



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Menter a Busnes The Enterprise and Business Committee

**Dydd Mercher, 12 Hydref 2011
Wednesday, 12 October 2011**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynnddi 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)
Jenny Rathbone	Llafur (Yn dirprwyo ar ran Kenneth Skates) Labour (Substitute for Kenneth Skates)
David Rees	Llafur Labour
Joyce Watson	Llafur Labour
Leanne Wood	Plaid Cymru The Party of Wales

Eraill yn bresennol**Others in attendance**

Leighton Andrews	Aelod Cynulliad, Llafur (Y Gweinidog Addysg a Sgiliau) Assembly Member, Labour (The Minister for Education and Skills)
Jeff Cuthbert	Aelod Cynulliad, Llafur (Y Dirprwy Weinidog Sgiliau) Assembly Member, Labour (The Deputy Minister for Skills)
Owen Evans	Cyfarwyddwr, Sgiliau, Addysg Uwch a Dysgu Gydol Oes Director, Skills, Higher Education and Lifelong Learning
Edwina Hart	Aelod Cynulliad, Llafur (Y Gweinidog Busnes, Menter, Technoleg a Gwyddoniaeth) Assembly Member, Labour (The Minister for Business, Enterprise, Technology and Science)
Rob Hunter	Dirprwy Gyfarwyddwr, Cyllid a Gwasanaethau Corfforaethol Deputy Director, Finance and Corporate Services
Gwen Kohler	Pennaeth Cynllunio Corfforaethol, Perfformiad a Rheolaeth Ariannol Head of Corporate Planning, Performance and Financial Management
Huw Lewis	Aelod Cynulliad, Llafur (Y Gweinidog Tai, Adfywio a Threftadaeth) Assembly Member, Labour (The Minister for Housing, Regeneration and Heritage)
James Price	Cyfarwyddwr Cyffredinol, Busnes Menter Technoleg a Gwyddoniaeth Director General, Business Enterprise Technology and Science

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

Ryan Bishop	Dirprwy Glerc Deputy Clerk
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Siân Phipps	Clerc
	Clerc
Anne Thomas	Gwasanaeth Ymchwil
	Research Service

Dechreuodd y cyfarfod am 10.02 a.m.
The meeting began at 10.02 a.m.

Ymddiheuriadau, Cyflwyniad a Dirprwyon **Apologies, Introductions and Substitutions**

[1] **Nick Ramsay:** I welcome Members, witnesses and members of the public to today's meeting of the Enterprise and Business Committee. The meeting will be bilingual, and headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 0. The meeting is being broadcast, and a transcript of the proceedings will be published. I remind Members to turn off their mobile phones and other electronic equipment. I also remind Members and witnesses that there is no need to touch the microphones: they should operate automatically. In the event of a fire alarm, please follow the directions from the ushers. We have one apology today, and that is from Ken Skates. I welcome Jenny Rathbone, who is substituting for him.

10.03 a.m.

Cynigion Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2012-2013: Sesiwn **Graffu ar Waith y Gweinidog** **Welsh Government Draft Budget Proposals 2012-2013: Ministerial Scrutiny** **Session**

[2] **Nick Ramsay:** I thank the Minister for Education and Skills, Leighton Andrews, for coming here today and for providing a paper. We have a number of questions that we want to ask regarding the budget, primarily relating to its layout, which we found quite difficult to deal with as a committee. It differs from previous budget presentations made to us.

[3] Minister, would you like to make an opening statement before we ask questions?

[4] **The Minister for Education and Skills (Leighton Andrews):** Thank you for inviting me and the Deputy Minister for Skills to provide evidence. Taking forward the programme for government is our priority. We have set a budget that will begin the process of delivering the commitments that this Government has made for the benefit of the people of Wales. The draft budget shows how our spending plans will support these priorities and how we have aligned our department's budget to take forward the programme for government agenda. However, our budget is set in the context of the constraints imposed by the UK Government in the last budget-planning round. So, we have reviewed previous spending plans and released in excess of £17 million to meet other programme for government pledges, such as the establishment of a master's qualification for teachers, through reprioritisation. We have also directed more money to the front line through increases to the school effectiveness grant. In addition, we have secured additional funding of £12.5 million per annum for Jobs Growth Wales, the programme that we announced yesterday.

[5] Previous plans to increase schools' budgets by an additional 1 per cent above overall changes to the Welsh budget are maintained, with additional funding of £4.6 million received for the third year of this spending programme. Our commitment to free school milk and free breakfasts is also maintained. The Adapt programme, which assists displaced public sector workers to return to work or start their own business, is extended, with £5 million additional

funding per annum. Earlier this year, I announced that, from the 2012-13 academic year, part-time higher education students will benefit from access to the same student finance package as full-time students. We have secured additional funding of £4.3 million, rising to £13.8 million over the period of this budget round, to cover the additional costs. We want to ensure that the money is directed to protect the most vulnerable, to support economic renewal and to provide the high standard of education that the people of Wales expect and deserve.

[6] **Nick Ramsay:** Thank you Minister. It was remiss of me not to welcome the Deputy Minister for Skills, Jeff Cuthbert. Would you like to make any comments Deputy Minister?

[7] **The Deputy Minister for Skills (Jeff Cuthbert):** To reiterate what the Minister has just said, these budget proposals will enable us to take our programme for government forward. On skills development, the additional funding of £75 million for Jobs Growth Wales will aim to create 4,000 placements in Wales for unemployed young people aged 16 to 24 within the first year of operation. It will offer these young people paid employment for a 6-month period, at or above the national minimum wage, for a minimum of 25 hours per week. We have funding in place to deliver the full programme, which will commence on 1 April 2012, and, in the meantime, we are planning a small pilot scheme this autumn to test new elements of the model.

[8] We will work with Jobcentre Plus and Careers Wales to ensure effective alignment with existing programmes to avoid duplication and to ensure added value. It will link directly with the apprenticeship programme to enable progression. The programme for government reaffirms our commitment to increasing apprenticeship opportunities for young people. We will seek an outcome that will enable young people to enter sustained employment through such an opportunity. Employers and trade unions have identified the benefits of targeted skills programmes that support employers to grow business opportunities through investment that increases skill levels in the workforce and subsequently creates additional jobs. The direct link between jobs growth and the private sector and the identification of young people seeking work will support our commitment to tackle youth unemployment and provide employers with a skilled workforce fit for their future needs.

[9] In addition, we have funding in place to extend the Skills Growth Wales programme through to 2015, through the review and reprioritisation of budgets. Also, as announced yesterday, we will re-open the programme to new applicants immediately. This will support economic renewal and offer a bespoke skills package to those employers able to demonstrate growth potential and the creation of additional jobs. We will be supporting colleagues in BETS as we develop our sector skills strategies through sector panels and anchor companies. We have produced a budget that protects jobs and skills and provides support to Welsh businesses in these difficult economic times—a budget for jobs and growth. That really demonstrates our commitment to that pledge.

[10] **Julie James:** Good morning, Minister and Deputy Minister. It is nice to see you here this morning. First of all, I welcome the future jobs programme. As we said yesterday in Plenary, we need that very much in light of the appalling level of youth unemployment that we experience in parts of Wales. On the detail of this budget, we understand from your paper, and from other papers before us, that there have been a number of internal transfers around the department as a result of the restructuring because of the reconfiguration of the portfolio to meet various priorities and so on. That has made it quite difficult to follow where some of the lines of expenditure have gone. Would you like to say something about how that is structured and presented to us today? Some of us—and I readily confess that I am one of them—are struggling to follow the movement of moneys between the old baseline, the supplementary budget and what is in front of us this morning.

[11] **Leighton Andrews:** After the election, we reviewed our priorities on the basis of our

manifesto commitments. There is a cross-governmental approach to meeting the pledges that were laid out by the party in the manifesto. Additional funding, for example, has been found to support the Jobs Growth Wales programme that I announced yesterday. So, roughly half of that will come from moneys from across Government. We expect the rest to come from European funds.

[12] We have made some internal transfers; we have found further efficiencies that we have been able to make in order to release money to the front line. In my opening statement, I outlined that we have managed to release more than £17 million to meet a number of our pledges, including the master's qualification for education. We have put money aside; for example, we have increased the budget for the school effectiveness grant by £7.6 million, and that increases by a further £10 million over the following two years to 2014-15. What we have tried to do in our budget is to be as transparent as we can. There are changes that have taken place that we could have held back until the supplementary budget later this year, but we felt it was important to get these in front of Members now.

[13] **Eluned Parrott:** With regard to internal transfers again, one concern that I have at the moment is with regard to transparency. For us as a committee to scrutinise this effectively, we need to be able to track those figures back. We understand completely that, after an election, you will want to refocus and, in particular, to restructure your department, given the different structure. However, one thing that we would have appreciated and would perhaps ask you to provide is the baselines that you are currently working to, because what we have is the supplementary budget, as opposed to the year-on-year figures. What we do not have, in terms of the transfers, is what you are basing it on, if you see what I mean. What we do not have is that clarity between the supplementary budget, the transfers happening and what the budget is now. That has made it very difficult. This being an exceptional year, can you give us your assurance that this complexity in terms of internal transfers will not be repeated again in the next financial year?

[14] **Leighton Andrews:** It is unlikely that there would be further transfers of the same order in future years, because we have completed an electoral cycle and we are now setting out our plans for the period of a Government. Therefore, we are not necessarily going to be reviewing other programmes in that way. My officials have talked with the clerks in the run-up to this meeting and have sought to provide the additional information that has been requested. If there are specific questions that you would like us to follow up, we would be happy, of course, to give you a written note.

[15] **Leanne Wood:** Given the economic climate, further education is a key sector in terms of skills provision. Can you tell us how the draft budget will support the further education sector to meet the challenges in the current economic climate?

[16] **Leighton Andrews:** We have set out in the budget materials the extent to which we are giving support to further education, both through the direct funding of colleges and through the additional schemes in which they are taking part, such as work-based learning programmes, pathways to apprenticeships and so on. We see further education as playing an important role in supporting the agenda of the Welsh Government to enable people to equip themselves with the skills that they need to find employment and to progress, where they wish to do so, to further learning.

