Memorandum on the Economy and Infrastructure Draft Budget Proposals for 2018-19

Economy, Infrastructure and Skills Committee – 9 November 2017

1.0 Introduction

This paper provides information on the Economy & Infrastructure (E&I) budget proposals as outlined in the 2018-19 Draft Budget published in October 2017. The budget was published in two stages: an outline budget (stage 1) on 3 October followed by a detailed budget (stage 2) on 24 October. It also provides an update on specific areas of interest to the Committee.

It does not cover the budget detail relating to Culture which the Cabinet Secretary for Economy and Infrastructure will address at the Culture, Welsh Language and Communications Committee on 8 November 2017. It also excludes the areas of Skills, ICT Infrastructure, Science, Innovation and Life Sciences which are covered in a separate paper being presented by the Minister for Skills and Science.

Taking Wales Forward 2016-21 outlines the priorities in delivering employment opportunities through a stronger, fairer economy, improving public services and building a united, connected and sustainable Wales. Our economy influences everything we do. A strong economy, delivering for people in every part of Wales is essential to the ambitious, healthy, prosperous and united Wales we want to see.

The National Strategy: Prosperity for All directly contributes to the well-being goals within the Well-Being of Future Generations (Wales) Act 2015. It sets out the revised twelve well-being objectives and has provided the framework for developing our plan. The budget plans also considers the five priority areas: early years, housing, social care, mental health and skills and employability and recognises that economic prospects are integral to the strategy. We have adopted a long-term view in developing services and creating the conditions for the economy to thrive. The budget plans have been developed alongside the strategy to ensure it aligns to our future priorities.

2.0 Summary of Budget Changes

The Draft Budget 2018-19 provides a two year plan for revenue investment and a three year plan for capital investment. The tables below provide an overview of the planned revenue and capital expenditure for economy and transport activity in the portfolio.

Over the period 2018-19 to 2019-20, the total revenue budget is £347.406m and £322.612m respectively (excluding Non Cash and Annually Managed Expenditure (AME)). In overall terms, the revenue budget has increased by £6.226m in 2018-19 when compared to the revised baseline and decreased by £24.794m in 2019-20 as shown in Table 1:

TABLE 1: Overview of the Revenue Budget							
	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue							
Economy	49,160	(5,000)	44,160	4,026	48,186	(3,500)	44,686
Transport	299,670	(2,650)	297,020	2,200	299,220	(21,294)	277,926
Sub Total	**348,830**	**(7,650)**	**341,180**	**6,226**	**347,406**	**(24,794)**	**322,612**
Non Cash							
Transport	188,691	0	188,691	0	188,691	0	188,691
TOTAL	**537,521**	**(7,650)**	**529,871**	**6,226**	**536,097**	**(24,794)**	**511,303**
AME							
AME	123,226	0	123,226	(99,607)	23,619	128,235	151,854

Over the period 2018-19 to 2020-21, the total capital budget is £1.311bn. The summary budgets are shown in Table 2 below:

TABLE 2: Overview of the Capital Budget					
Economy	**2017-18 First Supp Budget £'000**	**2018-19 Draft Budget Allocations**			
		2018-19 £'000	**2019-20 £'000**	**2020-21 £'000**	**Total £'000**
Traditional Capital					
Economy	78,357	48,486	47,847	30,141	**126,474**
Transport	345,683	313,231	382,611	429,780	**1,125,622**
Sub Total	**424,040**	**361,717**	**430,458**	**459,921**	**1,252,096**
Financial Transactions Funding					
Economy	31,250	15,720	31,500	8,000	**55,220**
Transport	5,000	2,200	1,200	0	**3,400**
Sub Total	**36,250**	**17,920**	**32,700**	**8,000**	**58,620**
Total Capital					
Economy	109,607	64,206	79,347	38,141	**181,694**
Transport	350,683	315,431	383,811	429,780	**1,129,022**
TOTAL	**460,290**	**379,637**	**463,158**	**467,921**	**1,310,716**
2017-18 Final Budget	**458,090**	**304,636**	**365,855**	**431,534**	**1,102,025**
Change in New Plans	**2,200**	**75,001**	**97,303**	**36,387**	**208,691**

These expenditure plans are aligned to deliver the key priorities set out in Taking Wales Forward 2016-21.

In addition funding is held in central reserves to deliver strategic infrastructure. Subject to the outcome of the independent public inquiry, reserves of £739.761m are earmarked for the M4 over the next three years. Capital funding of £173.180m, previously held in reserves to support delivery of the South Wales Metro, is now included in the core budget allocation for Transport

within the E&I MEG over the budget period. As the options for delivering the metro could include improvements in the rolling stock further funds are held in reserve should that option be taken forward as part of the wider procurement process.

2.1 Revenue

In shaping our spending plans for 2018-19, we have looked to minimise the impact of reductions on public transport services and growth and jobs in the short term. Over the longer term we will need to share resources across public services and collaborate with our partners to achieve long-term efficiencies. We are involving people in the future decision-making to inform our priorities.

The Two Year Budget Agreement with Plaid Cymru will progress initiatives for economic development that are important to Wales. Additional allocations of £16.1m over two years, supporting the economy and transport activities in the portfolio, are detailed in the table below:

TABLE 3: Two Year Budget Agreement with Plaid Cymru – Additional Revenue Allocations			
Priority	**2018-19 £'000**	**2019-20 £'000**	**Total £'000**
New Allocations			
"Arfor" – secretariat & investment for economic development in West Wales	1,000	1,000	2,000
Third Menai Crossing – feasibility study	1,000	3,000	4,000
Electric car charging points	1,000	1,000	2,000
Foundational economy programme	1,500	0	1,500
Cleddau Bridge – remove tolls	0	2,000	2,000
Traws Cymru – upgrade buses to coaches	200	200	400
Start Up grant – journalists to set up business in hyper local news	100	100	200
Recurrent Allocations – 2017-18			
Visit Wales	3,000	1,000	4,000
Total incremental change of £0.5m between 2018-19 to 2019-20	**7,800**	**8,300**	**16,100**

The movements in revenue budget allocations at an Action level from the 2017-18 First Supplementary Budget to the 2019-20 Draft Budget allocations are detailed in **Annex A**.

2.2 Non Cash

There has been no change to the non-cash budget.

2.3 Capital

Four year capital plans were published in the 2017-18 Final Budget, providing greater transparency and certainty to our key stakeholders and delivery partners. In this paper, we therefore discuss changes that have made to the four year capital plans since the publication of the last budget. This includes the changes to budgets between the 2017-18 Final Budget and the 2017-18 First

Supplementary Budget. The details under each Action are considered for the Economy budgets at paragraph 4 and Transport budgets at paragraph 6.

We will continue to adopt a preventative spend approach, evaluating the long-term benefits and outcomes of our strategic investments to maximise economic benefits and improve public services. Affordability of capital programmes continues to be a challenge. However, in addition to traditional capital and financial transaction funding, we support our investments through maximising European funding opportunities, capital borrowing powers for the M4 and innovative finance solutions.

The establishment of a new National Infrastructure Commission for Wales will be important in assessing the priorities for capital investment. The total Economy budget of £181.694m will support a wide range of priorities.

We will continue to provide access to finance for SMEs through our business development funds including those within Finance Wales. The creation of the new Development Bank of Wales will strengthen this policy initiative and is supported by £28m of financial transaction funding over the next three years.

Transport connectivity at a national, regional and local level is vital to social cohesion and access to employment opportunities. Over the next three years £1.129bn is allocated for the prioritisation of schemes set out in the National Transport Finance Plan 2015. In addition, £740m is held within Welsh Government central reserves to develop the M4 relief road, pending the outcome of the public inquiry. Recognising the development of integrated transport systems is also a key driver for economic growth. The Transport spending plans also include circa £300m for roads maintenance and improvement.

Additional capital allocations of £238.180m are summarised in the Table below:

TABLE 4: Additional Allocations				
Project	**2018-19 £'000**	**2019-20 £'000**	**2020-21 £'000**	**Total £'000**
Two Year Budget Agreement with Plaid Cymru – north to south links with particular focus on the A487 and A470	-	15,000	-	**15,000**
Llanwern station, park and ride and stabling line	30,000	10,000	10,000	**50,000**
Release of funding earmarked in reserves for South Wales Metro	54,880	82,800	35,500	**173,180**
Total	**84,880**	**107,800**	**45,500**	**238,180**

Innovative financing solutions help to deliver additional investment in economic infrastructure. The Mutual Investment Model was launched in February 2017 and will be utilised to deliver the final phases of the A465 dualling scheme.

The Budget Expenditure Line tables attached at **Annex B** provide a full breakdown of the portfolio's revenue and capital budgets.

The E&I MEG also includes a budget allocation for AME, which provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, joint ventures, investments and the roads network. The budget movements over the two years reflect the changes in the provision required for the roads network and property impairments.

3.0 Equality, Sustainability, Welsh Language and Demographic Considerations

In formulating our plans the following key demographics trends and recent statistics published by the Welsh Government have been considered which suggest that:

- Wales' population is projected to increase by around 5% over the next 20 years.

- The percentage of over 65s in Wales is set to increase from around 20% to around 25% of the entire population over the next 20 years. The population aged over 75 in Wales is also projected to increase from 9% of the population in 2014 to around 13% in 2030.

- The number of young people (aged under 16) is projected to increase up to 2023 and then fall slightly up to 2030, although continuing to account for around 18% of the population over this period.

- Overall, relative income poverty rates remain stubborn, particularly for working-age people. However, the rate for pensioners has declined since the mid to late 1990s.

These are available on the Welsh Government's website:
http://gov.wales/docs/statistics/2017/170505-future-trends-report-2017-en.pdf

Our budget proposals have continued to look at the Well Being of Future Generations Act (2015) and how we embed the five ways of working to help us maximise our impact, inform plans which support Taking Wales Forward and take an integrated approach to considering impacts on protected groups and support a focus on our shared national goals.

Sustainable development is at the heart of the Act and is the central organising principle of our plan, ensuring that our decisions take account of the economic, social, cultural and environmental objectives and impacts. In so doing, we are adopting an approach to embed involvement, collaboration, integration, long term investment and prevention into our policies and delivery.

Our public transport improvements support our aspirations to reduce emissions by reducing car use and provide cleaner and more efficient vehicles, which is good for our health and our environment. For example, the South Wales Metro will transform the way we travel around the Cardiff Capital Region, providing faster, more frequent and joined-up services using trains, buses and light rail. The demographic changes are particularly important in planning for concessionary bus travel for both older and younger people. The Plans also include £2m for electric charging points to facilitate use of energy efficient transportation in reducing carbon emissions.

