sell2Wales procurement and Brexit portals. The platform also hosts

organisations such as the Development Bank of Wales, Careers Wales, the Ambition Board to deliver a one stop shop approach.

- An Accelerated Growth offer which is targeted specifically at businesses that demonstrate the potential for rapid growth in terms of exports and high quality jobs.
- Social Business Wales which supports growth orientated social enterprises.
- The five regional Enterprise Hubs provide enhanced regional visibility and facilitate a more connected approach to providing entrepreneurship and business support.
- The Disabled People’s Employment Advisory service is delivered alongside the Welsh Government’s Disabled People’s Employment Champions and has specialist advisors to encourage employment and retention of disabled workers to ensure a more equal, representative workforce in Wales.

The Business Wales service deliver on the following impacts:

TABLE 9 – BUSINESS WALES IMPACTS	
Measures	Outcomes
Net GVA up-lift	£17 per £1 spent on Accelerated Growth Programme £10 per £1 spent on BW core delivery
Start-up survivability	85% over 4 years for those who have accessed BW support 41% for non-supported start-ups
Social impact	20% of jobs created are filled by previously unemployed individuals

10.7 Employee Owned Businesses

The Employee Ownership Association estimates that the employee owned sector accounts for around 3% of UK GDP and the number of employee owned businesses grows by 10% year-on-year. There are currently 2-3 employee buy-out deals completed in Wales each year but the potential exists for many more. Business Wales and Social Business Wales offer specialist advice to support employee buy outs.

In addition to the support available through Business Wales, the Welsh Government provides funding to the Social Business Wales service to promote and offer direct support and develop Employee Ownership in Wales, which will be further promoted via social media channels. In 2022-23 funding of £0.9m is earmarked in the Business Wales budget.

The Wales Flexible Investment Fund operated by DBW offers a potential debt-based funding route for employee buyouts. Management buy-outs can be supported through the Wales Management Succession Fund £25m provides ambitious managers and management teams with the funding they need to buy established Welsh SMEs when their current owners retire or sell up.

10.8 The Community Bank/support for Banc Cambria

The PfG commitment to support for the creation of a Community Bank for Wales, seeks to address the market failure in relation to the gap in provision, effectiveness and access to quality banking services in Wales.

Our vision for the Community Bank for Wales, is one that is based on the mutual model, owned by, and run for, the benefit of its members, rather than the maximisation of profit for shareholders. It will be a modern full service community bank, headquartered in Wales. It will provide access to bilingual products and services, through a range of channels including digital, online and in-branch. The Bank will facilitate local investment and enhance community wealth building, recirculating savings into loans and preventing capital drain. It will provide a positive impact on communities and high streets, improving access to everyday banking services for all citizens regardless of income or wealth, as well as, small businesses across the whole of Wales.

Start-up co-operative and mutual banks face challenges particularly in respect of securing development and regulatory capital which make entry and organic growth difficult. In addition, banking sector legislative and regulatory competencies are reserved matters. We are therefore reliant on the alignment and ambition of private sector firms who share our vision and ethos in order to establish and operate a Community Bank for Wales. The Minister for the Economy made an Oral Statement on 14 December 2021 providing an update on the progress of Banc Cambria, welcoming the announcement by the Monmouthshire Building Society stating its intent to develop its approach to delivering a community bank in Wales.

The Minister for Economy is responsible for the Community Bank during its development phase, supported by revenue funding of £0.150m in 2022-23 for ongoing policy development and research via procurement of external expertise / reports in areas such as economic impact assessment, financial due diligence and legal advice. The Minister for Social Justice is leading on the capital investment to establish the Community Bank.

10.9 Support for key manufacturing sectors such as aerospace, automotive and steel

Automotive

The ongoing uncertainty throughout the Brexit negotiation process, leaving the Single Market, wider disruption from COVID-19 and more latterly, the global semi-conductor shortage have all created significant short-term pressures for the industry. The automotive industry in Wales comprises of around 150 companies employing around 11,000 people in highly productive, highly skilled and highly paid jobs. With 2 niche vehicle manufacturers, 35 tier one systems and component manufacturers, the majority of these supply chain companies are SMEs. The Welsh Automotive Forum has indicated that together with the closure of Honda's Swindon plant, have significantly contributed to the loss of some 4,400 jobs in the sector in Wales since 2019.

The latest available figures from the SMMT for UK production in 2021 show that 721,505 cars were manufactured up to October 2021, 2.9% down on the same period in 2020. Despite confidence earlier in the year, as a result of the semi-conductor shortage, analysts now expect car production in the UK in 2021, to be lower than last year.

In addition, the industry is at the forefront of a significant technological change through the move away from the internal combustion engine. Transition to low carbon automotive sector could however bring with it significant potential benefits not only to the environment but also to the economy. Up to November 2021, battery electric, plug in and mild hybrid vehicles accounted for over a quarter of new car registrations in the UK. Welsh Government will continue to support WAF in its work to migrate the sector to new electrified supply chain opportunities and to promote the sector during this transition.

Welsh Government also continues to engage strongly with the UK Government to ensure Wales has access to its relevant funds, including those handled by the Advanced Propulsion Centre and the driving the electric revolution fund to ensure opportunities are not missed. To date, Wales has received over 18% of the driving electric revolution UK wide funding. One such beneficiary has been Meritor, Cwmbran, awarded £31.9m by the Advanced Propulsion Centre for a collaborative project to design and develop a game changing electric powertrain system for heavy-duty electric trucks and buses.

In this context Welsh Government will continue to provide a platform to the Welsh automotive industry. The recent response to companies' physical presence at the low carbon vehicle show this year's indicates strong demand for Welsh expertise.

Aerospace

The UK Aerospace & Defence (A&D) industry employs some 250,000 people with an annual turnover of £60bn. Wales, with 5% of the overall UK population employed more than 20,000 people in the sector prior to COVID, with a turnover in the order of £6bn, according to the Aerospace Wales Forum (AWF).

The outbreak of COVID has had a huge detrimental impact on the Aviation / Aerospace sector, and together with tourism and hospitality, has been the hardest hit of all sectors. Much of the world's aviation system ground to a halt in 2020 as countries closed their borders and imposed lockdowns. The 5 largest civil Aerospace sector employers in Wales reduced their workforce by over 3,000 staff due to COVID, although they are now beginning to reemploy and take on apprentices.

This is during a period of transition, as the sector addresses climate change and looks at ways of meeting the net zero target for 2050, through technology, alternative forms of propulsion, operations and infrastructure.

The Aviation and Aerospace sector growth projections are significant (4.5% p.a.) and we must ensure that Wales remains a key part of the UK's capability and rebounds from this current crisis to provide many well paid, highly skilled jobs in an attractive, climate conscious and growth sector. There are some encouraging signs including additional orders for Airbus A321 aircraft at the Dubai air show, additional recruitment by Airbus in Broughton and additional contracts from the MoD to Raytheon. Welsh Government will continue to support AWF in its work to promote the sector. We will also continue to promote the Welsh aerospace sector to potential funding bodies in UK Government and lobby hard for continued support for the sector, in particular for R&DI activity to assist in the transition. The recent investment by the UK's Department for Transport in LanzaTech to develop a sustainable aerospace fuel in Port Talbot is one such example of this. We have also supported AWF develop a maintenance repair and overhaul cluster to work collaboratively to win further overseas contracts.

Space is a small but growing sector in the UK and in Wales. We have a number of world-class players including Airbus, Raytheon and Space Forge, who we will continue to support and promote. Key industrial figures in Wales chair the Welsh Space Leadership Council which is in place to help coordinate activity and benefit from the UK wide space strategy whilst developing our own space strategy focusing on particular strengths.

