



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Menter a Busnes The Enterprise and Business Committee

**Dydd Iau, 20 Hydref 2011
Thursday, 20 October 2011**

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Procedural Motion

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol**Committee members in attendance**

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Julie James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Kenneth Skates	Llafur Labour
Joyce Watson	Llafur Labour
Leanne Wood	Plaid Cymru The Party of Wales

Eraill yn bresennol**Others in attendance**

Jeff Collins	Cyfarwyddwr Dros Dro, Trafnidiaeth, Llywodraeth Cymru Acting Director, Transport, Welsh Government
Tim James	Dirprwy Gyfarwyddwr yr Is-Adran Trafnidiaeth Integredig, Llywodraeth Cymru Deputy Director, Integrated Transport Division, Welsh Government
Carl Sargeant	Aelod Cynulliad, Llafur (Y Gweinidog Llywodraeth Leol a Chymunedau) Assembly Member, Labour (The Minister for Local Government and Communities)

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

Andrew Minnis	Gwasanaeth Ymchwil Research Service
Siân Phipps	Clerc Clerk
Meriel Singleton	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 10.11 a.m.

The meeting began at 10.11 a.m.

**Cynigion Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2012-13: Sesiwn i
Graffu ar Waith Gweinidog
Welsh Government Draft Budget Proposals for 2012-13: Ministerial Scrutiny
Session**

[1] **Nick Ramsay:** I welcome Carl Sargeant, the Minister for Local Government and

Communities, and his officials. Good morning, Minister. The Welsh Government's draft budget 2012-13 was published on 4 October, and the committee will examine the budget as it affects the main areas within our remit. We are grateful to organisations that submitted comments in the run-up to the budget. Our aim is to write to Ministers by 26 October with our observations and any recommendations. I will also feed in our views to the Finance Committee's overarching strategic scrutiny of the Government's draft budget proposals. I realise that the Finance Committee has been grilling you this morning, Minister. Would you like the opportunity to give a short, two-minute introduction to put forward your position?

[2] **The Minister for Local Government and Communities (Carl Sargeant):** Certainly. I am conscious of the time, Chair. I apologise that the other committee scrutinised me for another 15 minutes, but it was well worth it, I am sure.

[3] First, I thank the committee. The transport element was a new addition to my portfolio in May, and it is interesting to take it up. We find ourselves in a different place, with regard to the economy, from when some of our initial transport plans were put forward under the last Government. From that, as you will be aware, reprioritisation of the national transport plan has a huge impact on the potential of delivering our policy elements in future. However, it does not change the fact that the envelope of funding is still the same. It is just about ensuring that the elements of the funding still match. However, there may be some changes in the future beyond the budget about what exactly we will and will not be delivering with regard to national transport plan priorities. Nothing will come in or go out; it is the prioritisation that is significant within the budget.

[4] **Nick Ramsay:** Thank you, Minister. We have a number of questions for you, and we will start with Byron Davies.

[5] **Byron Davies:** I have a nice and easy general question to start with: will you outline your goals for transport in Wales and explain how the draft transport budget will achieve those goals?

[6] **Carl Sargeant:** As I said in my opening remarks, we find ourselves in quite tight financial constraints. The transport budget received a significant reduction in its capital spend allowances within the three-year projection of funding, and that is something that we have to deal with. There is always more to do than what budgets will allow, but we have to stay positive with regard to delivery. You will note from the programme for government that the Government is keen to pursue the delivery aspect.

[7] With regard to the transport policy agenda, I have given some directions to my officials. One of them is the mobility issues that face people living in poverty, and how we enable them to use the transport infrastructure to lift them out of poverty. That goes hand in hand with my other hat, which is Communities First and its community development aspects.

[8] Tackling the urban congestion to unlock the sustainability of towns and urban areas across Wales is also important. Another area is access to key sites and developments. Again, you will be aware of the Minister for Business, Enterprise, Technology and Science's announcement on enterprise zones. We are also looking closely at what we can do in transport, as an enabler, to support enterprise zones using the national transport plan. That is another aspect that we are considering.

10.15 a.m.

[9] With regard to the economic opportunities presented by the network, there will be a strong focus on the main east to west, trans-European areas, of the M4 and the A55 corridors, which are extremely important in terms of the economic benefits for Wales. There are still

important north-south routes in modal shift, whether rail or road transport, but the reprioritisation will focus on the east-west modal shift.

[10] **Byron Davies:** I would like to move on to discuss your paper. You talk about linking people to jobs, promoting greater social inclusion and ensuring the sustainability of communities. I will come back to my favourite issue, which is integrated transport. How likely is it that this will be affected by the budget cuts?

[11] **Carl Sargeant:** The budget is tight, but this does not mean that we should not be ambitious in what we seek to do. The budget, which is the focus of your questions today, has to consider what we do with the plan in terms of concessionary bus fares, bus services and trains. The integration is very important, particularly around enterprise zones, which I know are of interest to you. It is all very well having an enterprise zone, but people need to be able to get there. Car use is limited in our more impoverished areas, so trying to get to work is even more difficult. So, we are trying to integrate this programme of bus travel, train travel and so on. Access is part of the planning process involved in taking this budget forward. As to whether this will have an effect, we have to remember that there is a squeeze on service delivery. We have less money. It is very difficult to deliver the same things with less money.