We recognise the important significance of the Welsh language to the economy of Wales and the key role of the Welsh Language Standards and Welsh language impact assessments in framing our approach to promoting the use of the Welsh language. Good quality jobs and sustainable growth will provide people with a reason to remain or return to work and live in local communities where the language thrives. A thriving economy will support our target of one million Welsh speakers by 2050.

Our plans give due regard to the requirements of the United Nations Convention on the Rights of the Child and the requirement in Wales to assess the impact of Ministers' actions on the rights of children and young people. For example, Children's Rights were considered for the National Transport Finance Plan 2015.

Our programmes and projects reflect the Welsh Government's long-term commitment to reduce the impact of deprivation and support prosperity for all. Our focus is on supporting the creation and retention of jobs that allow people to engage in a positive way with the labour market and earn a decent income, recognising that decent work strongly protects people from poverty, particularly persistent poverty.

We take a balanced approach, focusing on a range of industries and sectors to stimulate demand for all types of jobs. Our aim is to support opportunities for highly skilled individuals, as well as entry level and progression opportunities for those further from the labour market.

Our programmes and projects are also helping to address some of the challenges faced by people when accessing employment and training, to ensure those in, or at risk of poverty, are able to benefit from opportunities realised from economic growth. This includes support for skills development to equip people to take advantage of employment opportunities, delivery of an effective and affordable transport network that enables people to access jobs and training, and efforts to encourage responsible employment practices, such as flexible working arrangements, that allow people to work around caring responsibilities, or take on more hours and increase the wages they are able to earn.

Transport plays a vital role in driving Wales' economic competitiveness, connecting people, communities and business to jobs, facilities and markets. Our focus is to provide a sustainable, multimodal and integrated transport system which enables our communities to be united and to prosper, providing access for all our people to the opportunities they need to live healthy, sustainable and fulfilling lives.

That integrated system is a key lever for the delivery of the Welsh Government's wider agenda on supporting prosperity for all and addressing social cohesion.

4.0 ECONOMY – FUNDING OF ACTIONS

Compared to the 2018-19 revised baseline budget, there is a net increase in the revenue allocation of £4.026m and a reduction of £3.5m in 2019-20 within the overall Economy programme area. The total capital allocation over the period 2018-19 to 2020-21 is £181.694m.

Economy	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	49,160	(5,000)	44,160	4,026	48,186	(3,500)	44,686
Total Resource	**49,160**	**(5,000)**	**44,160**	**4,026**	**48,186**	**(3,500)**	**44,686**

Economy	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	78,357	48,486	47,847	30,141	**126,474**
FT Funding	31,250	15,720	31,500	8,000	**55,220**
TOTAL	**109,607**	**64,206**	**79,347**	**38,141**	**181,694**
2017-18 Final Budget	**109,607**	**68,559**	**84,288**	**41,606**	**194,453**
Change in New Plans	**0**	**(4,353)**	**(4,941)**	**(3,465)**	**(12,759)**

Our budget allocations will drive investment in the economy as we start to deliver the key priorities in *Taking Wales Forward*. Although future revenue financial settlements are not yet determined, resources are focused on activities to deliver the best opportunities for all individuals in the immediate term.

The detailed breakdown of the activities by Budget Expenditure Line is shown at **Annex B**.

4.1 Sectors

Sectors Action[1]	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	31,262	(5,000)	26,262	697	26,959	(3,500)	23,459
Total Resource	**31,262**	**(5,000)**	**26,262**	**697**	**26,959**	**(3,500)**	**23,459**

[1] *Excludes Life Sciences – scrutinised as part of Minister for Skills & Science portfolio*

Sectors Action[1]	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	59,857	45,081	45,270	26,755	**117,106**
FTR	25,750	8,500	25,400	3,000	**36,900**
TOTAL	**85,607**	**53,581**	**70,670**	**29,755**	**154,006**
2017-18 Final Budget	**85,607**	**57,814**	**75,473**	**33,061**	**166,348**
Change in New Plans	**0**	**(4,233)**	**(4,803)**	**(3,306)**	**(12,342)**

[1] *Excludes Life Sciences – scrutinised as part of Minister for Skills & Science portfolio*

The Sectors budgets are key to delivering growth and sustainable jobs, and also contribute towards the tackling poverty, education and equality of opportunity agendas.

The 2016 Budget Agreement with Plaid Cymru provided £5m revenue funding for Visit Wales and explains the movement in the revised revenue baseline from 2017-18. As part of the new Two Year Budget Agreement with Plaid Cymru, recurrent funding of £3m in 2018-19 and £1m in 2019-20 will enable us to build on the successful Wales brand to reinforce a contemporary, compelling and engaging identity for Wales, that drives the nation forward as a place to do business and study and that inspires the people of Wales to create their future with confidence; and to modernise our global digital presence.

In delivering our Economic Action Plan (see paragraph 5.1 below) the allocations for "Arfor" £2m over two years and the foundational economy programme funding of £1.5m in 2018-19 will be important initiatives to create employment opportunities and generate wealth. The movement in 2019-20 of £3.5m is as a result of non recurrent funding in the agreement (£2m Visit Wales and £1.5m "Arfor").

The increase in the Sectors revenue budget of £0.697m against the revised baseline results from the total additional funding of £5.5m (from the Two Year Budget Agreement) offset by the realignment across sector budgets of £4.803m, based on delivery requirements and the reclassification of a number of ICT projects as capital expenditure. The difference £0.697m represents Life Sciences budget which is included in the Minister for Skills and Science paper. This is also re-allocated to Entrepreneurship.

The Sectors capital budget of £154.006m over the three years supports investments for growth and jobs. Capital projects have also been reprioritised in line with delivery, and the resulting available budget of £12.342m has been reallocated to fund Innovation and Science Research &Development activity, following a reclassification of this expenditure from revenue to capital to comply with statutory accounting standards.

Financial transaction funding includes £28m for the Development Bank of Wales (DBW) investment funds. DBW is discussed further at paragraph 5.5 below.

4.2 Entrepreneurship

Entrepreneurship & Business Information Action	2017-18 First Supp budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	4,231	0	4,231	6,710	10,941	0	10,941
Total Resource	**4,231**	**0**	**4,231**	**6,710**	**10,941**	**0**	**10,941**

The Entrepreneurship and Business Information budget of £10.941m supports youth entrepreneurship, start-ups, micro-businesses, SMEs, social enterprise and responsible business practices. Responsible business practices will facilitate corporate social responsibility commitments by requiring businesses to behave ethically and contribute positively to the economy. The budget also levers in a total of £49m of EU funding through the £85m Business Wales 2014-2020 programme.

The additional core budget requirement includes £6.6m to support the programme profile, as the drawdown of EU monies was prioritised at the start of the programme. Consequently, the core budget requirement was lower in the early years of the programme and has increased in line with planned delivery. The additional £6.6m has been drawn from Sectors (£4.8m), Life Sciences (£0.7m) and Innovation (£1.1m) budgets.

There is also an additional recurrent allocation of £0.1m in 2018-19 as part of the Two Year Budget Agreement with Plaid Cymru for start up grants for journalists seeking to set up their own business in hyper local news.

4.3 Major Events

Major Events Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	3,918	0	3,918	0	3,918	0	3,918
Total Resource	**3,918**	**0**	**3,918**	**0**	**3,918**	**0**	**3,918**

In recognition of the importance of hosting Major Events such as the UEFA Euro 2016 in building a prosperous Wales and enhancing Wales's international reputation, the budget has been maintained at £3.918m. In 2016-17, 35 events were supported - 20 cultural and 15 sporting - with a geographical spread across Wales. We estimate that around 348,360 visitors travelled to Wales to enjoy the events hosted here; spending an additional £52.7m and supporting over 1,215 jobs in the tourism sector.

4.4 Property Related Infrastructure

Deliver Property Related Infrastructure Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	4,026	0	4,026	0	4,026	0	4,026
Total Resource	**4,026**	**0**	**4,026**	**0**	**4,026**	**0**	**4,026**

Property Action	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	18,396	3,405	2,577	3,386	**9,368**
FTR	5,500	7,220	6,100	5,000	**18,320**
TOTAL	**23,896**	**10,625**	**8,677**	**8,386**	**27,688**
2017-18 Final Budget	**23,896**	**10,625**	**8,677**	**8,386**	**27,688**
Change in New Plans	**0**	**0**	**0**	**0**	**0**

The revenue budget of £4.026m covers the management and development of the property portfolio, land reclamation activity and property offers to business.

There are no changes to the total capital allocations in this Draft Budget. The capital budget of £27.688m is net of £7.5m capital receipts over the three years will provide for the development of strategic sites to support sector and spatial priorities across Wales. This includes funding for the design and construction of a 50,000 sq ft industrial building in Ebbw Vale for the Technology Park which is aligned with the action plan for *Our Valleys, Our Future*.

4.5 Corporate Programmes

Corporate Programmes Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	3,983	0	3,983	(1,641)	2,342	0	2,342
Total Resource	**3,983**	**0**	**3,983**	**(1,641)**	**2,342**	**0**	**2,342**

Corporate Programmes Action	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	104	0	0	0	**0**
TOTAL	**104**	**0**	**0**	**0**	**0**
2017-18 Final Budget	**104**	**120**	**138**	**159**	**417**
Change in New Plans	**0**	**(120)**	**(138)**	**(159)**	**(417)**

The revenue budget includes an annual budget of £0.8m for Healthy Working Wales which delivers workplace initiatives supporting our healthy and active ambitions. The remaining revenue budget supports economic analysis, reviews and strategic engagement. The decrease of £1.641m revenue and capital of £0.417m over the three years is in relation to a budget transfer for the National Loan Fund from the E&I MEG to the Central Services and Administration MEG.

4.6 Development Bank of Wales

Development Bank of Wales Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	1,740	0	1,740	(1,740)	0	0	0
Total Resource	**1,740**	**0**	**1,740**	**(1,740)**	**0**	**0**	**0**

The operating grant to Finance Wales is no longer required resulting in an efficiency saving of £1.740m. The new Development Bank of Wales will be self sustaining with no requirement for funding.

5.0 ECONOMY – KEY POLICIES

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

5.1 Prosperous and Secure Strategy

To provide more detail on how we will implement the commitments set out in *Prosperity for All* strategy, we will publish, later this autumn, an Economic Action Plan. The Plan will focus on seven of the twelve Well-Being for All objectives:

- Support people and businesses to drive prosperity.
- Tackle regional inequality and promote fair work.
- Drive sustainable growth and combat climate change.
- Build ambition and encourage learning for life.

- Equip everyone with the right skills for a changing World.
- Deliver modern and connected infrastructure.
- Promote and protect Wales' place in the World.