[Ventilator Production at Airbus / AMRC Cymru, Broughton](#)

Many companies in Wales provided an overwhelming response to the pandemic, COVID outbreak, making significant contributions to supporting the production of vital equipment for the NHS, demonstrating their ingenuity, adaptability and capability to react at pace. The highest profile example was at Airbus, Broughton. Over 550 employees were transferred to the Welsh Government-owned AMRC Cymru, manufacturing key components for the Penlon ES02-type ventilator. Almost 12,000 units were delivered to the NHS by late June 2020. The supply chain for the Penlon ES02 included the Renishaw operation near Cardiff, demonstrating that much of the UK Ventilator Challenge was 'Made in Wales'.

Steel

As a result of the pandemic as well as the ongoing semi-conductor shortage, the steel sector has experienced a drop in activity in relation to automotive sector orders. The UK construction market has remained strong in the UK. We continue to embed the UK Steel Charter principles to maximise benefits. The Welsh Government was the first signatory to the UK Steel Charter, which complements our earlier Procurement Advice Note by encouraging projects in Wales to source and benefit from high quality British steel wherever possible. In addition to compliance with Public Contract Regulations, we have implemented an additional mandatory legal position in our tender pre-qualification questionnaire that 'No Dumped Steel' is used on any contract awarded by public sector bodies in Wales.

Decarbonisation is a key challenge. Welsh Government will be publishing a procurement policy note in respect of practical strategies to drive decarbonisation actions across the wider public sector which will sit alongside the Welsh Procurement Policy Note (WPPN) which mandates the use of carbon reduction plans at the selection stage of the procurement of public contracts valued at £5m or more for Welsh Government.

We are also working with the UK Government through the Industrial Energy Transformation Fund, the South Wales Industrial Cluster (SWIC) and the North Wales Economic Ambition Board to consider regional industrial decarbonisation approaches. We will continue to work collectively with the industry, the workforce and the UK Government to support the transition to low-carbon steelmaking to help ensure a competitive and sustainable future for the steel sector in Wales and the UK.

10.10 Support for automation and AI

The [Digital Strategy Wales](#) published in March 2021 includes the 6 pillars reflecting the 2019 Brown Review:

- **Developing Industrial Clusters** - Develop our Welsh Industrial clusters to be equipped for a 21st Century digital society. Adopting, exploiting and creating digitally driven innovation for the benefit of the broader economy.
- **Developing a Digital Ecosystem** - Establish a thriving ecosystem of commercial and academic expertise that drives digital innovation in emerging technologies.
- **Digital Adoption for Businesses** - Increase digital adoption and resilience of businesses, including the principles of green, sustainable and prosperous economy and accelerated adaption to the future of work and skills in Wales.
- **Cyber Security** - Increase digital adoption and resilience of businesses, including the principles of green, sustainable and prosperous economy and accelerated adaption to the future of work and skills in Wales.

- **e-Procurement** - Improve procurement practices and processes delivering better outcomes for all.
- **Shared Workspaces** - Seek out and explore collaborative opportunities for shared working spaces across public and private sector, to encourage collaboration and reduce travel.

The Economic Action Plan also highlights Digitalisation as one of the Calls to Action, demonstrating progress in the digitalisation of their products and processes enable businesses to access the Welsh Government financial support.

Welsh Government is committed to creating the environment to allow tech and tech enabled businesses to thrive, providing the goods and services to support the digitalisation of businesses across the economy and in the supply chain to the digitalisation of public services in Wales.

Creative Industries (including Digital Creative) Cyber Security, Fintech and Compound Semiconductor are amongst the priority sectors in Welsh Government's International Strategy. The strengths of these areas in Wales forming the basis for efforts to pursue new Foreign Direct and Inward Investment into Wales. Tech has also been identified as a priority cluster for Export and Trade support, with focussed efforts to support Welsh Tech businesses explore and deliver to new international markets.

The Manufacturing Action Plan (MAP), launched in March 2021, contains a Digital work stream that seeks to support the adoption of digital technologies and practices amongst manufacturing companies in Wales.

Welsh Government has created, partnered, fully or partially funded the following:

- **The National Digital Exploitation Centre:** a cyber-security centre of excellence, focusing on digital transformation in Operational Technology. NDEC provides bespoke solutions to combat the threat of cyber-attacks on critical systems. The centre also includes the Digital Education Centre which focuses on schools, citizens and SMEs, delivering training and education to help promote digital awareness, skills and understanding.
- **The Advanced Manufacturing Research Centre:** AMRC Cymru is part of the University of Sheffield Advanced Manufacturing Research Centre and a member of the High Value Manufacturing (HVM) Catapult. It helps the manufacturing community access advanced technologies to drive improvement in productivity, performance and quality.
- **Airbus Endeavr Wales:** a joint initiative between Airbus and the Welsh Government to support innovation in Wales. The programme supports research and development of technologies in the fields of the Digital Economy, the Low Carbon Economy and Advanced Engineering & Manufacturing.

Work is ongoing to develop the following:

- **Proposed Cyber Innovation Hub:** A hub for industry, government and academic partners to grow the Welsh cybersecurity sector and plug the gaps in the current eco system around skills, innovation and enterprise creation.

- **Proposed Wales Data Nation Accelerator:** a pan-Wales initiative that is being developed to accelerate new insight, foresight and intelligence from diverse data assets for societal, health and economic impact.
- **Data Science Graduate Programme:** the programme is managed by the Welsh Contact Centre Forum and seeks to develop talent creation initiatives in financial services and data science these skills they are designed and delivered in collaboration with a strong consortium Welsh based employers.

10.11 The allocations to deliver the Let's Shape the Future and the forthcoming Action Plan

Visit Wales is responsible for delivering activity that supports the sustainable development of the visitor economy across Wales with business marketing, activity to build Wales' reputation and performance as a place to visit, invest, work and study. It specifically addresses activity that assists in implementing: *Push forward towards a million Welsh speakers, and enable our tourism, sports and arts industries to thrive by*. putting the work, places the promotion of Welsh language and culture at its heart and our activity acts as an important flag-carrier for the Cymru Wales brand and continues to play a key role in the recovery of the visitor economy by helping to address seasonality (encouraging visitors during off peak season), spend (encouraging people to spend more and stay longer), and spread (encouraging people to discover more of Wales).

Visit Wales is recognised by public, private and third sector stakeholders in a leadership capacity, helping to set direction and engender commercial confidence. We want our sector to grow purposefully throughout the year, helping to stimulate prosperity in urban and rural areas. This is a sector severely impacted by the Coronavirus pandemic. Businesses have faced unprecedented and extreme challenges from the outset and despite extensive Welsh Government and UK financial interventions the downturn of the sector stands to have a serious impact – symbolic, social, cultural and economic - on many towns and villages that are also facing other post Covid-19 related challenges that will continue into 2022/23. However, this is also a sector with positive prospects in the medium to longer-term due to the nature and quality of the Welsh product offer and strength in the domestic UK market and any funding is not solely a means of supporting a challenged industry; but can also an investment in the long term prosperity of many parts of Wales.

The activity proposals have been developed to complete delivery of the Recovery Plan and take us back to our Strategic Plan [Welcome to Wales: Priorities for the Visitor Economy 2020-2025](#). The proposed activity also takes account of our commitment to leveraging the successful Cymru Wales brand to promote Wales in the world, as highlighted in the [International Strategy for Wales](#) and the more single-minded wellbeing proposition that has now been developed and which brings the brand closer to the Wellbeing of Future Generations (Wales) Act 2015. Our Cymru Wales brand and campaigns also position our language as central to our culture, and to project Wales as an outward facing, bilingual nation. In building an economy based on the principles of fair work, sustainability and the industries and services of the future the strategy will deliver skills/recruitment campaigns, business marketing and business support conditions. Tourism is vital in *making our cities, towns and villages even better places in which to live and work* by funding schemes and place making activity that put community benefits alongside visitor benefits to “grow tourism for the good of Wales”.