[12] **Keith Davies:** Oherwydd y gostyngiad yn eich cyllideb, mae sicrhau gwerth am arian yn llawer pwysicach. Mae hynny bob amser yn bwysig, ond mae'n bwysicach oherwydd y sefyllfa yr ydych yn ei hwynebu. Pa gamau y byddwch yn eu cymryd i sicrhau eich bod yn cael gwerth o'r arian y byddwch yn ei wario ar eich rhaglen? **Keith Davies:** Given the reduction to your budget, it is far more important to ensure that there is value for money. That is always important, but it is even more important due to the situation that you face. What steps will you take to ensure that you get value for the money that you will spend on your programme?

[13] **Carl Sargeant:** I have looked across the portfolio at the services that we deliver, and my team is a bit fed up with me asking 'why?' I have asked why we are doing certain things and whether what we are doing is making a difference to people's lives and to the economy. We must ensure that we do not throw money at things for populist reasons. We have to look at what we are delivering and ensure that it is having an impact on service delivery.

[14] So, it is a matter of asking questions as to why we do something. However, at the other end, we have to measure the outcomes. This is also important. I expect the services that we procure to provide good value, deliver what we expect of them and make a difference. One of the biggest elements of this is the capital spending on roads. We have procedures in place to provide a gateway review of exactly what we are spending the money on and why. This provides evidence for why we do something and tests our reasons for doing it.

[15] I am pleased to say that many of the schemes that we have delivered recently—this is not only for my portfolio, but for the transformation under the previous Minister for transport—have been delivered on time or early, and have been delivered to budget. I have put in place capping regimes where a third party, such as a local authority, delivers road schemes. If the initial bill is, for example, £50 million, then they will get £50 million and no more and I will expect the scheme to be delivered. That is a way of tightening the expectation and shifting the risk away from the Welsh Government so that it is not an easy hit and easy for someone to say that they need an additional £5 million; we move that risk back to service delivery. We are tightening up on expectations and, hopefully, because of the finances, we are making a difference in that.

[16] **Keith Davies:** Nid oes dangosyddion allbwn yn y rhaglen lywodraethu, ond mae'ch ateb yn awgrymu eu bod yn bwysig. **Keith Davies:** There are no output indicators in the programme for government, but your answer suggests that they are important.

[17] **Carl Sargeant:** The national transport plan monitoring report is a useful tool for measurement and we will use it internally. If the committee feels that it is necessary for you to see how we use these tools, I am more than happy to drop you a line, Chair, to explain about the measurement tools that we have in place to demonstrate success.

[18] **Nick Ramsay:** Minister, in your answer to Keith Davies, you said that there is a capped budget and that that is what you will get. In previous inquiries that I have been involved in, slippage was always raised as an intrinsic part of the process and it was said that you could not get rid of it. Are you saying that you are moving away from that and that a large amount of slippage in road schemes will not be tolerated in future?

[19] **Carl Sargeant:** I will bring in Jeff, my lead official on this in a second, but we are demanding a high level of service, and rightly so. Schemes that have extended timelines cost more money. As I said earlier, because of our expectations and high service demand, we are saying ‘What you ask for upfront should be achievable, and the expectation from us is that it will be achieved and that this is how much it will cost’. I believe that we are right in saying that we will cap that funding at the top, but, of course, I will not sit here and say that we will get it right every time. There will be times when there will be a difference, and there will be some flexibility and judgment calls. However, what I am saying wholesale is that, if we bid for a project, as we did with this Assembly building, we will seek to shift the investment risk from us to the third party—the developer or the owner of the scheme. Jeff might want to clarify some of those points, if that is helpful, Chair.

[20] **Mr Collins:** Slippage is inevitable, but we are now ensuring that we plan better for that. As the Minister said, if we clarify where the risk lies, that will incentivise people to spend more time and effort on determining what contingencies they need to put in place. The easiest way to bring a project in on time is to give it plenty of time. So, if you look at the Porthmadog bypass, which the Minister opened this week, you will see that that came in nine months ahead of schedule. That is to be applauded, but as a project manager, I would probably say that the original timescales were too lenient. So, it is a quid pro quo. However, it is important that we enshrine through all delivery that the risk is identified early, that we all strive towards achieving time and cost and that we do not support an environment in which a project can be carried for as much as it will outturn at or as long as it will take. It is a much better design up front.