The Plan will be wide-ranging and will draw on our levers across Welsh Government to grow our economy, spread opportunity and promote well-being. The Plan will drive a number of changes including:

5.2 A New Economic Contract

An Economic Contract will shape our relationship with business, based on a mutual understanding of our respective roles and the contribution we can all make to achieving shared objectives for a more prosperous and secure Wales.

5.3 National Sectors and the Foundation Economy

To better support prosperity across all parts of Wales, we will be focusing on fewer national sectors and a number of foundation sectors. Further detail will be included in the Economic Action Plan.

As part of the Two Year Budget Agreement, an additional allocation of £1.5m in 2018-19 (within the Sectors Action, as described above) will support a programme focussed on the care sector and procurement in urban and rural Wales. The development of the foundational economy is important as it makes a significant contribution in Wales.

5.4 Regionally Focussed Economic Development

We recognise that Wales has regions that have distinct opportunities and challenges. Using the Local Government Reform footprint – we will establish regional leads charged with engaging with the regions and helping to shape Welsh Government delivery so that we better respond to the specific challenges and opportunities in each region. Recognising the importance of the Welsh language in supporting local economic opportunities, the Two Year Budget Agreement provides an additional £2m of funding for "Arfor" (within the Sectors Action, as described above) to support secretariat and investment for development of the economy in West Wales.

5.5 The Development Bank of Wales

The Development Bank of Wales (DBW) will be a core component part of the Welsh Government's economic policy and delivery. It is supported with £28m FT funding over the three years. The DBW remit will be to improve SMEs ability to access finance and support creation and safeguarding jobs. It will, at the same time, improve the integration of the provision of investment related advice and support to businesses by working more closely with Business Wales.

Some of the key impacts and outputs will be to:-

- Drive up investment levels to £80m per annum within five years. Finance Wales invested £56m in Welsh SMEs in 2016-17.

- Achieve a minimum target of 1:1.15 Private Sector Leverage (PSL).
- Increase jobs created and safeguarded to over 5,500 per annum by 2021-22.
- Improve the integration of the provision of advice and support through Business Wales.

Going forward, one of the step changes which the DBW will provide is the creation of a new Intelligence Unit. This will enable the DBW to better understand the market and undertake in-depth analysis of SME behaviours with their changing needs. Future funds will be informed by analysing these evolving market needs and conditions. The DBW will also have an enhanced strategy team, which will work more formally with the Office of National Statistics and Welsh Universities to better review economic trends including the SME market.

The strategic overview of the Development Bank of Wales is available at:

http://www.financewales.co.uk/PDF/DBW%20Strategic%20Outline%20Brochure%20digital1.pdf

5.6 City Regions

The development of city regions in the Swansea Bay and Cardiff Capital City will lead to sustainable economic growth and provide a framework, beyond the investment, that allows regions to work together to set economic priorities and deliver key functions as a region, including land use planning, skills, transport and economic development.

The Cardiff Capital Region City Deal was established with an Investment Fund for the Region of £1.2bn over a 20-year period. Over its lifetime, the Cardiff Capital Region City Deal aims to deliver up to 25,000 new jobs and lever an additional £4 billion of private sector investment.

With £734m of planned investment, the Deal places the South Wales Metro at the centre of a significant infrastructure programme; made up of circa £503m from the Welsh Government, £125m from the UK Government and circa £106m from ERDF. The Deal also sees a further £495m (£375m from the UK Government and £120m from local authorities) available to prioritise in line with the objectives of the Deal. The full allocation of the funding is subject to the Cardiff Capital Region City Deal's successful completion of the Five Year Gateway Reviews, which will evaluate the impact of the Deal's investment of the funding in the five year period up to the Review. The assessments will be underpinned by an independent review of the economic benefits and economic impact of the investments and whether projects developed by local authorities, have been delivered on time and to budget.

The Swansea Bay City Deal will be underpinned by a total investment package of £1.274bn made up of £125.4m Welsh Government funding, £115.6m of UK Government funding, £396m of other public sector money and £637m from the private sector. Over the next 15 years, this Deal aims to boost the local economy by £1.8 bn and generate almost 10,000 new jobs. The next milestone will be the establishment of the Joint Cabinet and the formal submission of full

business cases in relation to the eleven identified projects including Health, Energy, Economic Acceleration and Smart Manufacturing.

Detailed business cases are being developed by the local partners for the eleven major project proposals which underpin this deal for approval by the Welsh and UK Governments. Swansea Bay City Region is also working with the Welsh and UK Government to develop and agree formal governance arrangements to provide strong leadership and accountability for the Deal's successful delivery.

Swansea Bay City Region are working with the Welsh and UK Governments to develop an agreed implementation, monitoring and evaluation plan, which sets out the proposed approach to evaluating the impact of delivery.

5.7 Enterprise Zones

The Enterprise Zones programme aims to provide the infrastructure to create excellent locations for business investment and offer specific incentives to attract new businesses to these prime locations in Wales. The revenue allocation is £0.831m in 2018-19 and £1m in 2019-20 (within the Sectors action) to support feasibility studies and business cases. Enterprise Zones research has shown that area based initiatives can have positive impacts on employment and regional GDP[1]. Capital budgets for economic development and investment in infrastructure are available to support prioritised projects. With the exception of a £2.5m allocation in 2018-19 for Llangefni Link Road, strategic Enterprise Zone projects are embedded in the sector business development activity and therefore there is no designated capital allocation to the programme itself.

Enterprise Zones objectives are to:

- Grow the local economy and provision of new jobs
- Act as a catalyst for growth elsewhere in Wales
- Improve the attractiveness of the Enterprise Zone for investors
- Strengthen the competitiveness of the Welsh economy.

The Enterprise Zones Key Performance Indicators are published twice yearly to enable monitoring of progress in key areas such as jobs, investment, land development, business support and enquiries and are available at the following link: http://gov.wales/docs/det/publications/170719-kpi-16-17-en.pdf

5.8 Local Growth Zones

In 2018-19, the regional development and delivery budget of £0.263m (within the Sectors Action) supports a number of regional priorities including the local growth zone strategy and other regional and cross border initiatives, including the Mersey Dee Alliance and North Wales Economic Ambition Board.

Reports from the Task and Finish Groups in both Powys and the Teifi Valley have provided wide ranging recommendations which cut across a number of Ministerial portfolios. A number of actions are being taken forward in collaboration with local authorities and the private sector including public

[1] http://www.whatworksgrowth.org/policy-reviews/area-based-initiatives/

transport improvements such as additional train services on the Cambrian Main Line.

Information in relation to Local Growth Zones is available on the Welsh Government's web site: http://gov.wales/topics/businessandeconomy/growing-the-economy/local-growth-zones/?lang=en

5.9 Business Improvement Districts (BID)

Business Improvement Districts are now part of the Communities & Children Portfolio.

5.10 Brexit Considerations

In terms of financial implications for the portfolio of the UK leaving the European Union, extensive work is underway across the Welsh Government to ensure we maximise our influence in discussions within the UK and in turn in formal EU negotiations and thereby secure the best possible outcome for Wales. A UK Treasury guarantee on funding for current European Structural and Investment (EIS) Funds and other EU programmes provides some degree of certainty for investments made before our exit from the EU. Beyond the date of exit, however, there remains uncertainty about how that guarantee will work in practice, including the implications of any transition deal, exit agreement, or "no deal".

We are also pressing the UK Government to confirm successor funding to replace our EU ESI funds, which are multi-annual allocations provided to the Welsh Government based on need rather than population. We have been clear since the referendum result that Wales should not lose a penny of current EU funding, honouring promises made during the campaign. We are committed to working with UK Government to secure appropriate funding for Wales, as a responsibility of Welsh Ministers accountable to the National Assembly for Wales.

We also expect the UK Government to honour its commitments to the transfer of powers and responsibilities from the EU to Wales. For this to be meaningful it must be accompanied by an appropriate level of funding to enable us to deliver those new responsibilities.

The UK is scheduled to leave the European Union in March 2019. Our new relationships with EU and with the rest of the world is one of the defining questions of our times. Since the referendum we have been engaging widely with businesses right across Wales to understand the risks and opportunities of Brexit.

We recognise of course that businesses have concerns around the uncertainty ahead and about specific issues around access to the Single Market and tariff and non-tariff barriers. But there may also be potential opportunities presented by Brexit and it is important that we work together to explore those opportunities.

We are focussing our efforts on protecting jobs and the economy for the longer term, through the allocation of funding to specific activities such as the Development Bank of Wales, communicating our pro-business message and by

engaging directly with business on their priorities.

We are working hard to protect our share of European trade during the Brexit negotiations and beyond, with an emphasis on full an unfettered access to the single market and a smooth transition. In addition we need to focus on supporting businesses to prepare to deal with the regulatory changes caused by Brexit. Beyond that we will also want to focus on supporting businesses looking to maximise the opportunity of any new and expanding markets around the world, in line with whatever trading arrangements are in place.

Proactive campaigns are also supporting businesses and tourism. The Two Year Budget Agreement with Plaid Cymru provides recurrent funding of £3m in 2018-19 and £1m in 2019-20 which will enable us to build on the successful Wales brand.

We are hearing evidence that some firms are delaying investment decisions, or that they are planning based on a worst case scenario. This is why it is so important that we are clear that Wales remains open for business and that we stand ready to continue to support business in making the case for future investment in Wales. One of our biggest efforts to the potential negative impact of Brexit is making our businesses ready and able to export and trade and we are increasing our efforts to grow the number and scale of Welsh based businesses that are exporting through bringing forward a pro-active plan for export support.

We remain committed to the priorities set out in our white paper, *Securing Wales' Future*, and we have been undertaking widespread engagement since the EU referendum with businesses of all sizes and sectors across Wales. In terms of the key messages, businesses are still telling us that access to the single market is the over-riding factor.

This year, we commissioned a research report on the impact of Brexit on key businesses and sectors in Wales from Cardiff Business School. This work used information gathered directly from a number of anchor and regionally important companies, as well as a number of other businesses through a series of roundtable events. In its report Cardiff Business School has examined the impact of Brexit on different sectors in Wales and we are currently considering the findings of this work and whether it is possible to make the report publicly available.

A series of workshops on EU Transition have also been held with our revised Anchor Company and Regionally Important Company Group. These focus on four key themes, which are: Innovation and R&D; Selling Wales to the world and to itself; Export, trade, regulations and exiting the EU; and Entrepreneurship and SMEs.