[17] **Jeff Cuthbert:** The Minister mentioned some of the ways in which we are looking for the FE sector to work with us. We are confident that it will. The pathways to apprenticeship programme, for example, has received praise from the FE sector across the board. We anticipate that it will have opportunities for a focused approach, particularly when the Welsh labour market intelligence unit is set up and running, so that it can focus on jobs in the local and Welsh economy.

[18] You will recall that, about two weeks ago, I announced the qualifications review. That will assist the FE sector in determining the sort of qualifications that are attractive to young people and that will help them with future employment. There is a budget to fund strategic investment for collaboration and innovation initiatives. There are also mergers under way now and we expect to see greater collaboration between colleges and between the further and higher education sectors.

[19] **Leanne Wood:** Can you tell us how much has been allocated for collaborations and mergers?

[20] **Leighton Andrews:** We have a budget of around £3.9 million for the transformation budget to support collaboration and mergers. Clearly, we would anticipate that, where mergers are taking place, they would release savings.

[21] **Leanne Wood:** CollegesWales has said that it has already made efficiencies by staff restructuring, looking at its procurement practices and cutting staff and learner numbers and so on. Do you see it being able to make further efficiencies?

10.15 a.m.

[22] **Leighton Andrews:** I pay tribute to the further education sector. It has genuinely supported the ambitions of the Government over the past five years and it has delivered well for learners. There is always scope for further efficiency in the education sector. The review that we carried out on the structure of the delivery of education, which reported prior to the election, and which was chaired for us by Viv Thomas, suggested that there were probably still too many further education colleges in Wales and looked to further mergers in due course. So, there is scope for further savings.

[23] **Jeff Cuthbert:** To add to that briefly, mergers have been referred to, but we also know that a lot of joint procurement is going on now between colleges and involving the higher education sector. We expect that to continue. There are some good examples of shared services, from which we expect to see savings in terms of scale.

[24] **Alun Ffred Jones:** A oes gennyh enghreiffiau penodol o ble mae dod â cholegau at ei gilydd neu bwrcasu ar y cyd wedi dod ag arbedion concrit i sefydliadau? Y gwir amdani yw eich bod yn gweithio gyda chyllideb sydd, mewn termau real, yn crebachu. Ffaith yw honno, nid beirniadaeth. Felly, ble ydych yn darganfod yr arbedion hyn? Gyda rhai o'r rhaglenni newydd hyn, sydd yn costio rhyw faint o arian, a'ch datganiad eich bod eisiau gweld gwelliant cyffredinol mewn safonau, o ble mae'r arbedion hynny yn mynd i ddod? Yn benodol, gyda cholegau, a oes gennyh enghreiffiau pendant o arbedion yn deillio o gyfuno colegau?

Alun Ffred Jones: Do you have any specific examples of where merging colleges or joint procurement have resulted in concrete savings for institutions? The truth is that you are working within a budget that is shrinking in real terms. That is a fact, not a criticism. So, where do you find these savings? Given some of these new programmes, which cost some money, and your statement that you want to see a general improvement in standards, from where will the savings come? Specifically in relation to colleges, do you have clear examples of savings arising out of merging colleges?

[25] **Leighton Andrews:** Clearly, if colleges are merging, there are savings in terms of senior management and backroom staff. There have been good examples, as the Deputy Minister referred to, in respect of joint procurement and ColegauCymru is embarking on a number of initiatives across the sector to give support to colleges to ensure that they are able

to benefit from further efficiencies. We are happy to supply the committee with a more detailed note.

[26] **Nick Ramsay:** It would be very helpful if you could do that, Minister. Do you want to come back on efficiencies, Eluned Parrott?

[27] **Eluned Parrott:** Yes. You say that post-16 education has received a small year-on-year increase in its budget, but, as Alun Ffred mentioned, despite the increase in cash terms, we need to look at inflationary pressures. In real terms, we are looking at a cut, essentially. Are you absolutely assured that the post-16 sector will be able to deliver the same volume and quality of service to young people and students as is currently delivered?

[28] **Leighton Andrews:** I certainly wish that the UK Government had not cut the budget to the Welsh Government by £1.8 billion in real terms over three years. That sets the context within which we have to work. The reality is that we have sought to protect schools and skills in the budgets that we set last year, as Members will recall. We anticipate that the sector will be able to deliver. We have taken the decision this year to suspend the national planning and funding system in order to give colleges and post-16 institutions the ability to plan on a three-year basis. We are looking at the future funding needs of the sector and will, no doubt, return to those issues, probably with this committee, in due course.

[29] **Nick Ramsay:** Julie James, do you have a supplementary question?

[30] **Julie James:** Yes. To follow up on the post-16 issue, a number of us have been aware for some time of the issues surrounding post-16 education, sixth forms and so on. I think that you just said that you are continuing to undertake a review of the different sets of provisions in different areas. How do you perceive that that will pan out?

[31] **Leighton Andrews:** As I have said to this committee and its predecessor committee, there is still too much duplication at post 16. There is still too much competition between institutions in terms of the provision they are making. We are well aware—we have regularly had issues raised with us, not least by the further education sector—that, although in some cases they may have decided to opt out of doing A-levels, they have found schools moving into their territory in terms of vocational qualifications. I do not think that this is sustainable in Wales in future. To a degree, our national planning and funding system has helped to reinforce competition by being unit-based, and, as we go forward, we need to ensure that we have a system that does not reinforce that level of competition between different institutions.

[32] **Jenny Rathbone:** Looking at the university sector and the commitments we have made to Welsh students on tuition fees, it is obviously very difficult to estimate accurately how putative English students will be affected by the tripling of tuition fees to £9,000 and, therefore, how many places will be available in competition for Welsh and English students, and any other students. How much is allocated in the draft budget for the new tuition fee grant for Welsh domiciled students for 2012-13 and the two subsequent financial years?

[33] **Leighton Andrews:** We have not put a specific figure in the budget for the tuition fee grant, because, essentially, we are bringing together the funding for student finance and the funding delivered through the Higher Education Funding Council for Wales. However, our estimate is that HEFCW will allocate around £51 million in 2012-13, £150 million in 2013-14, and £236 million in 2014-15.

[34] **Jenny Rathbone:** Sorry, I missed those figures.

[35] **Leighton Andrews:** They were £51 million, £150 million and £236 million.

[36] **Nick Ramsay:** David Rees, do you want to come in on that?

[37] **Jenny Rathbone:** First, Chair, I just want to reiterate that ConstructionSkills Wales, which submitted evidence to us and which is obviously very keen on the Adapt programme, is very anxious that the tuition fees fund may have an impact on the Adapt programme—

[38] **Leighton Andrews:** Well, it will not.

[39] **Jenny Rathbone:** Okay, so your calculations are that we will be able to keep to the commitment on tuition fees without it having an impact on other budgets.

[40] **Leighton Andrews:** Chair, let me say this: the commitment on tuition fees was one of the pledges my party made in the election. We are committed to funding support for Welsh students wherever they study, and we are committed to funding that through the lifetime of this Assembly. That is an absolute commitment, it has the full support of Cabinet, and it will be funded. It will not have an impact on other programmes, such as Adapt.

[41] **Nick Ramsay:** Jeff Cuthbert, do you want to add to that?

[42] **Jeff Cuthbert:** Adapt is there for public sector workers. Although we hope that it will not happen, we are prepared for sizeable job losses in the public sector. It is a programme of £5 million per year. As the Minister said, it is not involved with any other budgets.

[43] **David Rees:** Good morning, Minister and Deputy Minister. Going back to the issue of tuition fees, I have two points to make, one of which is on the expectation of the input from English students. I assume that you will be assessing the impact of that over the years, because it may have a dramatic impact on institutions, depending on what those students do, basically. As a Government, you committed yourselves to part-time students as well. Can you reassure me on how that will be funded? Have you made an assessment of whether part-time student numbers will increase, possibly as a consequence of full-time fees increasing?

[44] **Leighton Andrews:** Those are really difficult questions to answer, as I think you are probably aware. I think that it is fair to say that, if you were to talk to senior figures in the higher education system in Wales and in England, you would get a range of observations on the impact of the likely changes, including the changes announced by the UK Government in respect of England in the recent higher education White Paper, with regard to allowing higher education institutions to compete to recruit students with AAB grades as well as their core and margin proposals.

[45] It is difficult to estimate the cross-border flows. We have gone into this in considerable detail. We have had to revise our calculations as we move forward. The original calculations by the UK Government were that tuition fees would be around the £7,000 mark. Clearly, they are significantly above that, overall. However, a number of people now believe that, as we move forward beyond 2013, it is quite possible that fees will start to reduce as there is more competition between institutions on a price basis.

[46] As colleagues here are aware, it was never our desire to follow a system based on the marketisation of higher education, but that is the system that is in operation across the border, and that has a real impact on us. The honest answer is that no-one quite knows what will happen with regard to cross-the-border flows and no-one quite knows what will happen with regard to aspiration and the impact of raised tuition fees on aspiration. A number of people would argue strongly that we will see fewer people applying in due course. Many would argue that more people will want to study closer to their home—that may mean that we will retain more students in Wales, but it may equally mean that more students will be retained in England. There may well be people who would then opt for part-time study, rather than full-

time study. Certainly, the Open University has enjoyed great growth, not least in Wales, in recent years.

[47] We have been through this with our statisticians. We have shared figures with Government departments in the other countries. We have the best estimates that we can make at this stage. However, these are clearly things that we will have to review. I suspect that, if I am honest, Chair, the one thing that I can say about all of our calculations is that they will be wrong.

[48] **Nick Ramsay:** Please feel free to be as honest as you want, Minister. [*Laughter.*]

[49] **David Rees:** Part-time study is important, because we are in a situation where we are looking at retraining, reskilling and returning to work in a climate that may change dramatically. I wonder whether those concepts have been included in your forecast for part-time support and whether part-time support will be for undergraduate programmes only. Many people, having already gained a degree elsewhere, may want to retrain and return to work, but in a different field altogether.