[21] **Alun Ffred Jones:** Bore da, Weinidog. Yr wyf yn nodi'r gydnabyddiaeth i'r gwelliannau a ddiwyddodd o dan y Gweinidog blaenorol o safbwynt dod â chynlluniau i mewn ar amser ac ar gyllideb. Mae gennyf ddau gwestiwn ar yr egwyddorion y cyfeiriasoch atynt wrth adolygu eich rhaglen. Yn gyntaf, cyhoeddiad cymharol ddiweddar yw'r ardaloedd menter, felly yr wyf yn cymryd eich bod wedi eu hychwanegu at y rhestr o egwyddorion a oedd gennych cyn hynny. I ba raddau, felly, y bydd hynny'n newid eich meddwl ynglŷn â'r rhaglen?

Alun Ffred Jones: Good morning, Minister. I note the recognition of the improvements that happened under the previous Minister with regard to bringing projects in on time and on budget. I have two questions on the principles that you referred to as you reviewed your programme. First, enterprise zones are a comparatively recent announcement, so I take it that you have added them to the list of principles that you had previously. To what extent, therefore, will that change your mind regarding the programme?

[22] Yn ail, yr ydych wedi cyfeirio at gysylltiadau dwyrain-gorllewin. A wyf i gymryd yn ganiataol felly bod cynlluniau sydd yn ymwneud â ffyrdd de-gogledd yn

Secondly, you referred to east-west links. Can I, therefore, take it for granted that north-south schemes are likely to be cancelled or delayed? With regard to A55 links, which

debyg o gael eu canslo neu eu rhoi yn ôl? Wrth sôn am gysylltiadau'r A55, a oedd yn cael eu defnyddio fel enghraifft o ffordd dda o hybu'r economi yn y gogledd, nid yw hynny wedi cael ei adlewyrchu yn sir Fôn. Er bod yr A55 yn rhedeg drwy ganol sir Fôn, mae cynnyrch mewnwladol crynswth yr ynys wedi gostwng yn gyson ar hyd y blynyddoedd, ond dadl arall yw honno.

were referred to as an example of a good way of boosting the north Wales economy, that has not been reflected on Anglesey. Although the A55 runs through the centre of Anglesey, the island's gross domestic product has reduced constantly over the years, but that is a different argument.

[23] **Carl Sargeant:** There were three or four questions there, Chair, and I will try my best to answer them quickly. Of course, I recognise the work that was done by the previous Minister with responsibility for transport and I hope that you recognise the work that is continuing in this portfolio under my leadership.

[24] Enterprise zones are new and we have to have flexibility within the department to deliver on them. The team is working on a consideration in terms of our specification around the national transport plan prioritisation. It is the right thing to do. If we are investing in enterprise zones, as I said earlier, we have to have opportunities for people to access them on transportation, which will benefit the whole economy. However, it does not move away from the fact that around effective and efficient transport links, which are part of the prioritisation included in the national transport plan, are issues such as improving access to support people living in poverty. Therefore, that fits in nicely with the enterprise zone element of that.

[25] You are wrong to suggest that, because there is an east-west strategic European link within the considerations of the national transport plan, I am postponing, delaying or doing anything other than considering what the links are in the north-south element of that. Of course, there will be changes in the transport plan, and I will announce those later in the year. There may be some changes in the north-south programme, but I have not made that consideration yet, so, it would be premature for me to agree or disagree with you in detail on that.

[26] **Eluned Parrott:** On enterprise zones, you will be aware that I have asked the Minister for Business, Enterprise, Technology and Science about how the £10 million consequential will cover things like transport. I was told to ask you, so, here we are. Do you have a budget line within this budget or is this something that you think will come out of the £10 million consequential? Are you confident that you can deliver an adequate transport plan for those enterprise zones, bearing in mind that we have been told that this is just the first tranche?

[27] **Carl Sargeant:** I would love to get my hands on the £10 million from the Minister for Business, Enterprise, Technology and Science, but I do not think that she is going to be too keen on giving it to me. The issue is about a joined-up approach to seeing what can be done. She has announced, quite rightly, where the enterprise zones will be. We have to look at the transport element of this development, where the zones are located and how we can assist within our national transport plan. Please do not consider this as prejudging what I will announce later this year, but there are examples in the national transport plan, like the Heads of the Valleys road, which may support the enterprise zones in the area. That would be a consideration. Again, it might bring up the whole poverty agenda in that area with regard to access to enterprise zones, which might tick the right boxes. I am considering what is in the plan—nothing in, nothing out, just reprioritisation—to see whether there are things in it that will make a clear difference in terms of enterprise zones across Wales, wherever they are.

[28] **Eluned Parrott:** On the idea of shifting risk in project delivery, we would understand that approach and, generally, we think that it is important in these economic times that you

are doing that. Is this approach flexible in terms of the nature of the organisation that is delivering the project on your behalf? I am aware that some of these organisations, for things such as sustainable transport, might be charities, and many may be local authorities, so what you are doing is transferring the risk from one public purse to another and there is no net gain for the public in that.

10.30 a.m.