We are continuing to build on the evidence base in relation to Brexit through our regular discussions with businesses in Wales, and are currently pulling together a broader proposal for future engagement with SMEs. Work on Brexit scenario planning is also commencing through our priority sector teams. The establishment of the working group with representatives from the Council for Economic Renewal , business community, Wales TUC and the Wales Coop will

develop increased understanding of the challenges and opportunities of the exit from the EU.

The timescales and scope of UK Government legislation in relation to Customs and Trade is unclear at this stage, however, amending these systems will have an economic impact, and will particularly impact on the ports and harbours of Wales. We are working with counterparts in the UK Government to understand what is proposed in this legislation, in order that we can mitigate the risks for Wales and maximise the benefits.

5.11 Export & Inward Investment Support

Inward investment remains a driver of economic development in Wales and we work with overseas companies and those based in the UK to bring further investment and jobs into Wales.

In 2018-19, £1.707m has been allocated for export support activity (within the Sectors Action). Stimulating exports to new and existing markets is a key priority over the next five years. We are assisting companies to grow their business through exporting and have a comprehensive range of services to support them to achieve that ambition. We can help them to become export and market ready and then connect them with opportunities and customers in their chosen markets by supporting companies to travel to overseas markets, exhibit at trade fairs, or meet with potential customers.

For trade performance an evaluation of value for money is measured by the value of new export business secured by the companies supported. In 2016-17, new orders worth £70m in new business were reported. This was a return on investment of over 40:1 on net programme expenditure.

Inward investment activity is delivered through events, sponsorships, seminars and research subscriptions. It also includes support for inward visits. The outcomes are monitored closely in terms of delivering value for money. Each spend is justified against a detailed business case.

The Department for International Trade's annual report for 2016-17 reported that 85 inward investments projects were secured in Wales, with the potential to create or safeguard over 11,500 jobs (almost 11% of the UK total number of jobs); this was slightly below the record levels reported in previous years but still the third highest number of projects ever secured. This equated to 3.8% of the overall number of inward investment projects secured by the UK for 2016-17.

Our performance with regards to securing investment from companies headquartered elsewhere in the UK has improved in recent years, with 2016-17 seeing the highest level of UK investment recorded since our records began five years ago. Last year saw 82 investments by companies headquartered in other UK regions, creating or safeguarding more than 5,500 jobs. The previous highest level of investment was in 2014-15 when 58 projects were recorded.

Our export support programmes comply with the Welsh Government's standards for equality, sustainability and Welsh Language. Trade and Inward investment activity that is taking place outside of Wales has been granted an exemption

under the Welsh Language Standards. Therefore, the Standards do not apply when producing literature/hosting events in overseas markets.

5.12 Support for the steel industry

The Welsh Government is committed to safeguarding a sustainable steel industry in Wales which includes the retention of a relevant skills base for the sector. Innovation is also vital to ensure the steel industry in Wales remains globally competitive for the long term.

A recent Written Statement on 20 September provides update on the developments at Tata Steel available at:
http://gov.wales/about/cabinet/cabinetstatements/2017/tataupdate/?lang=en

The Two Year Budget Agreement includes the commitment that £30m of funding for the Tata power plant is available within the current package of support available to the company as part of Tata's commitment to steel production in South Wales.

Wider support to the steel industry is delivered within Sectors budgets. Sustainable investment in the steel industry continues to be a priority for economic development.

5.13 Partnership for Growth 2013-2020 – Tourism Strategy

We will continue to deliver the Tourism strategy by increasing visitor spend, building on the success of our themed year marketing campaigns and capital investment for new and existing business to help drive up quality and develop new and exciting tourism products throughout Wales.

The Tourism revenue budget of £13.762m in 2018-19 and £11.762m in 2019-20 (within the Sectors Action) supports promotional activity and capital investment. The sector budgets have been reprioritised to provide an additional marketing budget of £0.5m per annum to market Wales as a business destination. This Draft Budget includes a £5m capital investment over three years to support the Tourism Investment Support Scheme and strategic projects in *Taking Wales Forward.*

A review of the Partnership for Growth 2013-2020 Strategy was undertaken in November 2016 and is available here:
http://gov.wales/docs/drah/publications/161116-strategy-review-en.pdf

We are on track to exceed the strategic target of 10% growth in real terms from staying visitor earnings by 2020:

- There has been strong growth in trips and expenditure by staying visitors to Wales In the period January to June 2017, the volume of overnight trips rose by 6.3% to 4.24m compared with the same period in 2016 with expenditure increasing by 9.5% to £724m.

- The volume of international visitors continued to grow in 2016 exceeding one million trips, spending a record £444m.

- In the year to June 2017, there was a strong performance of day visits with almost 101m trips and £4.7bn spend.

A refreshed brand was introduced in 2016, this was reinforced with the introduction of a series of tourism themed years including Adventure (2016), Legends (2017), The Sea (2018) and Discovery (2019) providing a focal point for Visit Wales' marketing and campaigns activity. We support innovative new projects from the private and public sectors aligned with these themes through the Tourism Product Innovation and Regional Tourism Engagement Funding schemes.

The additional funding of £4m in the Two Year Budget Agreement for Visit Wales will help us to build on the Wales brand. This new approach is working with Year of Adventure seeing an additional £370m generated for the Welsh economy in 2016 from Visit Wales marketing – an 18% increase on 2015 figures. Visit Wales' proactive travel trade programme targeting domestic, international and inbound tour operators is also achieving results. In 2016, £9m of visitor spend to Wales was influenced by this programme, approximately equivalent to 206 jobs.

Visit Wales' consumer facing international marketing programmes continue to gain traction in key markets such as Germany and North America, and reach is being expanded beyond these key markets through focused airline route marketing partnerships.

Looking forward, we will be launching an ambitious new tourism route at the end of 2017 'The Wales Way' which will include a new world class family of tourism routes. Visit Wales has also embarked on a new approach to attracting leading business events to Wales with a Business Events programme that will capitalise on the significant potential identified to draw large international association events and conferences to Wales.

Meanwhile, the refreshed Wales brand and our flagship tourism campaigns represent a major step forward in the way we promote Wales internationally. The next step is investment in a Wales Digital Gateway project which will deliver improved integration between our existing external Wales facing sites (wales.com, visitwales.com, tradeandinvest.wales, studyinwales.ac.uk) which will provide easier access to information on Wales.

5.14 City and Growth Deals

We remain committed to delivering successful Deals for all regions of Wales with the Welsh Government continuing to be a full partner in their development and delivery. Deals offer Wales and our regions an opportunity to unlock additional Treasury funding to support interventions that can deliver sustainable economic growth.

However, Deals are not simply project delivery and funding vehicles, they are critical tools in providing a framework that allows regions to drive a new way of collaborative working, setting priorities as a single voice which supports local economic ambitions and objectives and delivering key functions at a strategic level. City regions detail is included at paragraph 5.6.

Powys and Ceredigion are developing 'Growing Mid Wales', which draws together local business, academic leaders and national and local government to create a vision for the future growth of Mid Wales. Our expectation is also that Powys and Ceredigion should not be excluded from the benefits of the City Deals that already exist.

We are working closely with the North Wales Region and the North Wales Ambition Board to consider how a North Wales Growth Deal can best support their ambitions to bring further economic growth. As discussions commence, it is too early to say at this stage what form the Welsh Government's support will take.

5.15 Establishment of the National Infrastructure Commission

The National Infrastructure Commission will play a key role in planning for Wales' long term infrastructure needs and helping prioritise strategic investment decisions. The Commission will be a publicly appointed, non-statutory advisory body whose remit will cover to economic and environment infrastructure.

It will also need to take into account the relationships between economic and environment with social infrastructure, such as housing, in providing advice. Membership will be a maximum of 12, including the chair.

Following public consultation, an Assembly inquiry and debate, the next step is to commence the public appointments exercise this autumn. Draft person specifications for the chair and members have been shared with the EIS Committee which will pre-scrutinise the appointment of the chair.

5.16 Business Support/Finance

The Wales Audit Office will be carrying out a study on the Welsh Government's provision of business finance. The overall focus will be on whether the Welsh Government is managing its business finance activity effectively and achieving the expected outcomes.

The study will be conducted in two phases:

- Phase one will look at the landscape of business finance and review the Welsh Government's strategic approach and analyse both expenditure and outputs/outcomes data.

- Phase two will review the operational delivery of business finance in more detail.

Further updates will be provided to the Committee when the recommendations are published.

We will be taking action to implement the commitment in *Prosperity for All* to "simplify and rationalise the range of financial support we offer companies, ensuring it is clear, easily understood and responsive." The Economic Action Plan will provide more detail on this.

5.17 Preventative Spending

The importance of taking a preventative approach across approach our policy areas is recognised and is embedded into economic development activity. All Economic development programmes are subject to value for money criteria. There is evidence that well paid work is the best route out of poverty and the greatest protection against poverty for those at risk. We continue to create opportunities for individuals and families with business support initiatives and targeted investment across Wales.

Persistent poverty is damaging to individuals and communities and can lead to material and psychological harm, as well as wider social consequences. Addressing and responding to the issues caused by poverty is expensive. By supporting jobs and sustainable growth, and taking action to try to alleviate some of the challenges faced by people when accessing jobs, we aim to reduce the likelihood of families experiencing poverty, particularly deep and persistent poverty, and avoid the long term costs that poverty bring to society. Supporting families and communities by creating employment opportunities helps support children to give them the best chance and supports early years as a priority area in *Prosperity for All*.

Transitioning to a low carbon society is also vital for social, economic, environmental and well being in the long term. It supports the Well-Being for All objective, to drive sustainable growth and combat climate change. Decarbonisation requires a fundamental change to three major national infrastructure networks: power, transport and heat. Energy and Environment programmes particularly are intended to be preventative with sustainability at the heart of future energy developments. Our support to business focuses on different technologies from community scale to major infrastructure projects such as Wylfa Newydd. The Environmental Protection Scheme is important to develop renewable energy sources. These developments will assist in mitigating the impacts of climate change and contribute to reducing carbon emissions by 2050.

6.0 TRANSPORT FUNDING OF ACTIONS

There is an increase of £2.2m to the Transport revenue budget from the 2018-19 revised baseline and a further £21.294m reduction in 2019-20. This is the net result of a number of actions such as additional allocations as a result of the Two Year Budget Agreement with Plaid Cymru, adjustments to reflect capital/revenue swaps in Motorway and Trunk Roads to rebalance the baseline and anticipated savings in relation to the Rail Franchise.

The capital allocation for the period 2018-19 to 2020-21 is £1.129bn which supports the National Transport Finance Plan. When this figure is considered alongside funding identified for the M4 and South Wales Metro held in central reserves, this reflects a significant level of capital funding for Transport Infrastructure over the coming capital budget period. It is still necessary however, to prioritise activity and manage budgets to ensure that the delivery of schemes within the National Transport Finance Plan are both affordable and deliverable.