[50] **Leighton Andrews:** Inevitably, our focus has been on first degrees with part-time study. It is likely that, over time, we will see more people opting to study part time. It may well be that employers will want to enter into that market, particularly as we move out of recession. These things are difficult to calculate, and people would say that in England as well. I suspect that we will have to keep the situation under review. It is clear that our party has made a commitment to delivering this during this Assembly.

[51] **Eluned Parrott:** I want to ask about the situation of European Union students and the calculations that you have made on that basis. One basic tenet of the EU is that no EU citizen can be treated differently to citizens of their EU host. Although we can differentiate within a state, for example, we can differentiate between Wales and England, we are not able to differentiate between different states. As we are not a nation state within the EU, we are not able to differentiate on that basis. What calculations have you considered with regard to how are we going to pay for EU students coming to study in Wales?

[52] I also want to query the legal advice that you have had on the deal that we have to offer to EU students. Will we find ourselves liable for students studying in other parts of the UK as well? I understand that the Scottish Parliament offers the fee waiver only to Scottish students studying in Scotland, on the basis that the legal advice that they have been given is that, if they offer this deal to Scottish students studying elsewhere in the UK, they will have to offer it to every EU student studying in the UK. Given that there are currently 105,000 of them, it would cost around £600 million per year just to have the £6,000 reduction. So, I am a little bit concerned about the legal status of that, but also about the financial planning status. What kind of calculations have you taken into account and what is the plan B if that proves unaffordable?

10.30 a.m.

[53] **Leighton Andrews:** Chair, the entire question is founded on nonsense. The Scottish Government, as I understand it, has had no such legal advice.

[54] **Eluned Parrott:** In which case, Minister, will you clarify the legal advice that you have been given, because this is obviously an area of concern that has been raised? We do currently, as I understand it, pay for EU students—

[55] **Leighton Andrews:** By whom has it been raised, apart from *The Sunday Times*?

[56] **Eluned Parrott:** Some of the universities that I am in communication with are aware that there is this potential issue—

[57] **Leighton Andrews:** That is interesting to hear because none of them have raised it with me.

[58] **Eluned Parrott:** That is interesting, but the concern is that we are potentially leaching money out of the Welsh higher education system to pay not only for students studying in England, but, potentially, students coming from the EU.

[59] **Leighton Andrews:** Chair, this is complete and utter tosh.

[60] **Nick Ramsay:** We need to be specific on our lines of questioning.

[61] **Leighton Andrews:** May I have a direct question, because this is complete and utter tosh?

[62] **Nick Ramsay:** I will bring in Alun Ffred, because I think that he wanted to come in on this question.

[63] **Alun Ffred Jones:** Gobeithiaf na fydd fy nghwestiwn yn *tosh* llwyr. Pan wnaethpwyd yr amcangyfrifon cyntaf ynglŷn â thalu ffioedd i fyfyrwyr o Gymru, yr oedd ar sail ffigur o tua £7,000. Mae'r ffioedd yn gyffredinol yn llawer uwch na hynny, ac er nad wyf yn siŵr, credaf eu bod yn cael eu hamcangyfrif i fod dros £8,000 ar hyn o bryd. Mae'n amlwg, felly, y bydd cost ychwanegol yn dod ar yr adran. Nid wyf yn siŵr sut mae'n gweithio'n fewnol yng Nghymru, achos mae'n debyg eich bod yn symud arian o un lle i'r llall, ond o ble y daw'r arian ychwanegol hwnnw? Mae'r cyfraniad tuag at y myfyrwyr sy'n astudio yn Lloegr yn arian go iawn sy'n cael ei dalu i brifysgolion yn Lloegr, felly mae'n amlwg fod y ffigur hwnnw wedi cynyddu. Y cwestiwn felly yw: beth yw eich amcangyfrifiad ac o ble y daw'r arian neu pwy fydd yn ei dalu?

Alun Ffred Jones: I hope that my question will not be complete tosh. When the first estimates were made on paying tuition fees for students from Wales, they were based on a figure somewhere in the region of £7,000. The fees, generally speaking, are far higher than that, and, although I am not completely sure, I think that they are estimated to be over £8,000 at present. So, it is therefore obvious that there will be an additional cost to the department. I am not sure how it works internally in Wales, because I suppose that you can move money from one place to another, but where will that additional money come from? The contribution to the fees of students studying in England is real money being paid to universities in England, so it is obvious that that figure has increased. So, the question is: what is your estimate and from where will that money come or who will pay it?

[64] **Leighton Andrews:** Alun Ffred was a member of the Cabinet when we agreed the proposals that we put in place. The calculations that we had were modelled both on a fee level of £7,000 and £9,000, and those figures have been put into the public domain within the past seven months—I think that it was in March, if I remember rightly. We have those figures, which we can give you. In fact, I think that we have previously supplied them either to this committee or to its predecessor committee. Of course, additional income will come to Wales as a result of the higher fees than we were hoping for being charged by Welsh institutions, which will be charged to students from beyond the borders of Wales. We can make a reasonable estimate of the likely income for Welsh institutions over the period of this budget. We expect the income of higher education institutions in Wales to grow as a result of the additional fee income.

[65] **Alun Ffred Jones:** Ymddiheuraf am **Alun Ffred Jones:** I apologise that I have not

y ffaith nad wyf wedi gweld y ffigurau hynny. A fyddai'n bosibl felly naill ai imi gael y ffigurau a roddwyd i'r pwyllgor yn flaenorol neu i'r Gweinidog eu cyflwyno eto? seen those figures. Would it therefore be possible either for me to be provided with the figures given to the committee in the past or for the Minister to re-submit them?

[66] **Leighton Andrews:** I am happy to supply those figures.

[67] **Nick Ramsay:** That would be helpful, Minister.

[68] **Byron Davies:** My question relates to higher education revenue and structure. The higher education revenue allocation shows a year-on-year decrease from £380 million in 2011-12 to £356 million in 2012-13, which is a decrease of approximately £24 million. With that in mind, are there any factors, such as unexpected increases or decreases in the number of new students in 2012 for example, that might mean that the reforms being made to the higher education funding model cannot be managed within existing plans?

[69] **Leighton Andrews:** As I said in answer to earlier questions, it is clearly difficult to calculate some of the issues, such as cross-border flow, the impact on aspiration of the new fees that are being charged and whether people will choose to study closer to home. However, as I said, we have the best calculations that we have been able to make. We have had a continued dialogue with HEFCW about our calculations. It understands the basis on which they have been made and it has said to us that it does not see a problem with the funding in the system. As I said in answer to Alun Ffred Jones's question, on the basis of the new fees that are likely to be charged, the overall income of the sector should grow over time.

[70] **Byron Davies:** Following on from that, what impact might future mergers and collaboration in higher education institutions have on the higher education revenue budget?

[71] **Leighton Andrews:** We commissioned a review of the cost of administering the education system from PricewaterhouseCoopers in my first few weeks as the Minister for Children, Education and Lifelong Learning. It found that, for the higher education sector, some 52 per cent of the spending was on what you might call backroom or behind-the-scenes work and some 48 per cent was spent on research, teaching and knowledge transfer. So, we felt that there was significant scope for moving resources to the front line in the higher education sector. Those were less efficient results than for any other sector in education in Wales. So, there were opportunities in terms of collaboration between institutions, the ability to operate with fewer senior managers, and procurement between higher education institutions and the wider public sector. There are a significant number of opportunities. One of the issues that I have discussed with the Minister of State for Universities and Science in England, David Willetts, is the problem of VAT being charged where higher education institutions collaborate. The Department for Business, Innovation and Skills is pursuing that with the Treasury at present. We want to see those issues resolved.

[72] **Nick Ramsay:** Alun Ffred Jones, do you have some questions on Welsh-medium education?

[73] **Alun Ffred Jones:** Oes. Y ffigur yn y gyllideb ychwanegol ar gyfer y Coleg Cymraeg Cenedlaethol, er mai 'Coleg Ffederal' a ddefnyddir yn y ddogfen, ac Athrofa Prifysgolion Blaenau'r Cymoedd oedd £14 miliwn ac mae hwnnw'n codi i £24 miliwn yn y gyllideb bresennol. Yr wyf yn cymryd eich bod wedi symud arian o rywle arall i mewn i'r llinell honno. A wnewch chi **Alun Ffred Jones:** Yes. The figure in the additional budget for the Coleg Cymraeg Cenedlaethol—although the term 'Coleg Ffederal' is used in the document—and the University of the Heads of the Valleys Institute was £14 million, and that increases to £24 million in the current budget. I take it that you have vired money from somewhere else into that budget line. Will you explain

esbonio hynny? Mae'r gyllideb yn cynyddu flwyddyn nesaf hefyd. A yw hynny oherwydd eich bod yn rhagweld cynnydd yn y nifer o fyfyrwyr yn y ddau sefydliad hynny?

that to us? The budget also increases next year. Is that because you foresee an increase in the number of students at those two institutions?

[74] **Leighton Andrews:** We expect to see increases in the numbers studying at those institutions. The University of the Heads of the Valleys Institute has been on target to do that. I have also been pleased by the success of the Coleg Cymraeg Cenedlaethol. However, the figures to which you referred were contained in last year's budget. I do not think that we have changed the predictions that we made.

[75] **Alun Ffred Jones:** Felly, a yw'r £10 miliwn yn arian newydd neu'n arian ychwanegol? Mae'n £14 miliwn yn y gyllideb atodol ac mae'n mynd i fyny i £24 miliwn yn y gyllideb hon ar gyfer y flwyddyn nesaf. Gallwn gael nodyn ar y mater wedyn.

Alun Ffred Jones: Therefore, is the £10 million extra new funding or additional funding? It is £14 million in the supplementary budget and it goes up to £24 million in this budget for next year. We can get a note on the issue later.

[76] **Leighton Andrews:** That is probably the easiest way to deal with it; it is in the indicative figures.