[29] **Carl Sargeant:** You are right. As Jeff Collins said earlier, the issue is about good planning upfront, getting this right and understanding what the top line is—trying to assess the potential risks for future, such as the length of the programme extending and what the costs of that would be. Therefore, upfront, we hope that we know what the top cost is. On that basis, we agree and a developer or third party takes the scheme and delivers it. There is an expectation on all parties, because I would not expect a local authority, a charity or anyone else to agree a system upfront that was set to fail. However, we recognise that there are sometimes pressures that are beyond the control of contractors and others: two months of snow might stop building work, and that is beyond their control. However, if the programme is to run over the winter, we would try to factor in that potential risk. So, I recognise the need to offset the risk. We just need to be professional enough to say upfront that this is the total cost of the scheme and the expected delivery date and that they then have to have a really good reason to deviate from that programme.

[30] It may be fair to say that there is a learning curve. As Jeff said earlier, the Porthmadog bypass was finished nine months early. We may think that if the contingency was additional funding for nine months more work, we got that wrong. I am not saying that that is the case, but we can tighten it up. It is a learning curve for us. The benefits of this certainly outweigh the disadvantages in terms of the risk element being shifted from us and other organisations if we get it right up front.

[31] **Byron Davies:** Following on from that, it is good news that you have this new approach to this, given the enormous amount of waste in the past—£250 million or whatever it was. However, this is a pretty obvious question, but does this not encourage them to build 10 per cent into it, so to speak? What are you going to do to detect that?

[32] **Carl Sargeant:** You are absolutely right, and that is why I just said that there is a learning curve. We need to unpick the schemes that we have done and had success with. I was more than pleased to open a bypass on budget and early. It is fantastic news. However, as you quite rightly say, if we have built into the scheme too much leniency in terms of delivery, we need to tighten things up. With the gateway procedure of developing road schemes and capital schemes, we learn all the time about what that can deliver. This programme is constantly under review. Believe me, I drive a pretty hard bargain with my team, and they understand that fully in terms of negotiations with third parties.

[33] **Joyce Watson:** Good morning, Minister. I am going to ask some questions about the reprioritisation element. The draft budget narrative states that the review will conclude in November. Can Members expect to see changes resulting from that review incorporated in the final budget to be laid before the Assembly on 29 November?

[34] **Carl Sargeant:** No.

[35] **Joyce Watson:** Okay. So, how will you ensure that the reprioritised transport plan and associated spending plan will provide sufficient detailed information to allow Members and the public to understand the basis of the review process and the impact on Wales?

[36] **Carl Sargeant:** In a sense, there are two different things here. First, there is the

budget process, which is an envelope of funding that the Finance Committee and you are interested in—that is the top line of delivery. As I said earlier, the national transport plan process is not about taking programmes out of the scheme or cancelling schemes; it is about the prioritisation of a plan. There has to be a list in terms of when you intend to start work on a scheme and so on. Whatever the scheme is, it must fit within the budgetary constraints of what is available. Those budgetary constraints will not change; they are as they are in terms of numbers. It is just that the schemes may alter in priority in terms of when and how we do what.

[37] **Joyce Watson:** Okay, Minister. So, are you saying that things that are currently included and contracted for will not be affected? What we really want to get to is whether it is likely that there will be any costs or charges to the Government as a result of the cancellation of projects or deals.

[38] **Carl Sargeant:** No. I expect that, where the programmes are on the point of delivery, they will be delivered. I do not believe that we are at risk of any charges around contract cancellation. We are not in the position within the portfolio of cancelling any contracts that would put us at risk financially.

[39] **Nick Ramsay:** Before I bring in Julie James on a supplementary question, just to fill the Minister in, the committee did have concerns, before you came in, regarding the extent of the changes that are to come. If there are to be changes that will affect that draft budget, to what extent can we scrutinise you? However, from what you have just said, you do not anticipate that there will be any significant changes to the draft budget following the reprioritisation.

[40] **Carl Sargeant:** There will not be significant changes on the headline numbers, Chair. The numbers are the numbers, in terms of what we have to work with. The prioritisation of a scheme may be different in terms of the national transport plan, but it will not mean any more or any less for the headline figures.

[41] **Julie James:** I want to labour the same point, I am afraid. Are we saying that we have a set of schemes, and we are re-ordering them inside a package?

[42] **Carl Sargeant:** Yes. You put it much better than I did, Julie.

[43] **Julie James:** So, you are not adding any in or taking any out.

[44] **Carl Sargeant:** Correct.

[45] **Julie James:** I think that we were all struggling with that a little.

[46] **Nick Ramsay:** That is what I was trying to say as well, Minister. [*Laughter.*]

[47] **David Rees:** You say that you have not added anything in, but we have been looking at the enterprise zone aspect—[*Inaudible.*]

[48] **Carl Sargeant:** We cannot add anything to the plan because of funding rules. What we are saying is that we are looking at schemes in the plan that will, or could, have an impact, or schemes where there are benefits to doing them earlier because there is now to be an enterprise zone. As I said earlier, the Heads of the Valleys scheme may have a beneficial impact on the enterprise zone in that neck of the woods.

[49] **Leanne Wood:** Just to clarify the point, what you are saying is that there is no new money available for new transport links to enterprise zones. It all has to come out of your

existing pot.