Visit Wales will continue to support innovators in the industry who come forward with high quality, reputation-changing products. Our primary product gap is high-quality

accommodation in many parts of Wales, so in line with our move to value over volume, we will work with current businesses to increase their occupancy levels and yield. Our £50 million Wales Tourism Investment Fund, delivered in partnership with the DBW, will continue to help finance capital investment in tourism projects that grow the sector and have a positive impact on the Welsh economy.

We will also take a more strategic and internationalist approach where we aim to provide additional funds and investment to support our sector, positioning Wales as a quality location to grow a brand or business through the appropriate channels. Not all iconic projects will be large in scale, and our support is not limited to serviced accommodation and attractions; we are looking for quality across all price-points and sectors. This includes the caravan and camping sector – an area of wide popular appeal that is rapidly diversifying in response to market changes, and is core to the market position of Wales, especially in the UK.

We need to continue to invest in the basic tourism infrastructure around Wales, as well as in high quality visitor experiences. Brilliant Basics is a Wales wide fund that will deliver basic small-scale tourism infrastructure improvements, and ensure that all visitors to Wales have a positive and memorable experience throughout their stay. It will focus on the infrastructure needed to ensure that everyone feels welcome – from fully accessible ‘Changing Places’ to wider access improvements. We will also consider further ideas, working with local partners to build on the distinctive identity and character of market towns and coastal villages and place emphasis of projects that contribute towards meeting the decarbonisation agenda creating sustainable destinations.

10.12 The forthcoming Retail Strategy

The retail sector is the largest employer in Wales, with **114,000 employees** and with retail trade accounting for **5.9% of Welsh GVA (Note the retail sector refers to SIC 47: Retail trade, except of motor vehicles and motorcycles)**. Alongside its value in economic terms, the retail sector is the lynchpin of many of our local communities and provides the essential and non-essential goods and services upon which our collective well-being depends.

However, the dual impacts of EU Exit and Covid have changed matters considerably. Previously, the sector was experiencing challenges with developments in technology and changes in consumer spending patterns but many of these changes have been accelerated by the pandemic and we have seen a catastrophic impact on both small and large retailers. Whilst the retail sector provides rewarding work to many, we also recognise this is not universal and that challenges remain around the quality of work. There is a shared desire from responsible employers, trade unions and others to address this and make fair, safe, secure and rewarding work more prevalent across the retail sector.

We benefit from a high level of engagement with the sector and greatly value contributions from our stakeholders, including businesses and their representatives and unions: The retail forum, launched jointly by the Minister of the Economy and the Deputy Minister for Social Partnership, is a social partnership made up of sector representatives, unions and officials that works collaboratively to inform development of a retail strategy that will produce immediate, medium and long-term recommendations to provide stability and security to the sector. The strategy, which is due for Ministerial launch in March 2022, will support the retail sector to achieve a vibrant future that will offer an attractive

opportunity for employment and career progression and continue to be a cornerstone of the Welsh economy, from the local high street through to our city centre settings.

10.13 Transition to Net Zero

Net Zero Wales is the next phase of our journey and the first with net zero as our target, working towards a greener, stronger, fairer Wales. Our approach will sustain existing jobs, create employment opportunities and help ensure our industries remain internationally competitive. However, the challenges faced in coming decades cannot be under-estimated, and we must all work together to realise the opportunities available.

Our vision is a well-being economy which drives prosperity, is environmentally sound, and helps everyone realise their potential. Delivering a just transition to a low carbon future is critical for Wales. I am working closely with the Minister for Climate Change on how we can refresh Business Wales to reflect our priorities for Net Zero, how we can prioritise support for businesses who contribute the most for Wales with our Economic Contract, and how Development Bank Wales (DBW) can ensure that businesses seeking to decarbonise receive the support that they need.

Business Wales supports new entrepreneurs, micro-businesses and SMEs to embed sustainable development practices in the fabric of their venture. This helps Welsh businesses exploit new opportunities and take proactive steps to realise the business benefits of resource and energy efficiency, as well as joining a growing community of forward-thinking organisations working towards a zero carbon future. We are taking further steps to strengthen the approach of Business Wales in tackling the climate emergency, for example by providing enhanced information, guidance and support not only to help businesses reduce their carbon emissions but also to adapt to the impacts of climate change. We are refreshing the Business Wales website to reflect the priorities for Net Zero Wales, signposting SMEs to business support programmes, key websites, online tools, regulatory guidance and case studies to share the experiences of businesses in Wales.

Welsh businesses are currently supported to develop, implement and commercialise new products, processes and services through the Smart Cymru Programme. The Development Bank Wales already works with many businesses to support their ambitions to decarbonise, reduce energy consumption and develop new products with a green focus. This breadth of activity and current experience puts DBW in a key role to support the decarbonisation agenda.

At the end of November I launched a new [£35m Package](#) to help small and medium sized businesses (SMEs) in Wales relaunch, develop, decarbonise and grow to help drive Wales' economic recovery. Our Economic Contract prioritises support to businesses contributing the most to Wales. We are committed to talking to all businesses we support about how they address the climate emergency.

Regional Skills Partnerships continue to be a pivotal component of the Welsh skills landscape, providing labour market intelligence to Welsh Government, whilst acting as strategic partners on all matters relating to employability and skills, directly supporting our regional approach and the City Deal and Growth Deals across Wales. This will mean accelerating the adoption of the new skills required for the quality, secure jobs that a low carbon economy relies on.

Jobs need to be made more directly relevant to the needs of a low carbon economy. The skills system must play its part managing the transition so it can quickly enable more individuals and businesses to prosper in a shifting economy. The Net Zero Wales Plan makes commits Welsh Government to the development of a Net Zero Skills Action plan in order to aid transition to Net Zero and one that is equal and fair.

Officials will be working closely with stakeholders from across Wales in the development of the Action Plan. Universities and colleges, along with skills providers, local authorities, and the third sector will play a central role in providing the training, skills and innovation needed by employers across Wales.

Transferability of skills is crucial to the economy in times of crisis and when new training interventions are needed; National Occupational Standards (NOS) and the transferability they offer are crucial to these programmes. NOS are responsive to occupational and societal changes, and as such can accommodate the skills that Wales will require in the future. The new NOS Strategy will respond to the green recovery agenda as one of its key priorities, and commission LMI research to identify the most robust sources of data to respond to occupations which are emerging or facing significant change across the UK.

We also a need a long term and consistent policy on decarbonisation and increased support for innovation from the UK Government. From clarity for business on regulation and funding to action on fuel switching and carbon pricing, our calls demand a coherent framework that all of us can use to plan against. With the right framework, business and industry in Wales would finally have the certainty they need to accelerate their ambitions. As with other areas that were previously in receipt of EU funding, the levels of research capability and capacity in Wales is likely to decline over future years without the UK Government at least maintaining current levels of investment.

10.14 Welsh Government's policy on remote working

Budget for the remote working policy is not separately identified in the Economy budget. However because we have brought together a test network of hubs detailed in the [Press release - Remote working locations](#) at very low or no cost, we expect future expenditure to be focused on providing enabling tools, such as a digital platform for information and booking. These will be similarly low cost and focused on future commercial sustainability, therefore we expect costs to be managed as a pressure in year.

10.15 Trade

The [Export Action Plan](#) published in December 2020 and the delivery is a PfG commitment. The budget is maintained in the draft budget at £4.692m and aims to drive the growth in Welsh exports in the longer term. The Plan ensures we have a comprehensive range of export programmes to support businesses on their export journey, from - inspiring businesses to export; building export capability; finding overseas customers; and accessing overseas markets. International trade, however, has been significantly impacted by COVID-19 and the more complex trading relationship with the EU, our largest trading partner. This is reflected in the most recent provisional export statistics, which show the value of goods exports for Wales was £13.5 billion in the year ending June 2021, down £2bn (13.1%) compared to the

year ending June 2020, down £4.3bn (24.1%) compared to the year ending June 2019.