[77] **Alun Ffred Jones:** A chyfeirio hefyd at yr uned dysgu Cymraeg, y '*Welsh language development unit*' fel mae'n cael ei galw yn y gyllideb, a wnewch gadarnhau bod y ffigur hwnw o £12.5 miliwn ar gyfer dysgu Cymraeg i oedolion?

Alun Ffred Jones: To also make reference to the Welsh language development unit, as it is called in the budget, can you confirm that that figure of £12.5 million is for teaching Welsh to adults?

[78] **Leighton Andrews:** I believe so. These are some of the figures that have come through to us from the Welsh Language Board in the budget. I will have to give you a note on that.

[79] **Nick Ramsay:** If you could do so, Minister, that would be very helpful. We have had broader problems with the way that this budget has been presented, and the difference that Alun Ffred Jones highlighted was one of those aspects. I would be grateful if you could provide a note on that.

[80] **Leighton Andrews:** To explain, for the benefit of Members, in drawing up this budget we have had a transfer from Alun Ffred's former department in respect of the Welsh language unit.

[81] **Alun Ffred Jones:** Do not go on, or I will start crying. [*Laughter.*]

[82] **Leighton Andrews:** Support for Welsh-medium education is also within our budget. As we go forward, the Welsh Language Board will be coming into the department, so we are currently working through future budgets with the Welsh Language Board in respect of its work and the new commissioner's work.

[83] **Alun Ffred Jones:** Mae gennyf gwestiwn ychwanegol, ac efallai mai ateb mewn nodyn fydd i hwn hefyd. Mae Mudiad Ysgolion Meithrin yn dod o dan eich ymbarel chi yn rhywle, ond yr wyf yn methu â'i weld yn y gyllideb. A fydddech yn gallu ei ddangos

Alun Ffred Jones: I have an additional question, and this may also be for answer by note. Mudiad Ysgolion Meithrin comes under your umbrella somewhere, but I cannot identify it in the budget. Could you show it to me in a note, as I do not expect you to show

i mi mewn nodyn, gan nad wyf yn disgwyl it to me now?
 ichi ei ddangos i mi yn awr?

[84] **Leighton Andrews:** That was originally covered within the Welsh Language Board's budget, as I recall. We have had many discussions about where that budget should end up.

[85] **Keith Davies:** Bore da, Weinidog a Ddirprwy Weinidog. Yr ydych yn sôn yn eich adroddiad eich bod wedi creu cyllideb o £3 miliwn ar gyfer sgiliau twf, ond yr ydych wedi ei greu drwy ailflaenoriaethu. O ganlyniad, a oes unrhyw raglenni sgiliau yn y gweithlu wedi dod i ben? **Keith Davies:** Good morning, Minister and Deputy Minister. You mention in your report that you have created a budget of £3 million for skills growth, but that it has come about through reprioritisation. As a result, have any skills in the workforce programmes ceased?

[86] **Jeff Cuthbert:** Thank you for that question. We need to make an additional £3 million available for Skills Growth Wales, which is the successor to ProAct. It will be funded by £20 million over the next two years, 50 per cent of which will come from European structural funds, 25 per cent from our resources and 25 per cent from private matched funding.

[87] With regard to the figure of £3 million, we have combined budgets and programmes for basic skills in the workplace with the Wales union learning fund and IT for rural Wales to identify efficiencies in delivery and to make some savings.

[88] We have also made some changes to the Investors in People programme. We have discussed this with employers at length. They tell us that we should not be funding for reaccreditation, so we think that we can identify savings there. I can confirm that no skills in the workforce programmes have ceased.

[89] **Joyce Watson:** Good morning, Minister and Deputy Minister, and thank you for your paper. I will move on to the question on equality in education. Three-quarters of disabled people in Wales, excluding those in education, are not employed. What impact do allocations in the education and skills MEG seek to make on educational outcomes for young disabled people, thus reducing the risk of their becoming unemployed in future?

[90] **Leighton Andrews:** We have to be clear about what we mean by 'young disabled people', because support is given in a number of forms to local authorities, and assumptions are made within the revenue support grant about their needs. We are providing quite significant funding of around £24 million for post-16 special educational needs in 2012-13, which is an increase from this year's budget of about £2 million. We have also provided funding for the needs of disabled learners through the national planning and funding system, and a calculation is made in respect of that. There are also specialist further education placements for which support is provided to colleges from that budget. So, there are a number of ways in which we give support to learners with specific disabilities throughout the programme, and it is of great concern to us that that money should be passed through.

[91] **David Rees:** Minister, one of the issues that you have already identified is the huge reductions in our capital budgets from the UK Government. Your capital budget looks to have remained unchanged from the indicative budget. There is already a commitment to some of these twenty-first century schools projects. How will that be split to the post-16 sector, and what impact will the reductions have on the post-16 sector?

10.45 a.m.

[92] **Leighton Andrews:** We have moved to a single capital pool within the department,

and we are trying to ensure that—that money is being used effectively; —as you will appreciate, capital programmes can slip. We are very conscious of the challenges that face us; that is why we went back to local authorities in July to say that we need to look at the prospect of them offering a higher proportion of funding if we are going to fund more projects across Wales. Clearly, local authorities have borrowing powers that we do not have. We are expecting local authorities and others to come to us with their proposals with a view to us making a further announcement before Christmas.

[93] **David Rees:** So, there is now one pool for all sectors.

[94] **Leighton Andrews:** For all sectors, including higher education.

[95] **David Rees:** Your budget indicates the difference between general support and strategic investment. Will you explain what your priorities are for the two types of allocations?

[96] **Leighton Andrews:** The strategic support includes the twenty-first century schools initiative. The general support relates to the budgetary cover for local authorities' borrowing, where they have to fund capital assets such as school buildings. That includes an amount of £9 million for capital grants to local authorities. So, our strategic planning, as I say, is twenty-first century schools, post-16 transformation, FE institutions and HE.

[97] **David Rees:** What does general support cover?

[98] **Leighton Andrews:** Refurbishment and other things.

[99] **David Rees:** You have also allocated £100,000 for the bilingual Wales funding capital. I wondered what that was.

[100] **Leighton Andrews:** This is a budget that we have inherited, if you like, from the Welsh Language Board. There is a current capital budget of around £50,000, which is used for the purchase of IT, equipment and furniture for the use of staff at the Welsh Language Board. We are increasing it to £100,000 because we will have establishment costs for the new Welsh Language Commissioner's office in the next year.

[101] **Julie James:** I will go back slightly and talk about Careers Wales for a moment. You identify in the document that a reduction of £5 million is planned after a review or a reconfiguration; I was not quite clear. Can you tell us a little bit more about that?

[102] **Jeff Cuthbert:** We are reviewing the structure and function of Careers Wales. Incidentally, when you consider that, in England, there is no meaningful independent careers advice at this moment, we value what we have in Wales. However, as you know, there are six companies at the moment, with a seventh overarching company, and we will be looking to bring them together into one company. Clearly, its remit would take account of other issues, such as the qualifications review, the transformation agenda and the labour market intelligence, so that it is working in a very coherent way with a number of agencies that can provide careers advice. We anticipate that, as a consequence of this—it is not the purpose of it—there will be savings.

[103] **Julie James:** Is that tied up with the potential procurement of that service, or is that a different issue altogether?

[104] **Jeff Cuthbert:** That is a matter that is under consideration.

[105] **Leighton Andrews:** I will just add one point to that, if I may. We are moving to a

single careers company in Wales, and we have said all along that that provides the opportunity for further savings across the piece. The whole issue of how careers services are delivered in due course, in terms of our relationship with the careers company is, as the Deputy Minister said, under further consideration. We are exploring all options on that at the present time.

[106] **Julie James:** The two things are not necessarily interlinked, are they?

[107] **Leighton Andrews:** No.

[108] **Keith Davies:** Cyn gofyn fy nghwestiwn, i ddilyn yr hyn a ddywedodd Julie, mae pryder mawr ymhlith staff gwasanaethau gyrafoedd yng Nghymru. Yr wyf wedi clywed hynny gan y bobl sydd wedi dod i'm swyddfa.

Keith Davies: Before I ask my question, I will just follow up what Julie said and say that there is great concern among staff in the careers service in Wales. I have heard that from people who have come to my office.

[109] Fodd bynnag, gan fynd yn ôl at y cyfalaf, yr ydych yn gwybod bod rhybudd statudol i ail-drefnu yn ardal Dinefwr, ac yr wyf yn sylwi yn eich adroddiad eich bod wedi llwyddo i gael arian cyfalaf i ddechrau'r prosiect eleni. Beth yw'r sicrwydd y bydd arian ar gael yn y blynyddoedd nesaf? Credaf fod yr awdurdod lleol yn gorfod dod o hyd i gyfalaf hefyd.

However, going back to the capital, you know now that statutory notice has been issued on reorganisation in the Dinefwr area, and I note in your report that you have succeeded in securing capital funding to begin the project this year. What certainty is there that funding will be available in coming years? I believe that the local authority is also going to have to find capital.

[110] **Leighton Andrews:** I am reluctant to go into detail about specific capital schemes when we are waiting for local authorities to come back to us with their programmes. We asked all local authorities for further information as to how they would meet the objectives of the new approach that we were adopting in respect of our capital programme. They will be responding toward the end of this year, and we will be making further announcements in due course. We expect local authorities to make commitments. They are provided with funds through the general capital fund. We expect them to spend the requisite amount on education services. It is sometimes hard to understand precisely whether they are meeting the overall spend that we expect from them, and we are, therefore, scrutinising their plans with some rigour.

[111] **Jeff Cuthbert:** On the last question, let me reassure you that we are making every effort to come to a conclusion on that issue as quickly as we can. Please pass that on to those constituents who contacted you. I have received representations from the trade unions—Unison, mainly—and have considered the issues. We will not delay providing clarity on this issue unnecessarily.