[50] **Carl Sargeant:** Yes and no.

[51] **Nick Ramsay:** He is a politician.

[52] **Carl Sargeant:** Just so that I am clear, you are absolutely right that there is a definitive pot of money for the NTP, but the changes within that may benefit enterprise zones. If the Minister with responsibility for BETS comes to me with £10 million and suggests that there is an additionality for enterprise zone infrastructure, then of course there would be more money. However, that is unlikely to happen, so in answer to your question, yes, there is a definitive pot of money for the NTP, and it will be reprioritised to benefit enterprise zones if we can do that.

[53] **Leanne Wood:** It does not sound like you have a huge amount of flexibility when you put it like that. You have a pot of money that is fixed, you have contracts that you have already signed up to—can you really make many changes?

[54] **Carl Sargeant:** Absolutely. There are huge opportunities for us there, because we are talking about some long-term programmes in terms of our priorities, and there are some big schemes there. There are certainly shifts that are possible in terms of what we could do: we could do five £3 million projects or one £15 million project. There are huge differences within the NTP that we can develop, but, yes, there is one pot of money.

[55] **Leanne Wood:** I will move on to a different subject now. Can you give us any indication of how you envisage the mix between expenditure on public transport and private transport? That is rail versus road, basically.

[56] **Carl Sargeant:** I will leave Jeff to give the figures.

[57] **Mr Collins:** In terms of the budget allocation, 64 per cent will be spent on non-road expenditure, such as supporting bus services, rail services and non-road transport. That has risen from 61 per cent.

[58] **Carl Sargeant:** Do you know the figures for Scotland?

[59] **Leanne Wood:** They are 70:30.

[60] **Julie James:** I am interested in looking at the year-on-year changes in the capital budgets. The international connectivity increase is significant. Are there additional programmes in that, or is that slippage, growth or what?

[61] **Carl Sargeant:** The capital spend is a flat line: there is nothing new. The budgets are similar for the three-year projections. That is where we are with the budgets. The problem that we have is that, even with a flatline budget, there is an inflation cost. We expect that cost to be around 9 per cent in real terms for the programme. We have to try to find effective methods of working differently within the departments, and we expect third-party savings in the capital spend.

[62] **Julie James:** I may be misunderstanding the figures, but it says here that, although the revenue budget is decreasing all the time, the capital budget reduces initially and then increases again in 2014-15.

[63] **Carl Sargeant:** Yes, it goes up significantly that year. That is to do with the dualling of the A465. So, that is project specific. That is the way that it is profiled within the projected

budget, so the A465 causes that big leap.

[64] **Julie James:** Are the revenue funded programmes included in this transport plan?

[65] **Carl Sargeant:** Yes, they are.

[66] **Julie James:** So, is it the same envelope, differently described?

[67] **Carl Sargeant:** Yes.

[68] **Nick Ramsay:** Will you clarify that point, Minister? Did you say that that leap was due to the Heads of the Valleys road?

[69] **Carl Sargeant:** Yes. While I am reluctant to say it in answer to every question, I try to open with the statement ‘subject to the NTP’. That money will still be in the budget profile, whatever I decide. Without wishing to pre-empt the NTP, if you ask me the question today, it is about discrepancy, or the issue is because of profiling for the A465. If I choose to make a different decision about the NTP, that money will still be there, but it will not be because of the A465.

[70] **Julie James:** Chair, may I ask one more question?

[71] **Nick Ramsay:** Yes, briefly, because Alun Ffred wants to ask a question.

[72] **Julie James:** The Minister will be used to me constantly referring to this, but I am obviously now going to mention the electrification of the railway. What is the Minister’s view of that? Are we putting any money into that? I have heard the public statements on that. Do you want to say anything more about it?

[73] **Carl Sargeant:** Discussions are at a sensitive stage. We are working with the Department for Transport on a business case for that. There are many opportunities for financing that, including European funding. I recognise Julie and David’s concern about this whole process, but so that I do not compromise any discussions, I would be happy to write a note to the committee to clarify our exact position in terms of dialogue with the DFT, if that is helpful.

[74] **Nick Ramsay:** We were going to treat you kindly and keep the rail and the road questions separate, but they seem to have merged into one. Alun Ffred has a question on the trunk road network and the budget.

[75] **Alun Ffred Jones:** Capital funding for trunk roads decreases quite spectacularly. I think that it is a cut of 50 per cent. What will be the practical effect of that? Could you explain the line here under ‘transport’ within the Local Government and Communities Department in the allocations—‘improve or maintain the trunk road network’? That says non-cash—do not begin to explain that term to me, please. However, that shows an increase. So, could you explain those things to me?

[76] **Carl Sargeant:** In the budget projection for the three years, very little has changed from last year, this year and next year in the budget profile apart from the non-cash element of that, which is significant in terms of the reduction. I think that I am right to say that, looking at the finance. I will ask my team to explain the non-cash element, if that would be helpful to colleagues.