Transport	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	299,670	(2,650)	297,020	2,200	299,220	(21,294)	277,926
Non Cash	188,691	0	188,691	0	188,691	0	188,691
Total Resource	**488,361**	**(2,650)**	**485,711**	**2,200**	**487,911**	**(21,294)**	**466,617**

Transport	2017-18 Supp budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	345,683	313,231	382,611	429,780	**1,125,622**
FT Funding	5,000	2,200	1,200	0	**3,400**
TOTAL	**350,683**	**315,431**	**383,811**	**429,780**	**1,129,022**
2017-18 Final Budget	**348,483**	**236,077**	**281,567**	**389,928**	**907,572**
Change in New Plans	**2,200**	**79,354**	**102,244**	**39,852**	**221,450**

6.1 Motorway & Trunk Road Network Operations

Motorway & Trunk Road Network Operations Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	51,789	0	51,789	32,161	83,950	0	83,950
Non Cash	188,691	0	188,691	0	188,691	0	188,691
Total Resource	**240,480**	**0**	**240,480**	**32,161**	**272,641**	**0**	**272,641**

Motorway & Trunk Road Network Operations Action	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	81,990	40,763	40,997	51,613	**133,373**
TOTAL	**81,990**	**40,763**	**40,997**	**51,613**	**133,373**
2017-18 Final Budget	**81,990**	**71,166**	**71,500**	**81,613**	**224,279**
Change in New Plans	**0**	**(30,403)**	**(30,503)**	**(30,000)**	**(90,906)**

Welsh Ministers have a statutory duty to provide a safe and reliable Motorway and Trunk Road Network. It is therefore important to ensure that appropriate funding is available to fulfil this objective in respect of both ongoing management & maintenance and improvement. The movement of c£30m between revenue and capital (whilst effectively retaining the overall budget envelope) reflects the nature of work that is required to comply with the requirements of the latest Trunk Road & Maintenance Manual (TRMM 2016) giving due regard to the type of spend being incurred. The revenue element is effectively managed in line with the anticipated efficiencies for the rail franchise. The revenue allocations for 2018-19 and 2019-20 also include an additional £1m each year for delivery of electric charging points which is provided as part of the Two Year Budget Agreement with Plaid Cymru.

In addition to the capital funding provided under this action, funding for significant improvements on the existing network and major road schemes adding to the network are provided for in the capital funding under the Road, Rail, Air and Sea Services Investment Action. In addition there are repayments of £0.503m in 2018-19 and 2019-20 for the Invest to Save funding for the LED lighting project.

Over the budget period, maintenance budgets will be continually monitored to ensure that we are responsive to reactive works and prioritise capital investment where it is most needed.

6.2 Road, Rail, Air and Sea Services & Investment

Road, Rail, Air and Sea Services & Investment Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	188,581	(1,050)	187,531	(29,645)	157,886	(23,607)	134,279
Total Resource	**188,581**	**(1,050)**	**187,531**	**(29,645)**	**157,886**	**(23,607)**	**134,279**

Road, Rail, Air and Sea Services & Investment Action	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	183,346	208,804	280,263	331,467	**820,534**
FT Funding	5,000	2,200	1,200	0	**3,400**
TOTAL	**188,346**	**211,004**	**281,463**	**331,467**	**823,934**
2017-18 Final Budget	**186,746**	**113,211**	**158,367**	**261,615**	**533,193**
Change in New Plans	**1,600**	**97,793**	**123,096**	**69,852**	**290,741**

The revised revenue baseline for 2018-19 excludes non recurrent funding of £0.750m for free Wi-Fi on trains and the 50 busiest stations and £0.3m for a feasibility study to re-open the railway between Carmarthen and Aberystwyth.

The revenue budget primarily supports the Wales and Borders Rail Franchise and Intra Wales Air Service. The revenue budget in 2018-19 includes £31.702m and a further £27.607m in 2019-20 relating to anticipated savings that may be deliverable in the early years of the new contract for Wales & borders rail services. This will be heavily predicated on the selection of the preferred bidder and solution, as well as ongoing negotiations with the Department for Transport and UK Government.

The revenue budget also reflects additional allocations as a result of the Two Year Budget Agreement with Plaid Cymru for design and development of the third Menai crossing (£1m in 2018-19 and £3m in 2019-20) and for removing tolls from Cleddau Bridge (£2m in 2019-20).

In 2018-19 the movement of £29.645m results from savings of £31.702m which are offset with reprioritised funding of £1.057m for the aviation framework and £1m for the Third Menai Crossing. In 2019-20 the saving of £27.607m is offset with funding of £4m from the Budget Agreement.

The capital budget funds road, rail and aviation capital improvements. There is an increase of £97.793m in 2018-19, £123.096m in 2019-20 and £69.852m in 2020-21 to progress priorities within the National Transport Finance Plan. This includes the release of funds from reserves for the South Wales Metro of £173.180m and an additional allocation of £50m to deliver a new railway station at Llanwern (Newport) along with stabilising lines and a major park and ride facility. Additional capital funding of c£30m is available for roads infrastructure which is being managed in line with the motorway and trunk road reduced capital and revenue requirements to comply with the TRMM 2016. Further funding for the M4 relief road is also held in reserves ready for allocation when delivery programmes are confirmed and pending the outcome of the public inquiry for the M4.

The additional funding for 2019-20 includes £15m for north to south over-taking improvements to the A487 and A470 which was part of the Two Year Budget Agreement with Plaid Cymru. This will complement other activity already in train to improve connectivity across North Wales and between North & South Wales.

For rail, the budget will also fund delivery of South Wales Metro Phase 2, development of North Wales Metro, completion of the Ebbw Vale frequency enhancement scheme and other rail related projects.

The draft budget also continues to include Financial Transaction funding made available to support investment within the aviation industry. Other opportunities to utilise Financial Transactions funding will continue to be explored along with other innovative financing solutions.

6.3 Sustainable Travel

Sustainable Travel Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	54,536	(1,600)	52,936	(1,316)	51,620	2,313	53,933
Total Resource	**54,536**	**(1,600)**	**52,936**	**(1,316)**	**51,620**	**2,313**	**53,933**

Sustainable Travel Action	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	73,447	56,764	54,451	39,800	**151,015**
TOTAL	**73,447**	**56,764**	**54,451**	**39,800**	**151,015**
2017-18 Final Budget	**72,847**	**44,800**	**44,800**	**39,800**	**129,400**
Change in New Plans	**600**	**11,964**	**9,651**	**0**	**21,615**

This budget supports investment in integrated transport, active travel, Concessionary Bus Travel, smartcards and local transport schemes proposed by local authorities.

The revised baseline for 2018-19 excludes non recurrent funding of £0.2m for a feasibility study into a national cycleway; and a Ports Infrastructure Fund of £1.4m (originally a £2m revenue fund subsequently offset by £0.6m transferred for capital expenditure for this initiative).

The new Two Year Budget Agreement includes an additional recurrent allocation of £0.2m in 2018-19 for the upgrade of some Traws Cymru services from buses to coaches.

The revenue budget movements of £1.516m in 2018-19 and £2.313m in 2019-20 reflect reprioritisation to align (primarily) current delivery requirements with rail services.

The main movement in capital funding is in relation to the Concessionary Fares scheme. When taken with the Local Authorities' own contributions the overall funding envelope provided for concessionary fares (across both revenue and capital) is considered sufficient to meet Local Authorities' obligations based on the 'no better, no worse' principle and anticipated demand.

6.4 Youth Concessionary Fares Action

Youth Concessionary Fares Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	0	0	0	1,000	1,000	0	1,000
Total Resource	**0**	**0**	**0**	**1,000**	**1,000**	**0**	**1,000**

Funding to support the Young Persons Discounted Bus Travel was introduced on an 18-month pilot basis in September 2015. Evaluation of the current scheme is ongoing to determine its impact, with a view to informing future provision. A further year of the trial is on-going and we have recently issued a consultation document on proposals for 2018-19. We will also work with the bus industry to determine the potential to continue this initiative on a commercial basis and potentially with a much reduced amount from Welsh Government, following the initial funding awarded to pump prime the scheme.

6.5 Improve Road Safety

Improve Road Safety Action	2017-18 First Supp Budget £'000	Change £'000	2018-19 Revised Baseline £'000	Change £'000	2018-19 New Plans Draft Budget £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	4,764	0	4,764	0	4,764	0	4,764
Total Resource	**4,764**	**0**	**4,764**	**0**	**4,764**	**0**	**4,764**

Improve Road Safety Action	2017-18 First Supp Budget £'000	2018-19 Draft Budget Allocations			
		2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	6,900	6,900	6,900	6,900	**20,700**
TOTAL	**6,900**	**6,900**	**6,900**	**6,900**	**20,700**
2017-18 Final Budget	**6,900**	**6,900**	**6,900**	**6,900**	**20,700**
Change in New Plans	**0**	**0**	**0**	**0**	**0**

The road safety budgets have been maintained at planned levels. The Road Safety Framework for Wales sets out our safety targets and is available at: http://gov.wales/topics/transport/road-users/road-safety-framework/?lang=en

Revenue funding supports the engagement and funding of external partners in the public, private and third sectors achieve casualty reduction, using the road safety governance structures The capital budget supports road safety engineering improvements on the trunk and local road networks.

7.0 TRANSPORT - KEY POLICIES

Additional information is provided in response to the specific requests made by the Committee as follows:

7.1 National Transport Finance Plan

For 2018-19, the Transport priorities will be set in the context of budget availability and the National Transport Finance Plan (NTFP) which was published on 16 July 2015. This sets out the investment priorities in services and infrastructure and focuses on the projects which could be delivered during the five years from publication.

Transport has a vital role to play in improving Wales' economic competiveness and access to jobs and services. The NTFP sets out how and when improvements to the road and public transport networks could be delivered to help businesses prosper and ensure people can access the opportunities they need to live healthy, sustainable and fulfilling lives. The role that Transport plays in delivering Welsh Government objectives are clearly set out within the key themes of 'Programme for Government; Taking Wales Forward' and as an enabler to the priority areas in *Prosperity for All*.

There is a strong evidence based approach for understanding the performance of the transport system, assessing the need for intervention and considering the social, cultural environmental and economic impacts of our plans for the transport system. The schemes in the NTFP target five key priority areas: economic growth, tackling poverty, sustainable travel and safety, and improving access to employment and to services helping us meet our wider wellbeing objectives. The investments identified will deliver a more integrated and sustainable transport system for all.