[112] **Alun Ffred Jones:** Mae'r toriad yn y gyllideb gyfalaf i raglen ysgolion yr unfed ganrif ar hugain yn un sylweddol iawn; bydd hyn hefyd yn effeithio ar eich adran. Yr ydych yn dweud yn eich nodiadau eich bod yn parhau â'r weledigaeth honno, ond pa mor sicr ydych y gallwch ei chyflawni ac ymateb i alwadau cynghorau lleol pan fo'r cyfalaf yn crebachu i'r fath raddau?

Alun Ffred Jones: The cut to the capital budget for the twenty-first century schools programme is substantial; this will also have an effect on your department. You say in your note that you will continue to pursue that vision, but how certain are you that you will be able to fulfil it and respond to the demands of local councils when the capital is decreasing to such an extent?

[113] **Leighton Andrews:** That is a fair question. As you know, the reality is that our

capital budgets have been cut by 40 per cent by the UK Government, which presents us with significant challenges. In the past, we have been reasonably successful as a department in obtaining additional capital from the central capital pool of the Welsh Government. We will continue to make additional bids where there are opportunities to do so. The reason that we have gone back to local authorities to see what they can provide, either in the form of additional borrowing or contributions from their resources, is to try to ensure that we can maintain the pace of the twenty-first century schools programme. We are committed to the current budgets until 2014-15, and we are looking for bids beyond that. However, you are right to raise the issue, because we face severe challenges.

[114] **Alun Ffred Jones:** Y broblem sy'n codi yw bod ad-drefnu ysgolion, lle bynnag y bo'n digwydd, yn bwnc llog. Mae mynd drwy'r broses boenus honno ac wedyn efallai wynebu sefyllfa lle nad oes arian ar gael yn ganolog ar gyfer y prosiect yn amlwg yn codi cwestiwn am y polisi ei hun. A ydych yn ffyddiog y gallwch gael yr arian ac y byddwch yn cael blaenoriaeth, cyn belled ag y mae cyfalaf yn y cwestiwn, ar gyfer cyflawni eich amcanion?

Alun Ffred Jones: The problem that arises is that school reorganisation, wherever it occurs, is controversial. Going through that painful process and then perhaps facing a situation where money is not available for the project centrally obviously raises questions about the policy itself. Are you confident that you will get the funding and that you will have priority, insofar as capital is concerned, to achieve your objectives?

[115] **Leighton Andrews:** I agree that school reorganisation is controversial in most cases: not all, but most. Not all school reorganisations require new build; some can be undertaken through refurbishment and some through reorganisation. We face a difficult situation in which we have less capital than we would like; there is no way of pretending otherwise.

[116] **Keith Davies:** Mae rhaglen ysgolion yr unfed ganrif ar hugain yn ardderchog, ac yn arwain at nifer fawr o adeiladau newydd i ysgolion heb yr angen i ad-drefnu. Yr wyf yn ceisio amddiffyn y rhaglen yn awr. Yn y rhaglen a oedd gennych o'r blaen, yr oeddech yn rhoi 70 y cant o'r cyllid a'r awdurdodau lleol yn dod o hyd i 30 y cant. Y rheswm y mae pethau wedi arafu yn awr yw eich bod yn barod i gynnig 50 y cant a bod yr awdurdodau lleol yn gorfod dod o hyd i'r hanner arall. A yw hynny'n adlewyrchiad teg o'r sefyllfa?

Keith Davies: The twenty-first century schools programme is excellent, leading to a great many new buildings for schools without the need for reorganisation. I am trying to defend the current programme. In the previous programme, you provided 70 per cent of the budget and the local authorities had to find 30 per cent. The reason things have now slowed down is that you are ready to offer 50 per cent and the authorities will have to find the other half. Is that a fair reflection of the situation?

[117] **Nick Ramsay:** Before you answer, may I point out that schools do not fall under this committee's remit. So, do not feel that you have to answer questions on matters outside the remit.

[118] **Leighton Andrews:** We have a capital programme that is committed for a number of years ahead. That programme is continuing. The twenty-first century schools programme has had great support from the Welsh Local Government Association. It has made it clear that it regards the programme as a flagship example of collaboration between local government and the Welsh Government. Some local authorities, as I tried to signal in earlier answers to you, have been more effective than others in the capital investments that they have made. There are issues around whether the general capital funds provided to local authorities are being used in the right proportions for education in all cases locally. It is only reasonable, given that local authorities have borrowing powers and we do not, that we go back to them in times of difficulty, such as the situation we face following the overall reduction in capital spend

imposed on us by the UK Government. We should be doing that on a principled basis, so that everyone knows where they stand. We go back to all local authorities on that basis to see what they can come up with. At the end of the day, if they are able to provide 50 per cent of support, then we will be able to undertake more schemes across the piece. That is the dialogue we have to have with local government on an honest basis.

[119] **Nick Ramsay:** Do Members have any further questions for the Ministers?

[120] **David Rees:** You have not talked about skills an awful lot. Skills are crucial for the economic regeneration that we are working towards. Do you feel comfortable that the skills allocation in the budget is sufficient to take us forward?

[121] **Jeff Cuthbert:** I do, within the constraints that the Minister referred to earlier. We could certainly spend more, but we have to work within the settlement that we had from the UK Government, which was significantly reduced. Within that, we are preserving the 1 per cent above the settlement, and that applies to skills as well as education. We have money in the right place. The Adapt programme was referred to earlier, and in a sense, it is a ‘what if’ programme for public sector workers that is based on ReAct, but it is right that it is there. It is a bit like going to the dentist—you want your dentist to be properly resourced to do the work, but you hope that they do not actually have to do anything. We are keeping a close eye on these various funds, but in answer to your question, yes, I do.

[122] **Nick Ramsay:** We hope that today has not felt like a visit to the dentist, Minister, adequately resourced or not. That brings our questions to a close. Going back to the earlier point on the presentation, I understand your remarks about the point we are at in a political cycle and that we have a new Government in place, but the presentation has caused problems for the committee. We raised the issue earlier, in the private session, because you have not gone about it in the conventional way, from the normal baseline of last year to this year, and so on. If you could provide us with the two notes that we requested during the course of the meeting that would be very helpful.

[123] **Leighton Andrews:** Yes, of course.

[124] **Nick Ramsay:** I thank Leighton Andrews, the Minister for Education and Skills, and Jeff Cuthbert, the Deputy Minister for Skills, for attending the committee today.

11.00 a.m.

**Cynigion Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2012-2013: Sesiwn
Graffu ar Waith y Gweinidog
Welsh Government Draft Budget Proposals 2012-2013: Ministerial Scrutiny
Session**

[125] **Nick Ramsay:** I welcome Edwina Hart, the Minister for Business, Enterprise, Technology and Science; James Price, the director general of BETS; and Rob Hunter, the deputy director of finance and corporate services. I also thank you, Minister, for agreeing to stay for an extra half hour at the end of the budget scrutiny session to respond to Members’ further questions on your priorities for economic development, following on from your appearance before the committee on 22 September. Would you like to make a short introductory statement before we ask questions, Minister?

[126] **The Minister for Business, Enterprise, Technology and Science (Edwina Hart):** No, I am fine, thank you very much, Chair.

[127] **Nick Ramsay:** Thank you. Eluned Parrott is first.

[128] **Eluned Parrott:** Good morning, Minister. Thank you for joining us today. To kick off, looking at the draft budget overall, we note that it says that it reflects current expenditure plans in the department and that it may therefore be subject to change in the short to medium term. To what extent does your current draft budget reflect the commitments in the programme for government, and what do you expect to need to change in the short to medium term?

[129] **Edwina Hart:** That is quite a difficult question, Chair. As the committee will be aware from my last scrutiny session with you, we are reviewing a lot of quite key areas with regard to what we want to do with the budget. With the economy in such a difficult position, we need to be able to respond almost daily to changes. We will obviously reflect on what we need to do, particularly on the inward investment side with regard to whether we need a more coherent approach and whether resources would need to go further into that area. Of course, I will also be reflecting on the needs of the new sectors, as they go live, with regard to their priorities. I think that it is fair to say that some of the key areas in the programme for government, which is about growth and sustainable jobs and so on, are to do with the twenty-first century communications strategy we require. I would like to move away from broadband as the key issue as I would say that it is much wider than that, because, in the context of Wales, it is also about mobile phones and a lot of other issues. So, we are supporting that.

[130] The entrepreneurial support needed for small firms is also a key issue. When I get my microbusiness report, I will have to look again at some of those issues. One of the other issues for me is to do with the business community, social partners and making those relationships. I understand that you are not scrutinising me on the tourism part of my budget, as that comes under another committee, but that is a surprise to me, as I see tourism as a key economic issue. I am looking to secure benefits from major events and so on. There is now a focus in my budget on getting young people into science and engineering, through collaboration with universities and so on. There is also the matter of how I deal with the issues with the European funding programmes to stimulate sustainable growth in those areas.

[131] Sustainability is also a key issue in my budget. Looking in particular at the report on sustainability from Kirsty Williams's committee in the last Assembly, I got off very lightly as Minister for health, because those issues were embedded in the health portfolio. However, I recognise that I need to do quite a lot in that area with my current portfolio. We have started to engage already on some of those issues.

[132] **Eluned Parrott:** I understand that all of the other departments' draft budgets are aligned to the expectations for the delivery programme as opposed to current commitments. The budget is now nearly fixed, but your plans are not. You will now have to tailor your plans to what is affordable within the budget constraints placed on you. Are you concerned that your department is at a disadvantage, having not had an opportunity to complete its review before the budget was published?

[133] **Edwina Hart:** No, I do not think that I am at a disadvantage. I have a new portfolio, and in the current economic circumstances, we do not want to underestimate the churn in the global economy, in the UK economy and in the Welsh economy. When we established the sectors, rightly in my view, we were clear about how we would manage the support that we gave them and the companies that were in them. However, it is clearly recognised in advanced manufacturing circles that we might have to look not only at the sectors that we have already set down, but be more flexible in the support that we might give to companies that are not seen as being key, for them to get through these difficult times. This is a moving feast. We are having representations from companies that are not seen as being key firms in those sectors, but which might require help and assistance, perhaps through soft loans. I have

to look at this area as well, because of what is coming in from various sectors and from industry. I do not think that I have been disadvantaged, however.