The Plan has put in place support for businesses at all stages of their export journey, including through dedicated ‘on-the ground’ support and advice via our team of International Trade Advisers, based across Wales. To inspire a culture of exporting and internationalisation amongst Welsh businesses, our Export Exemplar campaign is showcasing the successes of a number of experienced Welsh exporters to encourage others to consider exporting; and, we also launched a new pilot New Exporter programme to work intensively with targeted businesses who have the ambition and potential to become sustainable and successful exporters. To develop export capability, we are delivering a series of webinars and online training and advice on exports through the dedicated Export Hub. The new Export Cluster initiative was launched in the autumn, which brings companies together in key sectors to develop strong networks of support, working on a “one-to-many” basis to support export development, helping to ensure companies learn from each other and share knowledge and experience. To support businesses find overseas customers and accessing overseas markets, we continue to deliver overseas trade missions/exhibitions to promote Welsh exports, many of which have been delivered virtually, to key markets, supported by our overseas teams, as well as other key partners in-market such as Department for International Trade.

The budget supports our efforts to promote Wales as a destination for inward investment, a key commitment in the International Strategy. The activity focusses on opportunity-led investment and on those segments of the economy where Wales can demonstrate international class capabilities including compound semiconductors, fintech, cyber security, marine energy and specific aspects of life science such as regenerative medicine, neuroscience and medtech. As part of this, an extensive engagement programme is being delivered with our own overseas offices, wider networks, critical industry clusters and stakeholders to raise the profile of investment opportunities in Wales.

10.16 Border Control Posts

In accordance with the UK Statement of Funding Policy, the BCP facilities should be funded in full by the UK Government as the costs have arisen as a result of the UK Government’s EU Exit policy. However no funding was allocated in the Spending Review.

Since then, the Chief Secretary to the Treasury has committed to funding the costs of building BCPs in north and southwest Wales through reserve claims. This is welcome. The funding has not yet been included in the draft budget.

However the UK Government has not committed to funding the running costs, including the costs to set up the arrangements. Welsh Government believes these should also be met and discussions continue with UK Government.

10.17 Research, Development and Innovation

The 2022-23 budget does not currently outline specific allocation of funds for RD&I for the five priorities announced by the First Minister. The allocation in previous years has supported collaborative R,D &I by the private, public and third sectors. Our priorities continue to be:

- Deployment of research, development and innovation capacity to support our PfG, focusing on climate change, environmental recovery and decarbonisation;
- Building further on Welsh research, development and innovation capacity in the Health and Life Sciences;
- Developing a cross-Welsh Government innovation strategy for growth and skill development in the established research and innovation base.

We will continue to deliver our innovation agenda:

- **As a co-investor and risk-sharer in business RD&I.** Our current programmes help businesses develop new low-carbon products and processes. All applications are assessed against the Wellbeing of Future Generations goals.
- **As a stimulant to new public procurement practice.** We partner with the UK Government’s Innovate UK, in developing Small Business Research Initiative competitions which enable public sector bodies to seek innovative solutions to their intractable issues, many of which relate to the decarbonisation agenda; e.g., helping Cardiff Council run a competition for portable renewable energy generation so it can reduce the need for diesel power at major events in the city.
- **As a deliverer for UK innovation facilities.** For example, securing the UK Challenge Fund’s £36m Active Building Centre for Swansea. The centre is developing next-generation products and techniques that generate, store and release energy. This built on work of the SPECIFIC Institute, also in Swansea, which recently developed one of the first positive energy classrooms.
- **As a horizon scanner of national, European and global best-practice.** Through our work within international innovation partnerships, many of which are with other EU regions.

In previous years innovation has levered significant EU funding to provide an annual budget of c £21m which also addressed the ambitions in the Reid review and expectations for distributing and replacing EU funding for the former Government delivering significant outcomes:

TABLE 10 – INNOVATION OUTCOMES	
Outcomes	Impact
Businesses encouraged to grow through adoption of Innovative practices	881
Business investment in RD&I projects	£32m
Businesses partnering in collaborative RD&I projects	80
Innovative products, processes and services developed for societal improvement	382
Intellectual property rights registered (to retain the knowledge in Wales)	74
Investment secured for business growth through RD&I	£66m
Net GVA uplift generated by adoption of RD&I practices	£112m
Carbon Reduction: Businesses adopting or improving environmental sustainability strategies	961

This Government recognises the importance of RD&I to Wales but, given UK Government’s changes on the Internal Market Act and control of UK Shared Prosperity Fund, has had to respond to the anticipated reduction in expected funding and related previous commitments reflected in the capital budget allocations of £31.4m over the next three years, including EU funding of £11.4m in 2022-23.

Universities in Wales have established the Wales Innovation Network (WIN) to support the development of collaborative bids in research and innovation, raising the prominence of Wales' capabilities in a number of important areas for business and community development. HEFCW have invested £1m in WIN over three years, and an interim director has just been appointed.

It is unclear what the UK Government £22bn investment in innovation by 2027 means for Wales and it is essential we secure funding levels at least equivalent to those we received historically via the EU and address historic underfunding from both competitive and non-competitive UK investment sources.

Work is underway to develop with Welsh partners a new cross Government Innovation Strategy. In devising the strategy there is a need to focus innovation effort towards recovery and growth. Professor Reid's review is one source of evidence which will inform this work, but during this term of Government our priorities and focus have, out of necessity, also evolved, taking into account current funding constraints.

Details of any funding during 2022-23 intended to resource the mission-based national innovation strategy that is part of the Co-Operation Agreement if this is not included in the above. Our new cross-government fully integrated innovation strategy will address opportunities and challenges to build on the momentum in public and private sector innovation caused by the Covid-19 pandemic. It will also address carbon measurement so that we can fully understand the impact we have on carbon reduction. A case will be made for funding to assist cross-government delivery and an assessment made on what is needed.

Committee Scrutiny 2020-21 – Research and Innovation EU Funding

During the period 2014–2020, Wales benefitted from over £2bn Structural Funds. Between 2014-2018, 20% of ERDF and ESF proportion was allocated to research and innovation. The total investment was c£334m between 2014 and 2020, approximately £60m each year. This includes a portfolio of strategic, complementary and specialist investments, covering Life Sciences, Energy, Advanced Engineering and ICT. In a UK context, during this period, Wales allocated c.€388m of the UK's total €1.5bn ERDF for Research and Innovation, the highest of any of the UK Devolved Administrations

The Horizon 2020 programme facilitated researcher collaboration, with its emphasis on excellent science, industrial leadership and tackling societal challenges. It also provided grant support across the full spectrum of R&D, from ground breaking research to close-to-market activity. By September 2018, Welsh organisations had secured some €102m of Horizon 2020 funding since the beginning of the programme, based on competitive excellence. This involved over 255 participations (awards) and 2,820 international collaborations representing a total investment of some €1 billion in projects involving collaboration from Welsh participants.

The Welsh Government's ERDF funded SMART schemes (SMART Innovation, SMART Cymru and SMART Expertise) provides an integrated suite of interventions that drive innovative behaviour in Welsh businesses. SMART Innovation has engaged with over 1,800 companies and encouraged 240 of these to seek

competitive funding from Innovate UK and Horizon 2020. SMART Cymru and Expertise and have supported over 340 companies with R&D projects worth over £100m with match funding.

Health and Care Research Wales (HCRW). The Welsh Government invests more than £42m in health and social services research annually. This provides support for an extensive infrastructure of centres, trials units and support groups, which deliver clinical research studies, lead multicentre international research and participate in research that has an impact on the health of Wales, the UK and globally. The Welsh Government has made significant investment in research infrastructure to support and increase capacity in research and development, designed to ensure that Wales builds on research strengths where it excels and includes vital collaborations with the life sciences industry, for the universal benefit of patients.