Actions in the NTFP will:

- Improve public transport and active travel availability, quality, safety and access.

- Assist in reducing any disadvantage to protected groups and those on low incomes through the provision of a quality, integrated public transport and network (including the provision of accessible, bilingual information) and through maintain funding for socially necessary bus services.

A set of national datasets provide consistent and comparable information across the whole of Wales and highlight areas where the transport system is under-performing. The datasets are updated regularly and are used to monitor the performance of the system, providing early alerts to emerging issues and information on longer term trends. The transport data is combined with other data sources, such as the census and land use data, to provide information on the social and environmental impacts of the transport system. The transport

data falls into five categories - journey times, the number of trips made, safety related, supplementary information and contextual information.

The NTFP is a live document and is currently being refreshed. The updated document will reflect progress to date on those interventions already identified, newly emerging priorities and budget availability. The refreshed NTFP is expected to be published in the autumn and will set out our priorities over the remaining Plan period 2018-19 to 2020-21.

7.2 Rail Franchise

Discussions with the UK Government are ongoing. The cost of the delay in issuing the tender specification should not have an impact in 2018-19 (or beyond). We have, however, tried to mitigate additional costs brought about by the delay 'in-year' through utilising available resources on other activities.
In principle, the procurement exercise should be completed within the current financial year, therefore there is no explicit provision for procurement activity in the 2018-19 budget. Delivery costs are expected to be accommodated within the overall budget envelope for the provision of rail services and Metro infrastructure. This is subject to the UK Government transferring powers to time and with an appropriate funding settlement as we take full responsibility for franchise costs from the Department for Transport. Any delay to the transfer of powers could push some procurement activity into 2018-19. This is being closely monitored.

7.3 Delivery of the M4 Relief Road

Funding for the M4 relief road continues to be held in reserves which are managed by the Cabinet Secretary for Finance and Local Government.

The Public Inquiry is ongoing and is expected to report in the spring. In the interim we are continuing to progress discussions with affected parties to try and ensure that we are in the best possible position to start works should the decision be taken to proceed following publication of the Inspector's report. Delivery of the new route around Newport is now considered even more critical given the recent announcement by UK Government to abolish tolls on the Severn crossings. The additional traffic that this decision will generate will exacerbate the issues already experienced within the area.

7.4 Trunk Road and Motorway Network

Delivery continues on a number of other strategically important schemes including:

- A465 Heads of the Valleys road between Gilwern and Brynmawr: Whilst complementing other schemes along the Heads of the Valleys route this scheme will improve accessibility to and from an area recognised as one of the most economically deprived in Wales.

- Newtown bypass: Providing improved North/South journey times and removing congestion from the town centre.

- Developing/progressing work on numerous other routes around Wales including A55 Corridor across North Wales, A40 West Wales and pinch point schemes to ease traffic congestion and improve journey times across Wales. This is in addition to the significant day to day management of the Motorway and Trunk Road Network which comprises the largest single asset on the Welsh Government balance sheet.

All of these activities are programmed in the context of available and anticipated budgets. However, it must be recognised that all expenditure is subject to inflationary pressures and risk. We aim to manage this by including risk and optimism bias in our projects as well as having clear points at which assumptions and estimates are reviewed and updated which includes forecasts of inflation. In the case of construction projects this is often at key stages of development and delivery. The contracts also include construction inflation indices (includes the cost of materials and labour). We also try manage the impact of inflation within budget baselines, usually through finding efficiencies and managing delivery requirements across the portfolio.

7.5 Delivery of Active Travel Policy

Active Travel is funded primarily through the Local Transport Fund, the Safe Routes in Communities Grant and the Road Safety Grant. The specific number and size of active travel schemes varies each year according to the type, strength and size of bids submitted by local authorities. The 2017-18 published budget reflected that, due to budget pressures and the discretionary nature of some grants, the Sustainable Transport Action would reduce from 2018-19. Given our commitment to Active Travel, remaining funding within the Local Transport Fund, along with funding provided in the Safe Routes in Communities Grant will focus on Local Authority bids that deliver active travel schemes. Local Authorities are due to submit their integrated travel maps in November of this year. At this stage it is not sensible to allocate substantial capital amounts for expenditure next year as there is likely to be a considerable amount of detailed design and contract preparation work for those schemes which are to be taken forward. Once I have reviewed the plans I will be in a position to re-prioritise my budget and allocate accordingly. As a first step I have already identified an additional £5m for next year for taking this design work forward. This is through the re-programming of other activities.

This will be in addition to the active travel schemes being delivered within our own road and rail budgets e.g. provisions for cyclists in the new Wales and Borders Rail Services contract and provisions for walkers and cyclists considered within new road schemes. However, we will also continue to work in partnership with local authorities and other stakeholders to ensure that key priorities are met and to identify other suitable sources of finance that will aid in delivery.

My road safety capital budget also has an important role to play in encouraging active travel, and I will be amending the criteria to ensure that schemes which protect the interests of active travel users achieve greater focus when spending decisions are made.

Funding for Active Travel is complex and I have therefore asked my officials to undertake a detailed review of the entire funding approach for active travel and will provide a statement on this in due course. I want to increase the aggregate

spend on Active Travel in the coming years and my statement will set out how this will be achieved.

7.6 Investment in Rail Infrastructure

Next year is a transitional year for the provision of rail services. Until October 2018 the current arrangements will apply for the Arriva Trains Wales franchise. From October new arrangements will come into effect as a result of the ongoing procurement exercise. Funding rail services will remain a major area of Welsh Government funding and activity and we anticipate a period of transformation as a result of the procurement. The details of the transformation, including a growth in services across Wales, will be known once we have received bids at the end of December 2017.

The budget provides for delivery of the anticipated infrastructure required for facilitating the South Wales Metro on the basis of an indicative profile. The actual infrastructure solution required to deliver Metro services will depend on the solution proposed by the preferred bidder. This will be known in more detail following submission of bids.

Investment in the North Wales Metro will create a reliable, efficient and quality integrated transport network connecting people, communities and businesses to jobs, facilities, and services, maximising the economic opportunities of connectivity across Wales and our borders. The project will deliver transport modernisation across North Wales with a focus on development of a metro solution in the more urbanised parts of North East Wales.

7.7 Support for Bus Services

Bus and community transport continues to be an important consideration for the budget as these sectors provide connectivity for the public, who greatly rely on public transport. The recent oral statement on 10 October provides a current update on developments. Available at:
http://gov.wales/about/cabinet/cabinetstatements/2017/concessionaryfares/?lang=en

A consultation on bus services in Wales was launched on 8 March 2017 following the successful Bus Summit on 23 January 2017. The responses are being assessed in the context of future budget requirements.

Amongst other things, the consultation recognises the overlap of funding to the bus industry from various sectors such as Local Government, Health & Education. It is anticipated that by pooling budgets, benefits, efficiencies and synergies will result to deliver significant improvements to bus services in Wales.

In 2018-19 and 2019-20 annual bus support funding of c£90m supports service delivery and includes maintaining the bus service support grant at £25m. Whilst services are considered affordable for the current year it is clear that with inflationary pressures and an ageing population Welsh Government's ability to continue to fully support all initiatives will become unsustainable unless current baseline funding significantly increases or there is a fundamental change to the way in which services are supported. The consultation on bus services in Wales will be a significant step in this.

We continue to support the work of Bus Users Cymru and the Community Transport Association in Wales to ensure that bus passengers' views are represented effectively in developing our policies for the bus network. Community transport makes an important contribution to an integrated public transport network and social cohesion, particularly in remote and rural communities.

The Welsh Government funded TrawsCymru long distance bus network has been substantially improved over the last four years with new and more frequent services introduced on key strategic transport corridors not served by rail. As a result of this investment the TrawsCymru bus network carried a record 1.6 million passengers in 2016-17. The Welsh Government in July initiated a major 12 month trial of weekend free travel across the TrawsCymru network which has generated significant passenger growth in the off peak period. As part of the TrawsCymru network we have also re-introduced a daily coach service linking Aberystwyth and key centres in west Wales to Swansea and Cardiff. As part of the Two Year Budget Agreement with Plaid Cymru additional funding of £0.2m in 2018-19 and 2019-20 has also been made available to upgrade some TrawsCymru buses to coaches.

Agreement has been made to fund two full-time posts within the METRO local authorities in north and south Wales to lead, co-ordinate and deliver the bus elements within the next five years, within the envelope of a statutory bus QPS. In addition, it would be used to help shape future investment in the bus network outside the METRO areas. One appointment has been made in south and shortly we will make an appointment in north Wales.

Local authorities are responsible in law for reimbursing bus operators for carrying older or disabled pass holders under the free concessionary bus travel scheme. Authorities are also obliged to ensure that those bus operators are "no better and no worse off" as a result. The Welsh Government's budget in support of the local authorities' expenditure on reimbursement will continue to meet their responsibilities, supplementing the contributions that local authorities continue to make from their own budgets, reflecting the historical funding that they provided before the scheme was introduced in 2002. Collectively, these local authority contributions amount to some £10.3m annually. In addition, we meet the cost of local authorities' administration via a £3 per live card in circulation, each year.

In terms of discounted travel for young people £1m has been re-prioritised to continue the Young Persons Discounted Bus Travel which was introduced on an 18-month pilot basis in September 2015. Evaluation of the current scheme is ongoing to determine its impact, with a view to determining future provision. A further year of the trial is on-going and a consultation on the package for 2018-19 has recently been launched. It will close on 4 January 2018. We will also work with the bus industry to determine the potential to continue this initiative on a commercial basis and potentially with a much reduced amount from Welsh Government, following the initial funding award to pump prime the scheme.

To date, some 16,000 applications for MyTravelPasses have been received against an age cohort of some 110,000. The Confederation of Passenger Transport (the bus industry trade association) has been tasked with developing

and implementing a marketing and publicity campaign for MyTravelPass during 2017-18.

7.8 Support for Local Transport Priorities

The local transport priorities budget line (Sustainable Travel Action) makes available funding to local authorities for local transport schemes that support the economy, improve road safety and enable active travel. We continue to work in partnership with local authorities and other key organisations to ensure the key priorities are met and to identify other suitable sources of finance that will aid in delivery.

The budget includes explicit provision to support a new fund known as the Local Transport Network Fund. This fund, which provides £12m for schemes over the next three years, will allow Local Authorities to bid for funding for schemes that focus on easing congestion, particularly on public transport routes. This will complement some of the schemes being delivered under the 'pinch point' programme on our own trunk roads. An allocation of £2.8m has been provided for 2017-18, primarily focused on improving bus reliability and reducing journey times.