[134] It is quite clear that my budget priorities are around our programme for government and how we intend to deal with it. That will always remain at the core. However, I have been absolutely honest and frank with the committee in saying that you will sometimes be blown off course on these issues when the immediate needs of the Welsh economy come to the fore. It is appropriate to have the flexibility in my portfolio to be able to deal with issues as they arise.

[135] **Eluned Parrott:** Do you have the flexibility within your budget to respond to those needs?

[136] **Edwina Hart:** Yes, I think that I have that flexibility within my budget. I have been very touched by the concerns expressed by everyone in the Chamber about my need for more money in my budget. It is always nice to have help across the piece on these issues. However, I recognise that I have to manage my situation. There are additional resources coming into play. The First Minister will be making an announcement on those. We must maximise what we have and do what we can. In maximising our resources, we have to ensure that we are doing so in relation to those companies that will still be around, dare I say, in five, 10 or 15 years' time, in terms of product development. We have to be scanning the horizon at all times in terms of our support. That is why we are using these sectors for that purpose.

[137] **Keith Davies:** Bore da, Weinidog. Y cwestiwn cyntaf yr wyf am ei ofyn yw: a yw eich cyllideb ddrafft yn adlewyrchu eich prif flaenoriaethau? Credaf eich bod wedi ateb y cwestiwn hwnnw eisoes. Yr ail gwestiwn yw: pa ganlyniadau yr ydych yn eu herfyn o'r modd yr ydych wedi trefnu eich cyllideb? Credaf i chi ateb y cwestiwn hwnnw hefyd, drwy ddweud eich bod yn ceisio rhagweld beth fydd yn digwydd ymhen 10 i 15 mlynedd.

Keith Davies: Good morning, Minister. The first question that I wish to ask you is, does your draft budget reflect your main priorities? I believe that you have already answered that question. The second question is, what outcomes do you expect from the way in which you have organised your budget? I feel that you have answered that question, too, as you said that you are trying to look ahead to what will happen in 10 to 15 years.

[138] **Edwina Hart:** Yes, I think that I have touched on that. However, it is important to recognise that my budget also focuses on some of the key priorities that we have announced recently. We are looking at the establishment of five enterprise zones initially. That is an important area. It is about how we can deal with enterprise zones in an imaginative way. It is not just my budget involved in that initiative, which is not just about creating the enterprise zones and discussing business rates. It is also about road infrastructure, other infrastructure, whether broadband might be improved in those areas and what the Minister for education might want to do about education and training enhancement. So, this is quite a broad thing, and it is not just my budget that impacts on it. I have to look at it from that point of view.

[139] The other area that I have alluded to is the creation of the three new sectors, which I will have to prioritise. I have also been looking at entrepreneurship as part of that. I have the new business entrepreneurs, which are very good, but I recognise that there is a lot to do in terms of entrepreneurship. The Chair very kindly brought a group of entrepreneurs to meet me to discuss some of their problems and issues. It was fascinating to hear about some of the issues that they raised with me about access for money. It was not that there is no money out there, so much as means of getting it, and there were issues around Finance Wales, into which we have put money for a specific purpose. I have to start prioritising, not only in budgetary terms but also in terms of my structures, so that the mechanisms are in place to provide for those groups.

[140] There are entrepreneurs in Wales, and we have to encourage them. Some of them might not create masses of jobs, but they do create a feeling that it is good here, as they have established their business, and they inevitably move on to establish another business. So, it is quite important that I have that entrepreneurship support as a theme in my budget. I think that reflects the discussions that the Assembly has had on small businesses, and the emphasis that Members have put on that particular area, which we regard as a growth area. There is a debate on small and medium-sized businesses in Plenary this afternoon, is there not?

[141] **Nick Ramsay:** It was interesting to hear the views of the entrepreneurs and to see the similarities in the issues that they raised.

[142] **Edwina Hart:** Some of the issues that they raised are quite worrying, particularly with regard to some of the ways in which they had been dealt with. There did not seem to be much customer service in some of their dealings with organisations, dare I say. It is the responsibility of financial institutions to think carefully about how they deal with the people that are coming to them. There seems to be a tick-box mentality, rather than taking an element of risk and understanding what a business is these days. People have good ideas, and if you think of some of the good ideas that have historically come from businesses, if it had been left to the ticking of boxes, without taking into account the individual involved, some well-known firms would not exist, would they?

[143] **Julie James:** I could not agree with you more; I have a number of issues about that as well. I will put in a plea for microbusinesses. I declare an interest, as my husband runs one, as the Minister knows. They also experience those sorts of problems. While they do not employ a large number of staff, they are important in the knowledge economy and they are experiencing difficulties in accessing some of the moneys that should be available to them. I just wanted to put that on the table.

[144] **Edwina Hart:** I understand from the chair of the microbusiness group that its discussions are going well. Support for microbusinesses and the marketplace are among the key areas that the group will be looking at. I have been with the information and communication technology sector today, and the point was made to me that ICT and creative industries, and the entrepreneurs and microbusinesses that arise from them, might need to have a different policy strand in addition to the more general microbusiness strands that might arise from the report that I commissioned, which should be available by the end of the year. However, I see microbusinesses, that is, businesses employing one to nine people, as particularly important. We use the term ‘small and medium-sized businesses’, but, when you think about what it covers, the number of areas is vast. We have to become more specialised sometimes. Also, we have to enable people to cross barriers easily, and we must not put up too many barriers. Sometimes, we narrow the scope too much in our dealings with people and we need to give support more widely.

[145] **Julie James:** To pursue that point, and I know that you work closely with other Ministers, one of the issues with microbusinesses is that they are often knowledge-economy businesses. So, there is a big issue about whether they can take on apprentices or trainees and whether they are accessible to school outreach programmes and so on. They would be ideal for that, except for the fact that they are microbusinesses. So, there are some issues around the structures of those programmes. It is not that the money is not available, but that microbusinesses do not necessarily have access to them or have the links to generate the sorts of traineeships and apprenticeships that they could easily offer.

[146] **Edwina Hart:** The Deputy Minister for Skills has indicated to me how successful the shared apprenticeship arrangements have been in particular areas. However, it is quite important to let industry know that these apprenticeships are available. There is a key role for

the anchor companies in some areas, which could perhaps train more apprentices than they require, who can then go into the supply-chain companies. There are also economies of scale in training at that level. These are key issues that I discuss with my ministerial colleagues, because the training agenda impacts on how I can deal with things. It also makes my budget go further if their policy decisions ensure that my portfolio runs well.

[147] **Alun Ffred Jones:** Yng nghyfanswm maes sectorau busnes yn y gyllideb mae gostyngiad o ryw £14 miliwn rhwng 2011-12 a 2012-13. A allwch chi sôn am y newidiadau tebygol yn y gweithgareddau sy'n cael eu hariannu yng ngoleuni'r gostyngiad hwn?

Alun Ffred Jones: In the total spend on business sectors in the budget there is a reduction of somewhere in the region of £14 million between 2011-12 and 2012-13. Can you outline the likely changes to activities funded by your department in light of this reduction?

[148] **Edwina Hart:** This is a realignment of budgets. Rob, do you want to cover that point?

11.15 a.m.

[149] **Mr Hunter:** Yes. It is realignment. It is down, as these things often are, to a lot of ups and downs in terms of the budget and to a number of different things. There have been some transfers, which are, basically, the result of some housekeeping that we have done across our budget lines to ensure that things are aligned more correctly with where the activity should be taking place. So, movements have occurred. Some money has been transferred to innovation—£2.7 million—and an amount of money was transferred to the corporate and strategy line. The activity for those two moved alongside the budget transfer, so there is no impact on the activity whatsoever. We have also had to absorb the reduction in our budgets, which was £8.9 million overall. In effect, the vast majority of that has come from the programme legacy single investment fund, so there has been a reduction there. That fund is operating past commitments, so, in effect, it is winding up commitments that existed at the beginning of this year over the budget year. Within the budget there is a forecast maximum amount for that legacy fund, which assumes that the legacy fund will honour all the grant claims offered to businesses and that those businesses will come forward and draw down 100 per cent of the money. We know that that will not be the case. So, in effect, the £8.9 million reduction will be absorbed through that. We have also taken a bit more out of that area to transfer money into ICT, which is a major priority for the Government, in preparation for next-generation broadband and other initiatives. Also, money has been moved to the sector priorities, which is the key re-focusing of the way that these grant systems will operate.

[150] **Alun Ffred Jones:** Diolch am hynny, er y byddwn yn ddiolchgar i gael manylion y newidiadau o ran lle mae'r arian wedi mynd, a lle mae'r gweithgarwch newydd yn digwydd. O'r tua £90 miliwn sydd ar gael ar gyfer cymorth i fusnes yn 2012-13, faint o'r arian hwnnw sydd eisoes wedi'i ymrwymo?

Alun Ffred Jones: Thank you for that, although we would be grateful to have the details of these changes with regard to where the money has gone, and where the new activity is taking place. Of the almost £90 million available for business support in 2012-13, how much of that expenditure is already committed?

[151] **Edwina Hart:** Do we have a percentage figure?

[152] **Mr Hunter:** Yes. In terms of the commitment, it is split in two. In terms of the legacy single investment fund, the assumption is that it is 100 per cent committed, because that is the nature of that particular fund. For the remainder, it would be a rough estimate, which would be around 40 per cent of the money, if we are looking into next year. So, there is quite a degree of flexibility within those budgets.

[153] **Alun Ffred Jones:** That is 40 per cent of what?

[154] **Mr Hunter:** I would have to deduct, if you will bear with me for a second. It is £40 million, or around that.

[155] **Edwina Hart:** Yes—nearly £40 million.