The Sêr Cymru II £60m programme was match funded. Designed to grow Wales' research capacity, it attracted a wider range of research-excellent stars in the early or middle stages of their career and fellowships to attract scientists on career breaks, back into research posts in Wales. Taken collectively the investment approximates some £100m from: Welsh Government, HEFCW, Welsh HEIs, European Regional Development Fund and Horizon 2020 funding.

In response to Covid-19, the WG held a research call to universities, via the programme, for novel research proposals contributing to the advancement of research, exploring expertise and talent within our university sector. The £5.4m initiative delivered 40 projects, leveraging £2.5m match funding. The following table summarises the HEFCW position:

TABLE 11 – DIRECT HEFCW SUPPORT			
	2019/20	2020/21	2021/22
	£'000	£'000	£'000
By Academic Year			
Research Wales Innovation Fund	7,500	10,500	15,000
Wales Innovation Network	-	150	420
QR (Quality Research)	75,800	75,800	81,700
PGR (PostGraduate Research)	6,500	6,500	6,200
Global Challenges Research Fund	2,500	2,800	-
Sêr Cymru programme	200	500	1,300
	92,500	96,250	104,620
Funds managed by HEFCW (Financial Year)			
Higher Education Research Capital*	6,980	9,430	6,980
UK Research Partnership Investment Fund**	-	7,280	22,640
	6,980	16,710	29,620

10.18 Skills and Employability

Young Persons Guarantee

The Young Persons Guarantee (YPG) is the umbrella structure, which sits above all programmes for young people, aiming to create a simple journey for young people regardless of their circumstances and background.

The YPG is forecast to cost **over £500m** in 2022-23 financial year across the Welsh Government; this includes costs within the Education and Welsh Language MEG in addition to the Economy MEG.

Within the Economy MEG, £68m is forecast in 2022-23 financial year. This includes circa £12m of European Social Funds in 2022-23 financial year from the JGW+ programme through the Traineeships ESF operations, subject to eligibility of activity. Circa £48m of this relates to existing budgets and activities which support the guarantee and £20m is additional budget which has been allocated in draft budget 2022-23 to support the expected additional NEET cohort.

Personal Learning Accounts

Personal Learning Accounts (PLAs), will benefit from an additional £1m up to 2024-25 taking it to an £18m programme for 2022-23 and £18.5m by 2024-25. The programme provides support across Wales for employed people on below average salaries to gain higher level skills to help them to access a wider range of job opportunities and/or gain employment at a higher level. As our first gender budgeting pilot Personal Learning Accounts meet evolving regional skills needs and continue to address skills gaps with funding specifically targeting labour shortages and skills gaps in priority sectors such as health and social care, logistics, green construction and renewable energy

The programme is also responsive to employers' upskilling requirements, in recognition of the ongoing challenges posed by Covid-19 and the challenges and opportunities arising from the UK's decision to leave the European Union.

The courses and qualifications are fully funded by the Welsh Government. All courses and qualifications delivered through the PLA programme are endorsed by Regional Skills Partnerships (RSPs) to ensure the provision meets evolving regional skills needs and addresses skills gaps.

This flexible approach to learning enables colleges to work differently to offer courses and qualifications to address the economic skills requirements for employed people regardless of their previous level of qualification achievement.

In partnership with RSPs PLAs will meet the evolving regional skills needs and continue to address skills gaps. In 2021-22, additional funding is being specifically targeted at addressing labour shortages and skills gaps in priority sectors such as reengaging and retraining staff to return to work in health and social care, training more HGV lorry drivers and reskilling individuals to respond to exciting new job opportunities in green construction and renewable energy.

An external evaluation has commenced, which will inform further policy or eligibility changes for the 2022-23 academic year to help the Programme reach more diverse groups of learners while maintaining its core aims and objectives.

Individual Eligibility:

- Live in Wales
- Want to gain skills/qualifications in priority sectors
- 19 years old or over

In addition, individuals must meet at least one of the following criteria:

- Employed people (including self-employed) earning under the median income (£29,534), or
- Workers on zero hours contracts, or
- Agency staff, or
- At risk of being made redundant, or
- Have been negatively financially impacted by COVID-19 (e.g. projected income is likely to fall below median wage)

To note: Funding for PLA activity sits within the Education and Welsh Language MEG

Working Wales

Working Wales is the Welsh Government's approach to delivering free, impartial, employability and careers advice tailored to an individual's needs and circumstances. The service, provides professional careers information, advice and guidance, for individuals over 16, by undertaking a needs-based assessment, including barriers to employment, and referring the individual to appropriate support. The service provides a national entry point to employability support, which supports and complements existing channels. Working Wales will refer individuals onto appropriate existing employability programmes supported by the WG including, JGW, ReAct and Traineeships.

Working Wales is the gateway into our Young Person's Guarantee, building on their already strong and successful model of delivering careers guidance and signposting support. From 30 September Working Wales, began to track and monitor the YPG.

ReAct+

ReAct+ is a new, exciting and refined adult employability programme offering individualised support to unemployed adults 18+ trying to enter the labour market by working closely with the individual to remove barriers to employment.

ReAct+ will form a key part of the response to the Young Person's Guarantee commitment by expanding the offer to the 18-24 year old NEET cohort. An incentive will also be offered to employers who recruit a NEET individual, this offer will also be available to employers that recruit an individual with a disability. The programme will offer an individualised approach and enable people to access relevant training and support and help prevent people entering long term unemployment by assisting them to move into sustainable work quickly.

ReAct+ is demand led adult employability grant programme where the individual along with support from a Working Wales adviser has the buying power, therefore providers vary across the regions, depending on the tailored needs of the citizen and sector based opportunities. This approach provides the project with the flexibility and the ability to respond quickly to the changing economic environment and changing priorities around the social well-being of Wales by responding to the needs of individuals and the barriers they face.

The new programme will retain the tried and tested approach to providing vocational training skills to individuals, while providing support with care and travel costs for example. ReAct+ will see the expansion of eligibility to include the NEET cohort, supporting the Young

Person's Guarantee commitment within the Programme for Government. An incentive will be offered to employers who recruit an individual from this cohort. Individuals who have a disability are also prioritised by the incentive to employers. ReAct+ will also support Ex-offenders and offenders serving their sentence in the community.

An exciting new addition to ReAct+ is a Personal Development Support grant which will address individuals' barriers to employment including but not limited to DBS checks, English for Speakers of Other Languages (ESOL) as well as well-being issues of self-esteem, confidence, motivation, resilience and attitude. This provision will only be available to individuals identified as having labour market disadvantages and who require further support to overcome these barriers to employment. ReAct+ will offer work experience where this is an identified barrier to employment and Working Wales will ensure an effective 'job match' for ReAct+ participants.

A new mentoring service will be introduced to the ReAct+ programme and will be available to eligible individuals, providing personalised support for those presenting with barriers into employment, taking the service the 'extra mile' to support individuals. Officials are working across Government with Communities for Work + and Working Wales colleagues on the development of this innovative element which builds on the outcomes of previous evaluations.

By targeting disadvantaged groups and enabling people to access relevant training and support quickly, the ReAct+ programme will help prevent people experiencing long term unemployment by assisting them to move into sustainable work quickly.