7.9 Preventative Spending

The majority of Transport expenditure for programmes and policies may be attributed to preventative spend such as: active travel in terms of promoting sustainable modes of transport and thus reducing environmental impacts and increasing activity levels which support health outcomes. Concessionary bus travel is particularly important in rural areas and vital for social cohesion and well being. Our investment in road safety, road maintenance and improvements in network management helps to prevent more significant issues and accidents over the longer term. An important example of how out transport services will be transformed is the South Wales Metro with potential opportunities to deliver much more for regions than an improved public transport network. As an integral part of the Cardiff Capital Region City Deal this will be the catalyst for the broader regeneration, helping to shape the regional economic and social infrastructure, social mobility and equality of opportunity for some of our most deprived areas. In delivering better outcomes preventative spending measures are therefore important for the long-term.

8.0 EVIDENCE BASE FOR BUDGET DECISIONS

Evidence from a wide range of sources underpins our financial decisions to deliver the Programme for Government such as: published research, stakeholder consultations, previous policy evaluations and statistics.

Independent analysis and evidence from a number of organisations is also considered. For example, the Public Policy Institute for Wales has published several reports relating to the Economic and Infrastructure portfolio. These reports have highlighted the importance of connective infrastructure in supporting economic growth and this is reflected in our spending on Transport and ICT infrastructure.

Appraisals are undertaken on projects/programmes and are either conducted internally or by external contractors. These are used to inform future funding decisions.

The evidence and scope of the appraisal undertaken during policy and programme development is assessed on the basis of risk, size and scale, existing evidence base and other factors. On large projects such as the M4 relief road it is appropriate to collect evidence from a range of sources. In contrast, for smaller inventions with individual companies it is appropriate to rely on a narrower range of sources or the existing evidence base, subject to our normal due diligence processes. Feasibility studies are undertaken prior to the commencement of key projects to assess suitability in delivering against our goals, whilst gateway reviews for large projects are completed to challenge all aspects of a business case including the essential value for money assessment. Whilst the reviews are project specific, they can help to build up a useful source of information for considering other projects. Internal and external audit reports can be helpful in a similar way.

The national strategy is a key part of how we respond to the Well-Being of Future Generations Act. Taken together with more detailed action plans, such as the Economic Action Plan, it will help us to articulate what we understand about where the Government can make the most contribution to the National Goals and Indicators.

9.0 MONITORING BUDGETS

In developing the plans detailed in-depth review for the draft budget have been undertaken and aligned to the national strategy. During in-year delivery of programmes, all business areas are challenged on a monthly basis, and quarterly in-depth reviews are undertaken by officials to enable appropriate advice to the Cabinet Secretary for Economy and Infrastructure on the latest forecasts, and to agree budget movements as necessary. Further detailed work will support the delivery of the Economic Action Plan.

10.0 EVALUATIONS/REVIEWS

Outcomes are monitored for each of the projects and contracts that are managed within the portfolio. Feasibility studies are undertaken prior to the commencement of key projects to assess suitability for going forward in delivering against our wellbeing goals.

Evaluation of projects and programmes are undertaken during and at the end of projects and can be undertaken internally or by external contractors.

Commissioning evaluations and research is one way of gathering evidence on policies and programmes, but is not the only way and is not always the most appropriate.

The portfolio uses a variety of approaches in gathering evidence and for evaluation of policy and programmes. Some of these inform the process through expert advice and learning.

Gateway reviews for large projects are undertaken to assess value for money and both internal and external audits have and will be undertaken, which provide further evidence to support policy outcomes.

For example, the Public Policy Institute for Wales (PPIW) is co-funded by the Economic and Social Research Council and the Welsh Government and aims to provide the Welsh Government with authoritative independent analysis and advice.

In addition, the existing evidence base is sometimes used to shape programmes and policy and there is not always a need, or a good value for money argument to produce new evidence. For example, the What Works Centre for Local Growth has produced a reports analysing which policies are most effective in supporting and increasing local economic growth.

http://www.whatworksgrowth.org/

Similarly, the OECD has conducted a review of local economic and employment development policy approaches in OECD Countries and considered how these might be applied in Wales.

http://www.oecd-ilibrary.org/industry-and-services/a-review-of-local-economic-and-employment-development-policy-approaches-in-oecd-countries-policy-transferability-to-wales_5km7rq3vv2hg-en

The need for and scope of evaluation can be taken on a case by case basis during policy and programme development having regard to the risk, size and scale, existing evidence base and other factors.

11.0 LEGISLATION

11.1 The Wales Act 2017

The Wales Act will expand the National Assembly's legislative competence in several transport areas. It will also expand the executive functions of the Welsh Ministers in transport, particularly in the areas of ports and road traffic. The Wales Act is anticipated to come into force in April 2018. The Wales Act will place new duties on the Welsh Ministers in regards to ports and harbours. To meet these duties, staff resource has been reprioritised. The other new powers granted by the Act are discretionary functions, and the financial implications of policy development will be factored into the policy development. Consultations have been published on potential changes to the taxi and private hire vehicle licensing regime, and the organisation of bus services in anticipation of the expanded powers coming into force. Both consultations note that these potential changes could be cost neutral, making better use of the existing resources spent in this area.

11.2 Bus Services Act 2017

The Bus Services Act 2017 mainly applies to England only and legislation currently in force in relation to bus services in Wales will remain in place. The Act amends the Equality Act 2010, introducing a requirement on bus operators to provide accessible information to disabled passenger during the journey,

including next stop audio visual announcement systems. The provision amends the Equality Act 2010, and provides that the Regulations and supporting guidance shall be made by the Secretary of State for Transport in consultation with the devolved governments in Wales and Scotland. The relevant provisions in the Bus Services Bill being passed through UK Legislation that will apply in Wales will be cost neutral to the public sector in Wales, although the Regulations that follow may add about 0.4% to the cost of operating bus services in Wales (if audio visual next stop announcements are included in the Regulations).

12.0 WELL BEING OF FUTURE GENERATIONS (WALES) ACT 2015

The Well-being of Future Generations Act has provided the framework for developing our plans. We have adopted a long-term perspective and are taking an integrated approach in our decision-making to support the seven goals contained in the Act. We have also continued to look at how we embed the five ways of working to help us maximise our impact, inform plans which support Taking Wales Forward, better consider impacts on protected groups and support a focus on our shared national goals.

For this Draft Budget three priority areas were discussed with the Future Generations Commissioner: procurement, decarbonisation and participatory budgeting. These priorities have informed our approach. Transport for Wales, for example, has a sustainable and ethical procurement panel, which includes representatives from the Welsh Government, Network Rail, Construction Industry Training Board, Constructing Excellence in Wales and Wales Council for Voluntary procurement of the Metro, including supply chain and skills requirements, environmental considerations and cultural issues in line with the aims of the Act.

In addition, we have been liaising with the Future Generations Commissioner for Wales to ensure that we properly adopt the approach to long term planning and help deliver the fundamental changes required as part of the Act.

13.0 REDUCING THE IMPACT OF DEPRIVATION AND POVERTY

A Joseph Rowntree Foundation report[2], published in 2016, counted the public service cost of poverty in the UK at around £69 billion. This evidence is clear that deprivation and poverty has a significant negative impact. It damages childhoods, affects educational attainment, causes material and physical harm including health issues, and leads to wider social consequences for our communities and society. This has significant implications for the public purse.

The focus of our budget is on actions that have the potential to support the creation and retention of jobs in the economy, recognising that decent employment can strongly protect people from poverty. We are also funding activities that aim to try to address some of the barriers people face when accessing work and training opportunities, so they are more likely to benefit from economic growth. By supporting job creation and retention, and taking actions that can help people access work, we aim to reduce the likelihood of individuals and families experiencing poverty, particularly deep and persistent poverty, and reduce its negative impacts.

[2] JRF Counting the Cost of UK Poverty https://www.jrf.org.uk/report/counting-cost-uk-poverty

ANNEX A

Overview of Revenue Budget Changes - 2017-18 First Supplementary Budget to 2019-20 Draft Budget

REVENUE		Economy £'000	Transport £'000	Total Resource £'000
2017-18 First Supplementary Budget		**49,160**	**488,361**	**537,521**
Baseline Adjustments				
Sectors	Visit Wales	(5,000)		(5,000)
Road, Rail, Air, Sea Services and Investment	Feasibility study for re-opening the railway line from Carmarthen to Aberystwyth		(300)	(300)
	Free Wi-Fi on trains and the 50 busiest stations.		(750)	(750)
Sustainable Travel	Feasibility study for national cycleway		(200)	(200)
	Budget Agreement £2m for ports development - £0.6m was reallocated for capital infrastructure such as promoting streamlined and sustainable intermodal freight systems.		(1,400)	(1,400)
Total		**(5,000)**	**(2,650)**	**(7,650)**
2018-19 Revised Baseline		**44,160**	**485,711**	**529,871**
Budget Realignment in 2018-19				
Corporate programmes	Transfer National Loans Fund to Central Administration MEG	(1,641)	-	(1,641)
Finance Wales	Operating grant no longer required	(1,740)		(1,740)
Road, Rail, Air, Sea Services and Investment	Rail franchise efficiencies		(31,702)	(31,702)
	Aviation - funding for development framework with Cardiff International Airport Ltd		1,057	1,057
Motorway & Trunk Road Operations	Capital to revenue adjustment to reflect compliance with TRMM and re-prioritisation of projects in line with delivery		31,161	31,161
Sectors	Realignment of projects in line with delivery requirements	(4,803)		(4,803)
Entrepreneurship	Additional core budget requirement to deliver EU programmes (Sectors £4.8m; Innovation £1.1m & Life Sciences Sector £0.7m)	6,610		6,610
Sustainable Travel	Adjustments between capital and revenue in line with latest forecasts		(1,516)	(1,516)
Youth Concessionary Fares	Funding re-prioritised to support young persons discounted travel		1,000	1,000
Total		**(1,574)**	**-**	**(1,574)**
Two Year Budget Agreement – Plaid Cymru				
Sectors	"Arfor" – secretariat & investment for economic development in West Wales	1,000	-	1,000
	Foundational economy programme	1,500	-	1,500
	Visit Wales	3,000	-	3,000
Entrepreneurship	Start Up grant – journalists to set up business in hyper local news	100		100
Road, Rail, Air & Sea	Third Menai Crossing – feasibility study	-	1,000	1,000