[156] **Alun Ffred Jones:** Yr ydych wedi ychwanegu twristiaeth at y sectorau yr ydych am roi blaenoriaeth iddynt. A yw hynny yn golygu eich bod am roi mwy o adnoddau i faes twristiaeth, neu a ydych yn fodlon gyda'r swm sydd eisoes wedi'i nodi yn y gyllideb?

Alun Ffred Jones: You have added tourism to the sectors that you wish to prioritise. Does that mean that you will be looking to provide greater resources for tourism, or are you content with the current allocation identified in the budget?

[157] **Edwina Hart:** I am reasonably content with the tourism budget. Depending on the work programmes that arise from the tourism sector, I may have to look at resource issues within that particular area. However, we are currently content. In terms of the new sectors such as tourism and food and farming, in particular, there is already money within existing budgets to manage the direction of policy in those sectors. However, we will have to wait and see what emerges. We are more than happy to provide a detailed note on the transfers that have occurred if that will assist Members.

[158] **Nick Ramsay:** If you could do that, it would be very helpful.

[159] **Leanne Wood:** What is the total budget allocation to support each of the nine key sectors?

[160] **Edwina Hart:** As I have indicated, tourism and food and agriculture are already covered within the existing budget arrangements. In terms of the construction sector, that has always been quite a small amount compared with the overall figure. The construction sector will be looking at some extremely technical matters in the first instance around contracts and procurement processes, so I do not anticipate that it will require a lot of additional money, whereas others might, because they might be looking at other issues. What is the total amount for the sectors currently, Rob?

[161] **Mr Hunter:** The total amount in 2012-13 is around £40 million.

[162] **Leanne Wood:** So, the money is not equally distributed. On what basis did you decide which sector got what?

[163] **Edwina Hart:** At the end of the day, we have to look at the sector work programmes, and we have to remember that they have been established fairly recently. They have not been running for very long and have not provided their final plans. Obviously, if those plans have any financial implications for me—which I think some of them may have—then I will revise my budgets accordingly.

[164] **Leanne Wood:** 'Economic Renewal' acknowledges that the level of support that the Welsh Government delivers to individual businesses will be materially reduced. Are you satisfied that the allocation is sufficient to meet the needs and demands of those businesses?

[165] **Edwina Hart:** I indicated earlier that I will have to look at those issues around delivery. I have already been discussing it with officials. The changes in economic circumstances in Wales may dictate that I will have to do something further with companies. I have not finished my deliberations on that, and I am still awaiting advice from my sectors.

However, there has to be an element of flexibility in this. We all signed up to ‘Economic Renewal’, with all its consequences, and I was very happy to do so. However, circumstances have changed even since then, and we have to be aware of that. Things cannot be set in stone at a time when people are losing their jobs, and factories and various businesses are closing.

[166] **David Rees:** Good morning, Minister. The previous Government changed the concept of business support from grants to loans, and therefore I assume that the repayable business finance scheme came from that. I could not identify where that was in the paper, specifically. Could you tell us where that is funded from? What about the revenues coming in from that? Where will they be seen in the budget?

[167] **Edwina Hart:** We always hope to get revenue back. However, there has to be a recognition that, in this current climate, we might want to have softer loans, to ensure that businesses can continue. Whereas you want to maximise your return so that you can re-invest, it is also important to recognise that circumstances have changed. Even now, a lot of companies that talk to us about repayable finance and so on are indicating that it is just a tad too high for them—they need greater flexibility, and that is one of the key areas for us. Do you want to indicate the budget line, Rob?

[168] **Mr Hunter:** It will be spread across all of those lines where we are offering what would have been grants—sectors, entrepreneurship and encouraging innovation. So, it is elements of those, but, as the Minister said, it is not a one-size-fits-all approach. There is a range of different models in terms of putting finance into business, from a straightforward loan to guarantees to these sorts of things, which are also considered. In terms of the revenue streams, some of them will start coming back well outside this budget period, as the Minister said.

[169] **Edwina Hart:** We are giving payment holidays and things such as that.

[170] **David Rees:** Would it be possible to have a note, not of when they will be coming in, but of how much is expected to come in at some point? That way, we would know what sort of revenues can be expected in future.

[171] **Edwina Hart:** We will be able to give you a note about this in general, but not the specifics, because of the commercial confidentiality issues involved. It might be helpful for you to know that we are currently looking at this. It may be useful, Chair, for me to do a paper in the new year on this in case I make any specific changes with regard to the regimes for loans, and so on, given the current economic climate.

[172] **David Rees:** You also said that there would be some performance measures for this that you would give to the committee. Have you identified them yet?

[173] **Edwina Hart:** We are in the process of identifying performance measures and the information will be coming to the committee in due course.

[174] **Julie James:** Minister, you will know that we have established a task and finish group on procurement. Do you think that there is anything that it should look at in terms of this sort of contract restructuring and so on? Would that be helpful?

[175] **Edwina Hart:** In terms of procurement, any such discussions are grist to the mill. We need to look at what other parts of the UK are doing with procurement, what our continental cousins are doing with the procurement agenda and the administration of European rules, and the cautious position that is always taken to procurement within the UK. There has to be a proper assessment of risk in terms of procurement, about where each challenge is going to come from if you decide to take a strategic change of direction. As I have indicated, I could

not imagine any other country in the world that would allow the manufacture of carriages for such a prestigious project to go outside the UK because of procurement issues.

[176] I think that anything that the committee wants to undertake will be worthwhile. If we can be of any assistance to the committee, particularly in providing any information that might come from my construction sector panel when it starts its initial work, I would be happy to speak to the chair of the construction sector panel about whether there is any paperwork that he might want to provide for the task and finish group.

[177] **Julie James:** That was most helpful, Minister.

[178] **Nick Ramsay:** Julie James, do you have a follow-up question?

[179] **Julie James:** I will just develop the point to the inward investment issues that are associated with it. We have heard a lot about the inward investment activities and we understand the points about flexibility and so on, but do you have specific outcomes that you are looking for? I do not know if you are experiencing it, Minister, but I am getting terrible feedback.

[180] **Edwina Hart:** I think that it is because the headset is around my neck; I will remove it.

[181] **Nick Ramsay:** That dealt with the problem, Minister. Clearly, a new sector has been formed—

[182] **Edwina Hart:** Yes, a new technology sector has emerged. [*Laughter.*]

[183] **Julie James:** Are there outcomes that you are expecting to see? I understand where you are coming from in terms of the soft aspects of some of the issues around supporting business, but with regard to the allocation of promotion of inward investment, are there outcomes that you would expect to see as a result of that investment?

[184] **Edwina Hart:** Yes. I would expect us to improve our position in the UK in terms of any investment that we put in to the inward investment agenda. I want to see greater professionalism in the use of Team Wales emerging. In the Welsh Government, whether at a political or official level, we do not have all the expertise to attract inward investors. Yet, in Wales, we have a lot of people in a lot of businesses who can not only talk the talk, but walk the walk and do the business. The anchor companies have already indicated their willingness to be a part of this wider Team Wales approach. Also, as part of Team Wales, we have a lot of trade unions with a lot of international links. They know who the key players are in some of these large industrials who might be thinking about location.

[185] We also have to get smarter and quicker about what we can offer. It is no good saying that a site is available if you cannot get a road into the site; you have to be much quicker getting the road in. I do not want to stray into another portfolio, but there are issues about quick planning decisions that are required when you are looking at large-scale inward investments. We offer good training packages and there has never been any difficulty with the training agenda. James, with your background, especially at the agency, you might want to comment on that.

[186] **Mr Price:** The Minister has been clear with me that she expects our performance to improve. From a personal perspective, I am aware that we need to improve our performance. It is about all the links that the Minister has talked about. It is also about working with the sector panels that have those abilities to open doors into international markets. In the memorandum, it talks about the fact that we have established a new team, which is over and

above the commitments that were in the economic renewal document. It will be that team's responsibility to go after major projects that include a significant number of international projects. It will be looking to up the game in terms of both the quality of our offer and the number of jobs that are brought into Wales. That will not be an overnight success because there is a long pipeline of projects. Typically, you work with a project now, but the project will not be on the ground until maybe 18 months' time. However, we want to convert a much higher number of projects into jobs in Wales.

[187] **Edwina Hart:** I would be grateful for cross-party support from the committee on this because there is a view in the world outside that, when there are delegations going hither and yon, where you might have offices in different places and so on, this is something that Government should not do. At the end of the day, it is important that we take an all-Wales approach and recognise that, sometimes, you have to spend money to get the investment in the future. That might mean more delegations going out, more activity abroad, and upping the ante in terms of what we do.

11.30 a.m.

[188] You only have to look at Scottish Enterprise and what the Northern Irish are currently doing—where their centres and premises are located, the high profile that they have, and the way that they package cultural events and so on. If we are successful in the Rugby World Cup, we will have to look at how we badge Wales on the back of that. This has budgetary implications, but it is important that, as a nation, we recognise that you sometimes have to spend in order to get the investment in. We work with small companies and indigenous companies, but we also have to recognise that there is a world out there, and we cannot be insular. If I made some announcements along those lines, it would be easy to play politics with me, and for the opposition parties to ask awkward questions, but at the end of the day, it is important to recognise that we are all on the same side: it is about jobs and investment in Wales.

[189] **Julie James:** I welcome that remark. In a previous life, I had a lot to do with various brownfield sites in Wales that were earmarked for large inward investment, allegedly. What I would like to see in the inward investment programme—and I was delighted that you mentioned some of the planning restrictions—is a slightly less hidebound view of what might be acceptable on some of our big brownfield sites. They have effectively been sterilised for a long time due to a rigid view of what might be acceptable and, as a result, we have sterilised sites all over the place. So, I welcome your remarks and wonder whether you would like to comment further on that.

[190] **Edwina Hart:** James might like to add something on that.