A cost analysis exercise has been undertaken to ensure that the support offered is current and realistic for individuals to engage in the programme and pursue their journey to employment. The table below highlights the key advancements of ReAct+:

TABLE 12 – KEY ADVANCEMENTS FOR REACT		
Programme Element	Current ReAct	ReAct+
Vocational Training	Up to £1,500	Up to £1,500
Extra Support	Up to £200	Up to £300
Care/Childcare	Up to £2,600 (childcare only)	Up to £4,550
Employer Recruitment Support	Up to £3,000	Up to £3,000 Additional £1,000 for employers who recruit a disabled person or an 18-24 year old who is NEET
Employer Training Support	50% contribution up to £1,000	50% contribution up to £1,000
Personal Development Support	This element is not available on the current ReAct programme	Up to £500 (<i>available to those identified as having a barrier to the labour market</i>)
Mentoring	This element is not available on the current ReAct programme	This is at no cost to the programme and will be built into the role of the Working Wales and Communities for Work + service.
Work experience	This element is not available on the current ReAct programme	This is at no cost to the programme and will be built into the role of the Working Wales programme and the good will of employer network.
Journey to employment (JobMatch @ Working Wales)	This element is not available on the current ReAct programme	This is at no cost to the programme and will be built into the role of the Working Wales programme.

JGW+

Jobs Growth Wales+ is a new and exciting opportunity which is a fundamental part of the new Young Persons Guarantee. JGW+ takes the best elements of Traineeships and Jobs Growth Wales and will provide an holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET (Not in Employment, Education or Training)

The legacy Jobs Growth Wales programme was solely focused on employment offering young people a six month wage subsidised employment opportunity. Jobs Growth Wales+ retains this element but expands it so that it also focuses on those young people who are not yet job ready and helps them to reach that stage. There is also a much stronger focus on providing help for young people to reach their full potential by providing tailored assistance to help them overcome any barriers they may face when accessing employment or training opportunities.

The differences between Traineeships and Jobs Growth Wales+ are set out in this table:

TABLE 13 – DIFFERENCES TRAINEESHIPS:JGW+		
Activity	Traineeships	JGW+
Three strands	Engagement Level 1 Bridges to Employment (this strand was never operational)	Engagement Advancement Employment
First strand	Engagement Strand identifies and addresses barriers which prevent young people participating in learning or progressing to employment. This is done through work placements, voluntary opportunities and work placements as well as centre based learning to help young people gain a work focus which will allow them to progress to further learning or employment.	The JGW+ Engagement Strand is intended for young people who are assessed by Working Wales as: Needing to confirm or contextualise an occupational focus prior to entering further learning or employment including an Apprenticeship, and/or who are experiencing barriers preventing them from engaging in a programme of study at Level 1.
Second strand	The Traineeships Level 1 strand uses work placements (including voluntary work) and centre based learning to address learner's barriers and deliver a Credit Framework (QCF) qualification before the learner progresses to employment or another level of training.	The JGW+ Advancement Strand is for young people who are assessed by Working Wales as being occupationally focussed, and able to follow a level 1 qualification programme of study. The JGW+ Advancement Strand sets out the support and learning activities young people need to address any barriers they may face allow them to progress. This is achieved via work placements and centre based learning to deliver the appropriate qualifications.
	<i>This element of the Traineeships programme was never operational</i> The Traineeships Bridge-to-Employment strand was never utilised but was originally aimed at young people who were assessed as being occupationally focussed, above level 1 learning had completed the Traineeships Engagement strand; and had a minimum standard of qualifications.	The JGW+ Employment Strand provides a wage subsidy for a paid and sustainable job opportunity and is for young people who are assessed by Working Wales as being occupationally focussed, and job ready (meaning they are motivated, seeking work and have realistic expectations of the work they can do) The JGW+ Employment Strand sets out the support needed to address barrier/s identified in the ARR as which may be stopping young people from progressing. Wage subsidised employment opportunities (paid at 50% of the

		minimum wage) help young people progress in the world of work.
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JGW+ is contracted by tender; the contracts have been issued to the following Contractors under a Framework agreement within each Regional Lot:

TABLE 14 – JGW+ CONTRACT LOTS	
Region	Contractor
North Wales	Grŵp Llandrillo Menai (GLLM) Consortium
	Coleg Cambria
	ACT Ltd
South West & Mid Wales	Pembrokeshire College
	ITEC Training Solutions
	ACT Ltd
South Central Wales	ACT Ltd
	ITEC Training Solutions
South East Wales	ACT Ltd
	ITEC Training Solutions

The total procured Framework value sets a range of £100m-£200m for the full term of the agreement. It is anticipated that for 2022-23 financial year £31m will be required.

Flexible Skills Programme

The Flexible Skills Programme provides targeted skills interventions where skills needs cannot be met through existing provision or where there is a clear case for direct involvement by the Welsh Government. Officials, in parallel with regional skills delivery partners, work to ensure that skills support is firmly focused on the regional economic needs and opportunities presented, for example through Regional Skills Partnerships, Enterprise Zones and City Regions.

The programme is open to employers, employer-focused bodies and other consortia, with the aim of enabling and encouraging the development of flexible, industry-led skills solutions. The Programme can support, via a 50% contribution, eligible internal and external training delivery costs and training materials. It should be noted that the salaries of the employees that are undertaking training activities will not be considered as eligible training costs for the purpose of this funding award.

The programme can also be utilised as a mechanism to channel funds secured from other budget lines as appropriate, e.g. the EU Transition Fund and Covid Commitment. Utilising these budget lines the likes of Airbus have been in receipt of funding to support digitisation, automation and advanced manufacturing techniques within the Airbus business development plan.

Wales Union Learning Fund (WULF)

The WULF programme has been in operation for over twenty years, supported by Welsh Government funding.

The overarching aims of WULF are to:

- raise the skills of the workforce and facilitate progression by supporting Trade Union-led learning activity, in partnership with employers and others, with a focus on increasing the essential and digital skills levels and employability skills of the Welsh workforce, and also supporting workers to progress onto further learning and to gain

- relevant qualifications
- support the recruitment and networking of Union Learning Representatives (ULRs) in raising demand for learning from non-traditional learners, especially workers with low skill levels and disadvantaged groups in the workplace, helping them to overcome barriers to learning;
- be responsive to the emerging skills and employability needs of workers, helping to deliver the skills needs of both the current and future workforce;
- work with employers to assist with workforce development including establishment of collectively bargained learning agreements and provision of advice on workplace policies and practices that encourage participation thus increasing the likelihood of progression, resulting in more workers benefiting from fair work.
- encourage employers to recognise the value of developing individuals through workplace learning in support of employability and progression.
- Increase diversity and inclusion within adult learning by removing barriers to learning and working with employers to widen access to workplace learning and skills.

The intended participants of the programme are workers within the unionised organisations that are supported by those unions that bid into the fund. The current bidding round for delivery in 2022-25 is underway.

Inspiring Skills Excellence in Wales

The Inspiring Skills Excellence in Wales (ISEiW) project delivers a programme of activities that inspires and promotes vocational excellence in order to develop young people who will impact positively on the prosperity of the Welsh economy. The project, a Welsh Government funded initiative led by Coleg Sir Gâr, will continue to raise the profile of vocational skills in Wales and drive forward a skills agenda that will fulfil the requirements of education and industry in Wales.

National Occupational Standards (NOS)

We remain committed to maintaining a three-nation policy approach to UK-wide National Occupational Standards (NOS) to underpin Adult Vocational Qualifications and apprenticeship frameworks in Wales. NOS support social mobility and permit the transferability and movement of skills across companies, sectors and borders. NOS support cross-cutting PfG Commitments to:

- Build an economy based on the principles of fair work, sustainability and the industries and services of the future (Cabinet)
- Legislate to strengthen and increase our Welsh language education provision (Cabinet)

Lesson Learnt Jobs Support Wales

In September 2020 the Director General for Economy, Skills and Natural Resources announced at Public Accounts Committee that a review into the procurement for the Job Support Wales programme would be undertaken and a report produced.

The report contains the findings from a review carried out by internal audit. The review focussed on:

- Ensuring actions agreed in response to recommendations made in the ESNR review have been implemented;
- Reviewing a sample of procurements undertaken to confirm the new processes have been adopted and improvements have been made.