10.45 a.m.

[77] **Alun Ffred Jones:** Before we go on to that, there is a reduction in the capital funding for trunk roads, which decreases from £56.6 million to £37.6 million.

[78] **Carl Sargeant:** Yes, but they are not new figures, they are the projected figures. They were expected in the three-year settlement—from last year, this year and next year.

[79] **Alun Ffred Jones:** What will be the effect of that?

[80] **Carl Sargeant:** We are trying to prioritise within the department the things that we have to do with regard to the safety elements of trunk road maintenance, and we will continue to do that. However, there are issues, such as resurfacing, that we must do, but which must be delayed due to budget reductions. As I said, there is significant pressure on the budget for capital spend—transport received that last year—and there is a knock-on effect for service delivery. So, we must re-profile what and when we do things. Some of that will be on resurfacing, and I can assure you that there are statutory things that we must do with regard to safety that we will continue to do.

[81] **Alun Ffred Jones:** If we have another winter similar to last year's, when a lot of damage was done to roads that connect our communities right across Wales, I am concerned that this budget will be unable to cope with it.

[82] **Carl Sargeant:** I will bring Jeff in on this in a bit. We must look at this holistically. Local authorities tell me that they are well-prepared for winter, but whether we have a good or a bad winter is in the lap of the gods, and we will have to consider certain issues at the appropriate time. I have just come from the Finance Committee, where we also spoke about road maintenance and about the new opportunities that that may present in future. We are looking at a capital/revenue split with regard to opportunities for borrowing, so local authorities then have the potential to use their borrowing powers—supported by us, if we can get through the Treasury rules—for road maintenance. So, it is about doing things differently, not because of our ideology of doing things differently for the sake of it, but because we are now in the position of having to reconsider all funding methods, given the significant cuts to our budgets.

[83] On the question of whether there will be a change to the profile of service delivery, the answer is 'yes, absolutely'. I am not going to sit here and say that we can do the same things with less money, because we cannot. However, as the Minister responsible for this, I have to ensure that we lever in all opportunities to increase the funding streams for third parties or us to deliver a better service. Do you want to touch on the non-cash element, Jeff?

[84] **Mr Collins:** The non-cash element is an accounting treatment. It is not cash that is available to spend in the budget; it is to cover depreciation charges on the network, which is an accounting process—I am being looked at by two finance colleagues as I say that. [*Laughter.*] So, it is not money that is available to spend. My understanding of non-cash is that it is just an allocation to cover depreciation and impairment charges. The asset of the Welsh Government roads network is about £12.8 billion a year, so we look at how much that depreciates in value, how much the investments in capital have improved its value, and that non-cash covers that depreciation.

[85] **Alun Ffred Jones:** Does the Minister agree?

[86] **Carl Sargeant:** Absolutely. [*Laughter.*] I am sure that it would be helpful to the committee to receive a note from our finance gurus on what the non-cash element means.

[87] **Nick Ramsay:** For as long as I can remember, I have received notes on what non-cash is. It would be helpful to receive another, though. We will now move on from roads to

rail issues, and Byron Davies has a question on this.

[88] **Byron Davies:** How will the Welsh Government's rail priorities be affected by the draft budget?

[89] **Carl Sargeant:** We are still supporting the franchise; that is a continuation through our revenue elements, which is clear within the budget lines. Through the national transport plan, we have some projects that could improve network capability for service delivery. We are also looking at prioritisation and, as you will be aware, we are also doing work, outside the budgetary constraint, on what the franchise could look like in 2018. You would be interested in the integrated transport element of that. It is something that we rely on heavily for future franchises. It would mean a lot to be able to catch a train to Newport and not have to wait an hour for a bus for the next stage of your journey; we are trying to make that happen, collectively. The budgets are tight, but we continue to support the franchise and investment in infrastructure. Committee and Plenary sessions have been interested in elements to do with station accessibility and so on. Some of that is non-devolved, as you will be aware, such as Network Rail ownership, for example. However, there are still opportunities, through the national train station improvement programme, for local authorities to bid for a change in infrastructure, with our support, despite it being a non-devolved function.

[90] **Byron Davies:** You say that Network Rail is non-devolved, but next month, it becomes Network Rail Wales. What difference will that make to the way in which it works with you?

[91] **Carl Sargeant:** I met the regional director, as I think he is titled, and was encouraged. There are great opportunities for Wales to shape expectations. I also met the Office of Rail Regulation, which is sympathetic to the Welsh dimension. It is based on need. We are saying what is needed for Wales—in a devolved nature—but we are working within the context of a national rail service; therefore, it would be useful for us to have a more direct Welsh link to those UK-based central decision makers. The devolution of those processes is something that I am pursuing to secure the best opportunities for Wales.

[92] **Kenneth Skates:** Can you give any details, at this stage, about the major north-south investment plan for the next financial year?