Services Investment				
Motorway & Trunk Road Operations	Electric car charging points	-	1,000	1,000
Sustainable Travel	Traws Cymru - upgrade buses to coaches	-	200	200
Total		**5,600**	**2,200**	**7,800**
2018-19 Draft Plans		**48,186**	**487,911**	**536,097**
Budget Realignment in 2019-20				
Road, Rail, Air, Sea Services and Investment	Rail franchise efficiencies	-	(27,607)	(27,607)
Sustainable Travel	Adjustments between capital and revenue in line with latest forecasts	-	2,313	2,313
Total		**-**	**(25,294)**	**(25,294)**
Two Year Budget Agreement – Plaid Cymru				
Sectors	Foundational economy programme (2018-19 only)	(1,500)	-	(1,500)
	Visit Wales (recurrent funding at a reduced level)	(2,000)	-	(2,000)
Road, Rail, Air & Sea Services Investment	Third Menai Crossing – feasibility study	-	2,000	2,000
	Cleddau Bridge - remove tolls	-	2,000	2,000
Total		**(3,500)**	**4,000**	**500**
2019-20 Draft Plans		**44,686**	**466,617**	**511,303**

ECONOMY & INFRASTRUCTURE MEG

Draft Budget Allocations 2018-19

RESOURCE						
Budget Expenditure Line	**2017-18 First Supp Budget £000s**	**2018-19 Revised Baseline £000s**	**Change £000s**	**2018-19 New Plans Draft Budget £000s**	**Change £000s**	**2019-20 New Plans Draft Budget £000s**
Construction	514	514	(250)	264	185	449
Business Development	0	0	2,500	2,500	(1,500)	1,000
Business Solutions	1,226	1,226	(792)	434	0	434
Trade and Inward Investment	1,892	1,892	0	1,892	0	1,892
Enterprise Zones	927	927	(96)	831	199	1,030
Energy & Environment	1,106	1,106	352	1,458	295	1,753
Advanced Materials & Manufacture	1,070	1,070	(544)	526	624	1,150
Creative Industries	851	851	785	1,636	72	1,708
Financial & Professional Services	145	145	5	150	0	150
ICT	5,946	5,946	(3,394)	2,552	(724)	1,828
Single Investment Fund	1,560	1,560	(869)	691	(651)	40
Regional Development and Delivery	263	263	0	263	0	263
Tourism	15,762	10,762	3,000	13,762	(2,000)	11,762
Action: Sectors	**31,262**	**26,262**	**697**	**26,959**	**(3,500)**	**23,459**
Youth Entrepreneurship	1,319	1,319	449	1,768	0	1,768
Social Enterprise and Economy	814	814	(84)	730	0	730
Entrepreneurship Delivery Start Up & Business Wales	2,098	2,098	6,345	8,443	0	8,443
Action: Entrepreneurship & Business Information	**4,231**	**4,231**	**6,710**	**10,941**	**0**	**10,941**
Major Events Unit	3,918	3,918	0	3,918	0	3,918
Action: Major Events	**3,918**	**3,918**	**0**	**3,918**	**0**	**3,918**
Property Infrastructure	24,090	4,026	0	4,026	0	4,026
Action: Deliver Property Related Infrastructure (Expenditure)	**24,090**	**4,026**	**0**	**4,026**	**0**	**4,026**
Property Infrastructure	(20,064)	0	0	0	0	0
Action: Deliver Property Related Infrastructure	**(20,064)**	**0**	**0**	**0**	**0**	**0**

(Income)						
Economic Analysis	157	157	0	157	0	157
Strategic Engagement	293	293	0	293	0	293
Healthy Working Wales	800	800	0	800	0	800
Corporate Programmes & Services	992	992	0	992	0	992
National Loans Fund	1,641	1,641	(1,641)	0	0	0
Strategic Business Events and Communications	100	100	0	100	0	100
Action: Corporate Programmes	**3,983**	**3,983**	**(1,641)**	**2,342**	**0**	**2,342**
Development Bank of Wales	1,740	1,740	(1,740)	0	0	0
Action: Development Bank of Wales	**1,740**	**1,740**	**(1,740)**	**0**	**0**	**0**
Network Asset Management & Support	4,525	4,525	2,161	6,686	0	6,686
Network Operations	47,264	47,264	30,000	77,264	0	77,264
Action: Motorway & Trunk Road Operations	**51,789**	**51,789**	**32,161**	**83,950**	**0**	**83,950**
Network Operations Non Cash	188,691	188,691	0	188,691	0	188,691
Action: Improve and Maintain Trunk Road Network (Domestic Routes) - Non Cash	**188,691**	**188,691**	**0**	**188,691**	**0**	**188,691**
Aviation	4,548	4,548	1,057	5,605	0	5,605
New Road Construction and Improvement	0	0	1,000	1,000	4,000	5,000
Rail Franchise & Service Improvements	184,033	182,983	(31,702)	151,281	(27,607)	123,674
Action: Road, Rail, Air and Sea Services and Investment	**188,581**	**187,531**	**(29,645)**	**157,886**	**(23,607)**	**134,279**
Bus Support	28,427	28,427	778	29,205	0	29,205
Smartcards	2,000	2,000	(1,034)	966	0	966
Concessionary Fares	22,359	22,359	(1,190)	21,169	2,313	23,482
Infrastructure Developments	1,400	0	0	0	0	0
Sustainable Travel & Walking & Cycling	350	150	130	280	0	280
Action: Sustainable Travel	**54,536**	**52,936**	**(1,316)**	**51,620**	**2,313**	**53,933**
Youth Concessionary Fares	0	0	1,000	1,000	0	1,000
Action: Youth Concessionary Fares	**0**	**0**	**1,000**	**1,000**	**0**	**1,000**
Road Safety	4,764	4,764	0	4,764	0	4,764
Action: Improve Road Safety	**4,764**	**4,764**	**0**	**4,764**	**0**	**4,764**
TOTAL	**537,521**	**529,871**	**6,226**	**536,097**	**(24,794)**	**511,303**

CAPITAL										
		2018-19			2019-20			2020-21		
Budget Expenditure Line	2017-18 First Supp Budget £000s	2018-19 Capital Plans as per 2017-18 Final Budget £000s	2018-19 Changes £000s	2018-19 New Plans Draft Budget £000s	2019-20 Capital Plans as per 2017-18 Final Budget £000s	2019-20 Changes £000s	2019-20 New Plans Draft Budget £000s	2020-21 Capital Plans as per 2017-18 Final Budget £000s	2020-21 Changes £000s	2020-21 New Plans Draft Budget £000s
Business Development	0	5,000	(5,000)	0	6,000	(6,000)	0	5,000	(5,000)	0
Construction	195	151	(200)	(49)	278	(300)	(22)	150	(172)	(22)
Business Solutions	31,387	25,790	(6,156)	19,634	21,993	0	21,993	14,911	0	14,911
Enterprise Zones	0	0	2,500	2,500	0	0	0	0	0	0
Business Finance Funds	17,750	7,000	0	7,000	18,000	0	18,000	3,000	0	3,000
Energy & Environment	11,000	6,295	(320)	5,975	5,345	8,302	13,647	1,500	3,927	5,427
Advanced Materials & Manufacturing	10,409	4,496	(612)	3,884	10,683	737	11,420	3,000	(535)	2,465
Creative Industries	2,949	1,070	6,592	7,662	5,000	(4,485)	515	2,500	(1,511)	989
Financial & Professional Services	7,752	3,012	(221)	2,791	2,174	536	2,710	1,000	870	1,870
ICT	165	1,000	1,184	2,184	2,000	(1,593)	407	1,000	(885)	115
Tourism	4,000	4,000	(2,000)	2,000	4,000	(2,000)	2,000	1,000	0	1,000
Action: Sectors	**85,607**	**57,814**	**(4,233)**	**53,581**	**75,473**	**(4,803)**	**70,670**	**33,061**	**(3,306)**	**29,755**
Property Infrastructure	33,896	18,125	(7,500)	10,625	16,177	(7,500)	8,677	15,886	(7,500)	8,386
Action: Deliver Property Related Infrastructure (Expenditure)	**33,896**	**18,125**	**(7,500)**	**10,625**	**16,177**	**(7,500)**	**8,677**	**15,886**	**(7,500)**	**8,386**
Property Infrastructure	(10,000)	(7,500)	(7,500)	0	(7,500)	7,500	0	(7,500)	7,500	0
Action: Deliver Property Related Infrastructure (Income)	**(10,000)**	**(7,500)**	**7,500**	**0**	**(7,500)**	**7,500**	**0**	**(7,500)**	**7,500**	**0**
National Loans Fund	104	120	(120)	0	138	(138)	0	159	(159)	0
Action: Corporate Programmes	**104**	**120**	**(120)**	**0**	**138**	**(138)**	**0**	**159**	**(159)**	**0**
Network Asset Management & Support	0	0	100	100	0	0	0	0	0	0
Network Operations	81,990	71,166	(30,503)	40,663	71,500	(30,503)	40,997	81,613	(30,000)	51,613
Action: Motorway & Trunk Road Operations	**81,990**	**71,166**	**(30,403)**	**40,763**	**71,500**	**(30,503)**	**40,997**	**81,613**	**(30,000)**	**51,613**
Aviation	9,721	6,777	0	6,777	6,073	0	6,073	0	0	0

New Road Construction and Improvement	156,562	51,354	26,900	78,254	63,794	42,600	106,394	144,115	29,725	173,840
Rail Franchise	0	0	0	0	0	0	0	0	0	0
Rail Investment	22,063	55,080	70,893	125,973	88,500	80,496	168,996	117,500	40,127	157,627
Action: Road, Rail, Air and Sea Services and Investment	**188,346**	**113,211**	**97,793**	**211,004**	**158,367**	**123,096**	**281,463**	**261,615**	**69,852**	**331,467**
Smartcards	1,000	1,000	0	1,000	1,000	0	1,000	1,000	0	1,000
Local Transport Priorities	25,400	10,150	0	10,150	10,150	0	10,150	5,150	0	5,150
Concessionary Fares	39,297	27,000	11,964	38,964	27,000	9,651	36,651	27,000	0	27,000
Infrastructure Developments	600	0	0	0	0	0	0	0	0	0
Sustainable Travel & Walking & Cycling	7,150	6,650	0	6,650	6,650	0	6,650	6,650	0	6,650
Action: Sustainable Travel	**73,447**	**44,800**	**11,964**	**56,764**	**44,800**	**9,651**	**54,451**	**39,800**	**0**	**39,800**
Road Safety	6,900	6,900	0	6,900	6,900	0	6,900	6,900	0	6,900
Action: Improve Road Safety	**6,900**	**6,900**	**0**	**6,900**	**6,900**	**0**	**6,900**	**6,900**	**0**	**6,900**
TOTAL	**460,290**	**304,636**	**75,001**	**379,637**	**365,855**	**97,303**	**463,158**	**431,534**	**36,387**	**467,921**