Conclusions from the report focused on ensuring secure governance, risk management and internal control within those areas under review were suitably designed and applied effectively. All recommendations had been implemented and actions were in place to closely monitor future procurements

The initial review and the subsequent follow up work by Welsh Government's Internal Audit Services has provided the assurance that all necessary steps have been identified to protect the position of the Welsh Government and its responsibility to use public funds in a safe and controlled manner. The lessons learnt from both procurement exercises for Job Support Wales were at the core of all decisions made relating to the new programmes, and were supported by knowledge matured during the development of Job Support Wales to maximise value for money and time already invested in relation to adult and youth employability.

10.19 Work Based Learning

The actual 2020-21 outturn for the Traineeship programme is £30.4m (inclusive of ESF income). The expected outturn for this programme for 2021-22 is £32m (including ESF income).

The actual 2020-21 outturn for the Apprenticeship programme is £124.22m (including ESF income). The expected outturn for this programme in 2021-22 is £150m. This increase in the 2021-22 outturn reflects the increased cost of the Employer Incentive Scheme.

The proposed 2022-23 Work-Based Learning BEL is net of £5m to be transferred to HEFCW to support Degree Apprenticeships. It is anticipated that further funding will be transferred in year in the supplementary budget to support the cost of new and continuing Degree Apprenticeships in 2022-23. The cost is not confirmed at this stage.

The Welsh Government commissions new and revised apprenticeship frameworks via contracting arrangements with Skills Development Scotland (SDS). SDS manages the tendering and contract management process on behalf of the devolved nations.

In order to ensure the apprenticeship offer remains current and relevant to the needs of employers in Wales, £145,000 has been allocated in 2021-22 for the development of apprenticeship frameworks. This amount is based on expenditure in previous years and includes:

£135,000 to be made available for apprenticeship framework developers via the SDS Commissioning process to develop new apprenticeship frameworks and revise existing ones. This will include commissioning a review of the Automotive, Transport & Logistics, Digital Technology, Hospitality & Catering Energy and Business and Management frameworks; and

£10,000 for reviewing the Engineering and Advanced Manufacturing Degree Apprenticeship Frameworks. This will involve quality assuring additional degree qualifications for these frameworks.

In addition, recognised Development Partners are also able to develop and review frameworks. These are non-commissioned reviews but have to be agreed by Welsh Government prior to commencement. In 2021-22, Welsh Government has agreed to the

non-commissioned development and review of frameworks in the Healthcare and Construction sectors.

It is our intention to continue to develop and review the frameworks outlined above in 2022-23 and to also commission the development and review of frameworks in the following sectors: Property Services, Engineering & Advanced Manufacturing and Materials, Hair & Beauty and Tourism, Travel & Leisure.

It is expected that £140,000 will be committed for this purpose in 2022-23.

Demand-management restrictions and actions to manage apprenticeship demand

Our Apprenticeship Action Plan (2017) signalled our intention to move the Apprenticeship programme towards supporting new entrants and employees who are relatively new in their job role. It also identified the need to move away from generic apprenticeships towards those that are sector specific. Our current eligibility rules reflect this direction of travel but also allow some flexibility to support those sectors and learners who are disproportionately affected by the impact of Covid-19.

Our general approach is that employees (excluding disabled individuals) are ineligible for a level 2 Apprenticeship if they have been employed for more than 6 months in the same job role and those employed for more than 12 months are also ineligible for a level 3 Apprenticeship. There is no employment length restriction in place for learners seeking to undertake a level 4/5 apprenticeship. We have also restricted the availability of generic apprenticeships to those learners who are disabled or new to employment.

However, in recognition that young people are disproportionately impacted by the economic downturn, employees aged 16-24 are not deemed to be ineligible for an apprenticeship on the grounds of length of employment in their current job role. The only exception to this will be for those Level 2/3 apprenticeships that have been identified as generic (e.g. Business Administration, Retail and Customer Service, Team Leading and IT Users) as these will only be available for new recruits. This relaxation will be subject to further review but will apply until at least the end of July 2022.

In addition, in recognition that the Tourism and Hospitality sector in Wales has been significantly and disproportionately impacted by Covid-19 restrictions, with anecdotal evidence suggesting that significant numbers of employees are de-motivated, lacking confidence in the future of the sector and seeking alternative employment, we relaxed the apprenticeship eligibility rules to enable its employees to undertake an apprenticeship irrespective of their length of employment. It was widely regarded that providing opportunities for up-skilling would go a long way towards improving staff motivation and confidence; thereby helping to retain staff. This relaxation is expected to be in place until at least the end of July 2022.

We intend to retain these demand management approaches into the 2022-23 year and will review the requirement to retain the Covid related relaxations post July 2022.

The Employer Incentive Scheme (EIS) has been successful in attracting circa 5,500 learners into apprenticeships since August 2020. Whilst this scheme is planned to end in February 2022, the budget from 2022-23 onwards will allow the scheme to continue for disabled apprentices. The number of disabled people starting an apprenticeship in Wales already falls behind both Scotland and England. Currently over 8% (2020/21 Q2) are disabled whilst the figures in Scotland and England is over 11%. The continuation of the EIS

for this cohort will help to increase the participation of this disadvantaged group and will help us achieve our target of eradicating the gap between the employment rate in Wales and the UK by 2050 with a focus on Fair Work and raising labour market participation of under-represented groups.

10.20 Regional Skills Partnerships/Employer Engagement

In responding to the PfG commitment to 'Strengthen Regional Skills Partnerships' and the recommendations of the EIS Committee (October 2019) and its recognition of the 'clear resource challenges' the Regional Skills Partnerships (RSPs) have faced, officials have proposed an increase of funding to the RSPs. This increase will enable RSPs to make required improvements and ensure they are able to effectively carry out their work of aligning Further Education and Apprenticeship provision with employer need, aid in recovery from Covid-19, and ensure we have the skills required as part of our drive to Net Zero.

A fourth RSP, covering Mid Wales, was established in April 2021 with this RSP receiving the same level of funding as the existing RSPs (£165,000 per annum). Officials propose an increase of the funding for RSPs from £660,000 in 2021-22 to £1,160,000 in 2022-23. This amount would be split equally between the four RSPs at £290,000 per RSP, although officials are currently investigating how to best provide the RSPs with a central research capacity and funding for this may have to be drawn from this total budget. This is in response to the EIS Committee recommendations.

In addition, RSPs have been provided with an additional £100,000 in 2021-22 (£25,000 per RSP) to conduct engagement with their delivery partners to help Welsh Government's understanding of the current marketplace in terms of projects and programmes to support young people and how projects can contribute to the Young Person's Guarantee. This work is expected to be repeated next year with further funding provided.

Welsh Government does not provide any other funding to support the operation of Regional Skills Partnerships.

10.21 Brexit

The impact on the labour market is unprecedented with significant disruption. That has led to sharp falls in the number of people employed, the number of hours they work and the number of job vacancies on offer. The impact of the pandemic threatens to reverse progress made in reducing unemployment and economic inactivity in Wales over the last decade. However, we seek to move forward with a renewed focus on our goals to tackle the forecast rise in unemployment (in collaboration with the Department of Work and Pensions WP), to address the Not in Employment Education or Training (NEET) rate of young people, to improve qualification levels in Wales, and to reshape the skills of the existing workforce and promote fair work in Wales.

For the economy to emerge stronger and more productive than before, both individuals and businesses will need support to navigate the crisis. The Welsh Government employability offer will be central to our economic recovery and ambitions to Build Back Better, and crucial in supporting those most likely to be negatively impacted in the Welsh labour market.