[93] **Carl Sargeant:** Thank you for that question, Ken. The issue for us with rail infrastructure—I assume that we are still talking about rail—is that we have made commitments to the Gowerton and Loughor redoubling project, which is a significant investment, as well as the Wrexham and Saltney junction exchange project—I have declared an interest in that, as it is in my patch—which we are looking at within the national transport plan. As a precursor to the NTP, that is where we are today. The answer to your question is around those investments.

[94] **Kenneth Skates:** That is a bit of vested interest in the Wrexham and Saltney project. What impact will the net budget reduction of approximately £10 million in the combined capital and revenue budget for the developing sustainable transport action in 2012-13 have on programme delivery?

[95] **Carl Sargeant:** There are changes to the figures, and there are some issues around the programme coming to an end. The programme was about investment, which we believe will leave a legacy of opportunities. I am a bit more relaxed, not about the cut to the budget, as you said, so much as the programme coming to an end. There is a process in place and there are expectations. We have tried to learn what we should invest in in future and how to work with partners, including Sustrans, which delivers our personalised travel plan. We need

to question whether programmes will make a difference, and why. If they do, then we should try to invest in those programmes. We are trying to roll out the PTPs beyond the pilot project that I launched in Cardiff last month.

[96] **Nick Ramsay:** Minister, can I ask about sustainable travel centres and their place within the prioritisation of the national transport plan? What are your objectives for the policy, given the commitments contained in the programme for government?

[97] **Carl Sargeant:** That links back to Ken's question. It is about getting evidence for what works. We are trying to achieve a modal shift in transportation so that we have a sustainable element to our travel centres. You will know that it has been in place in Cardiff, and I have some figure here on the modal shift. The committee might be pleased to note that, to date, cycle usage in the city has gone up by 16 per cent and commuting has reduced to 58 per cent from a peak of 65 per cent, so there is a significant change. Some people will enjoy riding bikes in the city centre, and some people will not, but in terms of what we are trying to achieve, we are certainly going in the right direction. We recognise that it is working in Cardiff, therefore, can we push out the principle—

[98] **Nick Ramsay:** You say that it is working in Cardiff, Minister. Over what period of time has that evaluation taken place, because I think that it was over four years in England?

[99] **Carl Sargeant:** We are relatively new to this. The programme has been monitored over the last 12 months, and those are the figures that I can provide for the last 12 months of modal shift. In a 12-month period, that is significant, and I am encouraged by that. We have mirrored the scheme in England in Wales, so we have picked it up and moved it across and it appears to be working very well.

[100] **Nick Ramsay:** The concern that the committee had was that there had been extensive evaluation in England and that you have had just over a year. Therefore, can you be confident that it is working well enough to justify rolling out the programme across Wales to the four locations that you have identified?

[101] **Carl Sargeant:** I have said to the team that we have to be reassured by the figures to ensure that we have certainty around them. In terms of the other areas, once I am convinced of maximum impact, I will roll the programme out into those areas, should they be the right places to do that. However, I am not working in isolation here; as I said, I am working with Sustrans Cymru, which has considerable knowledge in this area, and I welcome its input into this process.

[102] **David Rees:** I am delighted that the Welsh Government is maintaining concessionary travel, but you are talking about increasing concessionary fares to servicemen. Have you considered the long-term impacts of that increase on the budget, and the increase in the population that is aged over 60?

[103] **Carl Sargeant:** There has been a huge increase in the demands on the budget, and the profile of Wales as a country with an older population has put significant pressures on that. I remember that the ex-Minister for transport often explained to us about the pressures on his budget when it came to the appropriate time. We have agreed with local authorities, which are the operators of the free bus travel scheme, to cap the programme, so they understand exactly what money they will get for three years. I must be careful what I say, but I would suggest that the scheme has been well-funded in the past, which operators recognise, and are therefore able to operate within the confines of the cap to deliver the service that we expect in terms of concessionary fares. The fact that they have agreed to a three-year programme suggests that operators feel some comfort with this programme.

[104] In terms of the additional support for seriously injured veterans, it causes minimal pressure on the system, Dave, but it was something that was right to do, and I do not think that it affects the total budget of the scheme in any way.

[105] **David Rees:** You have said that you have put a cap on the budget, but constituents who are entitled to concessionary fares have told me that they have got on a bus, the bus broke down and they were given another ticket to go on a replacement bus. What type of monitoring is in place to ensure that it gives value for money?

[106] **Carl Sargeant:** We are piloting smartcards across Wales, which are very similar to the Oyster card. I am happy to send the committee a note on the development of that as to where we are, if that would be useful to you. It would be nice to roll that out in an integrated way so that people can use the smartcard for bus and train travel, and for us to develop that opportunity. Initially, it looks as if it is working well, but I will send a progress note to the committee, if that would be helpful. However, if you have specific issues about ticketing, Dave, you are welcome to write to me and I would be happy to take that up for you.

11.00 a.m.

[107] **Nick Ramsay:** We would be grateful for that information. However, it is not technically a budget issue, so we will not pursue that line of questioning today. Julie, did you want to come in very quickly on that?