We are expanding front lines services via Employment Bureaus (Further Education), Working Wales, and the Communities for Work Plus (CfW+) advisor and mentor

infrastructure. To help people back into work, we are directing people to access Working Wales as the portal to our wider employability offer.

Our goal is to support the 'Return' and 'Retention' of the current workforce, 'Restart' an individual's employment journey following a period of unemployment or furlough, and prepare and 'Reskill' people across Wales for the future world of work.

Working across Government, we remain firmly committed to supporting people into employment or self-employment, securing learner continuity and progression in the labour market throughout this pandemic.

The Welsh Government has been clear and consistent in its priority that Wales will not to lose a penny of funding due to Brexit; as promised during the referendum.

We have assurance that the UK will continue to participate in EU programmes funded through the 2014-2020 Multiannual Financial Framework under the terms of the Withdrawal Agreement, meaning we will be able to continue to deliver our programmes through to December 2023.

Since the Referendum in 2016, we have been working with stakeholders across Wales on a new regional investment policy which puts us in a strong position to hit the ground running when the EU Structural and Investment funds begin to tail off towards the end of this year.

The Framework for Regional Investment in Wales, published 18 November 2020, sets out our high-level strategy for achieving prosperity and an inclusive economy to which local, regional and national (i.e. Wales-wide) interventions will contribute.

10.22 EVIDENCE BASE / EVALUATION & REVIEWS

Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making with some examples as follows.

Economic Resilience Fund

Welsh Government appointed Economic Intelligence Wales to undertake an impact and evaluation. The first stage report [Covid-19 Welsh Government Financial Interventions: An Analysis of Welsh Beneficiaries](#) assessed Welsh Government Phase 1 and 2 business grants and the Covid-19 Wales Business Loan Scheme managed by the Development Bank of Wales. It also considers the Non-Domestic Rates grants administered by local authorities. Other schemes have more recently opened to firms in Wales for applications and these are not analysed in this initial report.

The initial findings in the report are:

- The first 2 Phases of the ERF have provided over £200m of grants to support businesses in Wales. This figure excludes support paid through the Non Domestic Rates grant of £770m which was paid to 64,000 businesses.

- In total these ERF business grants have directly supported almost 12,000 organisations in Wales and 125,000 jobs (full-time plus part-time), representing around 10.5% of total employment in Wales.
- Average funding awarded was £15,620. On average, the amount approved for SMEs was just over 77% of the value of funds applied for by firms in Wales.
- Almost 80% of recipient firms were micro businesses, receiving an average grant of almost £10,000. Small firms comprised 18% of supported firms with average funding of almost £31,000 per firm. Medium-sized firms accounted for almost 3% of recipient firms, with an average grant of almost £74,000. Large firms received an average grant of around £302,000.
- The wider impacts of the support could be significant, with many thousands of further jobs supported indirectly in related businesses through supply-chain effects and wage spending effects.

There are a further two stages to the work of the EIW which include a survey element and a follow on impact and conclusion evaluation. The survey element has now concluded and an analysis been undertaken which is due early in 2022.

Working Wales plays a vital role in evaluating and understanding an individual's needs and the complex barriers they present. In doing so, they are able to determine the most appropriate provision to meet the needs of that individual. The service provides a national entry point to employability support, which supports and complements existing channels; thereby avoiding duplication and ensuring value for money.

We are developing a new adult employability programme, to start delivery in late 2021-2022. The new Adult Employability Programme will build on the proven successes, concept and brand to combine ReAct (redundant workers All-Wales) and Access (unemployed people) to provide this full employability offer to unemployed adults in Wales. The programme will provide individualised support to those trying to enter the labour market by removing barriers and providing grant support such as vocational training, childcare, travel costs and wage subsidies. The main aim of the programme is to enable progression into sustained employment.

The new programme will utilise a format that is tried and tested and will offer a programme of support to fulfil the aims of Taking Wales Forward and the Employability Plan. ReAct development, evaluations and audits over the past 20 years have helped the programme become efficient and effective at assisting people enter employment.

We have funded the Wales Social Partners Unit, through a competitive tender process, to deliver engagement services between Social Partners and the Welsh Government in Wales. This helped to ensure that the views of some of our key stakeholders are embedded into policy development and delivery. This area of spending underwent an independent evaluation. The organisation's resource is now located within the Social Partnership and Fair Work directorate within Welsh Government.

In 2018, Welsh Government commissioned a research report: "Commercial Property: Market Analysis and Potential Interventions" to evaluate the supply of and demand for modern sites and premises in Wales. The SQW report has been used to support the implementation of the Welsh Government's Economic Action Plan: Property Delivery Plan.

An additional note has been produced alongside the final report to consider the potential implications of the Covid 19 pandemic, given the report was delivered at the start of the outbreak. This area is reviewed to ensure evidence is reflective of the current and future circumstances.

Business Wales Impact Assessment

During 2021, Cardiff Business School was commissioned to provide an independent assessment of the economic outcomes associated with Business Wales. Findings of this Economic Impact report as follows:

Core and Growth (Level 1-4)

- The four year survivability rate is **67%** compared to **33%** for a matched sample of non-assisted businesses
- The service has generated **£92m** of business investment connected to projected turnover of **£7.76bn**
- For Each **£1** invested, this can be linked to around **£10** of net GVA uplift per annum.
- An estimated **5,108** of the **10,408 safeguarded jobs** under these programmes would not have been protected in the absence of the support. The net (additional) jobs are estimated to be connected with around **£266m of GVA.**

Accelerated Growth Programme

- The four year survivability rate for AGP assisted businesses is **77.4%** compared to **32.7%** for a matched sample of non-assisted businesses
- **£377m** of business investment connected to projected turnover of **£5.99bn.**
- For each **£1** invested in AGP, this can be linked to around **£18** of net GVA uplift per annum Since 2015-16, AGP supported around **£377m** of investment in enterprise, **9,755 jobs**, and **£266m** of exports.
- Total gross **9,755** jobs created translates to around **5,332** net jobs i.e. around 45% of the employment outcomes might have occurred in the absence of the Business Wales AGP intervention. These net jobs are estimated to be connected with around **£410m of GVA.**
- Additional employment created/activity estimated **£410m GVA** per annum.

Business Wales Customer Satisfaction

2703 businesses / individuals interviewed that have previously accessed the Business Wales service. Cumulative results as follows:

91% of those interviewed were satisfied with the advisors expertise and knowledge.
87% of those interviewed were satisfied with the quality of advice.
86% of those interviewed would recommend the service to others.
85% of those interviewed were satisfied with the overall service they received.

Business Wales Brand Awareness

Independent Brand awareness survey conducted in November 2021 by Beaufort Research as part of their omnibus surveys (interviewing 500 businesses).

Independent Brand awareness survey conducted in November 2021 by Beaufort Research as part of their omnibus surveys (interviewing 500 businesses).

Before today, were you aware that the Welsh Government provides a dedicated business support service to people running or starting a business?
2021 results – Yes 55% / No 42% / DK 2%

This is a positive increase of 10% from 2020 results

10.23 MONITORING BUDGETS

There are well-established processes in place for detailed and effective management of voted budgets in-year to the Economy MEG. A significant element of planned activity in the MEG is demand led such as the Economy Futures Fund and invariably large infrastructure projects which are undertaken by third party contractors. Consequently expenditure can be affected by factors outside Welsh Government control such as adverse weather conditions. Plans are monitored closely by the senior management team to agree options and proposals for corrective action to seek to manage net expenditure at budget levels.

Robust challenge reviews are undertaken at mid-year to identify any significant issues and inform options for the consideration of the Directors, Minister, and Deputy Minister and available resources reprioritised to remain responsive to economic developments.

10.24 LEGISLATION

There is no current legislation requiring provision in the draft budget plans.

Summary

The Economy MEG Draft Budget for 2022-23 is presented to the Committee for consideration.

Vaughan Gething
Minister for Economy