[108] **Julie James:** I had a question on a point that I have already raised with the Minister. I wanted to raise the issue of the budget lines and how much we are spending on ticketing, but I think that the Minister has already answered the question.

[109] **Eluned Parrott:** Minister, in answering a written question in August, you indicated that the cost of the concessionary fare scheme between 2011-12 and 2013-14 would be £213.3 million. However, in your paper you have indicated that the transport budget contribution to that will be £185.2 million, which is a gap of just over £28 million. What is that variation and how will you cover that gap?

[110] **Carl Sargeant:** That is the easiest question that I have had today, so thank you for that. The headline figure is the total amount that the budget costs, and the £185.2 million is what we contribute. The difference between £185.2 million and £213.3 million is what goes through the revenue support grant to local authorities—that is the local authority bit. The headline figure of £213.3 million is the really important one; that is the cost.

[111] **Eluned Parrott:** To go back to the idea of expanding this to include seriously injured war veterans, you have said that you do not believe that it will have a significant impact on the overall budget for the scheme. What kind of scoping have you done to identify the number of people who are likely to be affected and the likely cost?

[112] **Carl Sargeant:** I believe that the cost is negligible. It is categorised, but the process of eligibility is quite broad. I will ask the team to explain how we have come to that negligible figure.

[113] **Mr James:** We expect the number to be in the hundreds, rather than the thousands, and we have just issued guidance so that veterans in receipt of tariffs one to eight of the compensation scheme can start applying for concessionary fares. That process has started and we are now expecting applications.

[114] **Eluned Parrott:** Therefore, you do have data on which you are basing that assumption.

[115] **Mr James:** Yes, we do have some data.

[116] **Nick Ramsay:** Time is short, Minister, so I am reprioritising my own plan. Eluned, you had a question on equality; would you like to ask that one?

[117] **Eluned Parrott:** You told us in July that the national transport plan projects that had not already started were included in the planned reprioritisation process. Given the potential scale of the reprioritisation, on what basis do you conclude, as stated in your paper, that there are no potential impacts on equalities?

[118] **Carl Sargeant:** I have two brief points to make. First, all programmes that go into the national transport plan are equality tested before they go in. Therefore, there can be an assumption that they are all equality tested through the Welsh transport planning and appraisal guidance programme or by using equality impact assessments. That has already been done. As regards the specific budget, our budgets are all tested using equality impact assessments and, last year, we were the only Government to deliver on its equality impact assessments. I believe that the Westminster Government was challenged, but we were not.

[119] **Alun Ffred Jones:** With regard to centrally retained capital funds, you have had a contribution of about £6 million for three schemes, but their total cost is £14 million. As I understand it, in the budget for 2011-12, you indicate £6.3 million for those three schemes, so is the rest of the money tied in for future budgets?

[120] **Carl Sargeant:** The top line is over a number of years so I think that it balances out, Alun Ffred.

[121] **Alun Ffred Jones:** Therefore, are those three schemes already in the pipeline and been committed to?

[122] **Mr Collins:** The three schemes are part of the current national transport plan and the funding is available for them, should they proceed in the way that we have planned them.

[123] **David Rees:** In July, you also told us that you were iffy about private finance initiatives and I am glad of that because so am I. You mentioned borrowing powers. That is clearly dependent upon the UK Government's decision as to whether we should have devolved borrowing powers. In the event that the UK Government decides against that, do you have contingency plans, and would those plans perhaps look at European funding? To what extent is European funding involved in the development of the budget?

[124] **Carl Sargeant:** That is an important question and it ties in with what we said earlier about looking at new opportunities with a limited pot of money and looking at borrowing regimes and ways of supplementing income. We already seek European funding to commit to significant schemes. The reality is that if we did not have European funding or were unable to draw in other methods of funding for this, we would not have a scheme, or there would be a much longer projected programme of delivery. One of the schemes on the A465 relies heavily on European funding. Therefore, it is critical. I can only hope that the UK Government will allow some element of borrowing for us. If we are to pursue significant capital schemes that are economically beneficial to Wales, that is certainly necessary.

[125] **Nick Ramsay:** If Members are happy, that draws our session with the Minister to a close. You have certainly provided clarity, Minister, with regard to a number of areas where we had some concerns. Thank you for attending. I also thank your officials, Tim James and Jeff Collins.

11.06 a.m.

**Papurau i'w Nodi
Papers to Note**

[126] **Nick Ramsay:** We have two papers to note. The first is the evidence provided by Alun Davies, the Deputy Minister for Agriculture, Food, Fisheries and European Programmes, on the Welsh Government's draft budget proposals 2012-13. The second paper is the minutes of the informal meeting held on 22 September, at which it was agreed to establish the task and finish group on procurement. The first meeting of the group will be held on 8 December. Are Members happy to agree those papers? I see that you are.

11.07 a.m.

**Cynnig Trefniadol
Procedural Motion**

[127] **Nick Ramsay:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[128] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.07 a.m.
The public part of the meeting ended at 11.07 a.m.*