[191] **Mr Price:** There are two sides to what you are talking about. The first is about how flexible we are in Wales in terms of receiving companies coming in. We cannot make a company go somewhere that it does not want to go, and we are clear that we will not do that. To a certain extent, we have tried to do that in the past and it has failed. Secondly, there is the question of whether we are making the best use of the assets that we have, and I do not think that we have done. However, there are two parts to that as well: first, the sales pitch, understanding where the companies are on it and making sure that they are keen to explore the sites; and, secondly, the planning issues and whether sites are zoned in the right way to start with. We have been doing a lot of work since the elections on understanding the property offer across Wales—not just the properties that we own, but also properties in the ownership of the private sector and local government—so that we can offer a proper portfolio to companies as they come in. We want to do this much more strategically, both in north and south Wales, and with smaller employment sites as well.

[192] **Eluned Parrott:** I wanted to ask for further clarification—I hope that you do not mind. You mentioned the concept of Team Wales, and who they are, and what they do. Could you clarify who exactly is playing for Team Wales, if you will forgive my phrase, and what kinds of backgrounds those individuals or teams are coming from? I am not entirely clear on that.

[193] **Edwina Hart:** The point is that I want to create Team Wales, as it were, and have a much more structured approach to how we deal with it. We have our anchor companies and our sectors, so we have a lot of key individuals involved who have a lot of business contacts across the world. We could utilise them if we had trade delegations coming here. We could put on a show, as it were, and demonstrate that Wales is a great place to work. We could demonstrate the benefits of everything that we are doing in education and training, and that, culturally, this is a very vibrant country. That is what I am talking about in terms of Team Wales and those are some of the areas that we are working on. We also have some very prominent people who are well-known internationally, who are not necessarily anything to do with industry, and it is a question of considering what kind of role you could give to them. I have to say that if I went somewhere on a trade mission, people would not be interested in meeting me, but they might be interested in meeting some Welsh sports personality who might be part of a delegation and who could host something, for example, and deal with those people. I think that that is the innovative way that we have to start to look at things. We have people who are already prepared to do things for us, and who have been helpful in the past, like Bryn Terfel and so on. They are happy to market Wales and it is important that we use all those skills. That is the Team Wales approach that we have to start to build up, involving the Government, the private sector, culture and local government. We have to bring all these strands together and get an integrated approach so that if there is interest from a certain sector and they are coming to visit, we have an idea of who can have dinner with them, and who can come to talk to them. It should not just be civil servants; it should be people with experience of doing business in Wales, and who like it. That is enormously important, and there will be further announcements on the direction of travel in due course.

[194] **Nick Ramsay:** Byron Davies, did you want to ask about enterprise zones?

[195] **Byron Davies:** You have identified the preferred locations for the first five enterprise zones in Wales, and suggested that there will be £10 million available from the consequential to fund the initiative in Wales. Does your draft budget include the £10 million consequential from the UK Government for enterprise zones? If so, where does it appear?

[196] **Edwina Hart:** No, it does not. Obviously, the allocation of consequential funding will be a matter for the Minister for Finance, in that there is no automatic line into the budget. My discussions with the Minister for Finance have indicated that I could acquire quite a lot of money for the development of the enterprise zones. That discussion is currently going on in Government.

[197] St Athan is a pertinent issue, for example. It is a wonderful space, but there are issues about the hangars and what the Ministry of Defence may want to use them for. We may have to negotiate with the MoD about the things that we may have to provide if it were to vacate certain places; so, there could be a cost there. There are also issues to do with accessing the site—companies have mentioned to me the road in Aberthaw, where you have to come round that bend. It is very much a moveable feast with regard to the things that we may have to put in. On St Athan in particular, I have had a lot of representations about the extension of it to the airport and whether I should include a wider area in this, not just what I can do on that site. I would value the committee's opinion on that. I already have companies such as British Airways Maintenance Cardiff there and there may be an issue with that. With regard to Blaenau Gwent, I was going to concentrate on the work site, but it has been suggested that I should include the Rassau industrial park that is further up and that I should do more work

there.

[198] On the cash, I am working out in detail, with our partners, what will be required for each site when we have decided on their size. Ever since I told you all that I would be interested in your views, your constituents have certainly become interested in lobbying about further enterprise zones, so we will have to put that in the mix. There is broad support for enterprise zones, across the political parties and in the committee, and we understand that other budgets will be involved with some of cash that will develop the enterprise zones; it will not solely be mine. If I was a selfish person, I would like to have all the money that is mine to deal with it all, but that is not going to happen.

[199] **Byron Davies:** The encouraging innovation spending programme shows a net increase of £2.5 million between 2011-12 and 2012-13. According to your paper, this reflects a transfer of £2.6 million for innovation-based programmes, sectors and businesses. What was the reason for that decision?

[200] **Mr Hunter:** This goes back to the fact that this is about tidying up the budget. It originally sat in the sectors line. We have moved the money across, but it is offset by other small changes and efficiency savings within that budget line. While we are talking about efficiency savings, it is probably worth mentioning that, when we tot up the revenue line, we have managed to get somewhere in the region of about £1.9 million of efficiency savings. That is helping to cushion us from the reduction that we have. Those efficiency savings include things such as better contracts for the rental and maintenance of our properties and other operational efficiencies in the way that we run some of the programmes. It is a mix of the two. I will set that out in a note to make it absolutely clear what those movements have been.

[201] **Edwina Hart:** The finance director will continue to look for further efficiency savings in the way that we operate our business, so that we can get more into the front line of the budget.

[202] **Mr Price:** The budgets are all owned by different officials in different parts of the department. That particular budget movement was just to reflect where the best person to manage that budget sat. To a certain extent, it was a little confusing when it moved from sectors to innovation, because it is all in support of the economy, which is made up of any number of sectors. However, it was simply about the fact that that was the right person to manage it.

[203] **Edwina Hart:** Given that this discussion has been useful, it may be worth the committee requesting that type of thing on paper automatically in future. We would be more than prepared to help with that because it might generate a different type of discussion if that information was available with our paper in the first instance. However, it was not something that we were asked to do in terms of the formatting of the paper, but I think that it is a good point for future reference, because it saves Members time.

[204] **Jenny Rathbone:** You have allocated £3 million to a regional fund. Could you tell us how that is distinct from the other issues that we have already discussed this morning?

[205] **Edwina Hart:** This is a discretionary fund for us to be able to use where necessary.

[206] **Jenny Rathbone:** I believe that, in the current year's budget, there was talk of investing in regionally significant projects across Wales. Can you give us an example?

[207] **Edwina Hart:** It includes the funding for the regional economic fora. That is not a large amount, but we would like to try to get more stuff that is of regional interest into the

system. On the other hand, the regional fora are a moot point at the moment, in terms of what they are doing in developing activity for us and what they are discussing. The regional fora will be the subject of a review, regarding whether they are a necessary cost to my budget.

[208] **Jenny Rathbone:** How many regions are we talking about?

[209] **Edwina Hart:** Four. They all work at a slightly different level. The south-east Wales forum deals proactively with some of its issues. I will be discussing the roles of these fora with businesses, local authorities and others. If they are mainly discussion groups that do not focus on policy and delivery, I am not necessarily certain that it is the best use of public money.

[210] **Joyce Watson:** My question is specifically on ICT infrastructure, which the Minister has already touched on this morning, which shows a significant increase between 2011-12 and 2014-15. Are you confident that the funds available are sufficient to successfully deliver the next generation broadband project? Is there flexibility there to deal with potential rises in cost during implementation?

[211] **Edwina Hart:** I hope, Chair, that you will not think that I am being discourteous, but I am in a difficult position in answering this question, because we are still in contractual discussions about the next phase of certain projects. We are content with the budget provision, but the Member might be alluding to the discussion about mobile and other requirements that have also come up. We are confident about these issues, but I would not like the lawyers of any interested parties picking up on any comments that I make.

[212] **Nick Ramsay:** Are you confident that there is adequate resource?

[213] **Edwina Hart:** Yes, we have even had further discussions about these issues today, and we are ensuring that everything is in place. I do not think that I can overestimate the importance of this project, which is now being referred to as 'twenty-first century access', rather than broadband, as it is a more appropriate phrase. It is for the future economy, for businesses in Wales, and for the citizen. Access for the citizen, who is paying for this, is very important. When we talk about these issues, we tend to focus on the needs of business, but, at the end of the day, the needs of the citizen are very important. The spin-off benefits of having this technology will help everybody—for example, with telemedicine in health, or in managing resources differently in a whole range of portfolios and agendas.

[214] **David Rees:** The UK Government announced additional funding for broadband. Does this budget include those figures?

[215] **Mr Hunter:** These budget tables do not include the £56 million that is coming in in that respect. However, we have factored that into the affordability question.

[216] **Nick Ramsay:** Have you had discussions with the Minister for Finance about the availability of that money?

[217] **Edwina Hart:** Yes, there have been discussions at all levels regarding this, because it is a Government commitment to ensure the delivery of this programme.

[218] **Nick Ramsay:** What bids has your department made to the Invest to Save programme and the efficiency and innovation programme?

[219] **Edwina Hart:** One of our big bids to Invest to Save was the public sector broadband bid, with which we were successful. We do utilise the funds that are available, but that is the most significant one.

[220] **Nick Ramsay:** Are you able to provide details of any successful projects and savings that will be made as a consequence of this?

11.45 a.m.

[221] **Edwina Hart:** In the long term, yes; we can include something in a note.

[222] **Nick Ramsay:** What savings could be made in your department over the coming year? How would you evaluate and monitor those savings? I think that you have covered those questions in part.

[223] **Edwina Hart:** Rob has indicated his thoughts on efficiency savings. This is a constant process. We have to look at everything that we do, so that we work better and to ensure that we can raise more money. We all acknowledge the situation with budgets, so it is important that we are all super-efficient.

[224] **Nick Ramsay:** We want you to have as much money as possible, as we have made clear in numerous questions.

[225] **Edwina Hart:** That is very nice of you.

[226] **Julie James:** I turn to the centrally retained capital fund for a moment. I have been going on rather a lot about microbusinesses in Wales, and I see that there is a proposal to improve access to finance for those businesses, which we understand is a package worth £15 million. I welcome that, but is it the only bid that you are making to the centrally retained capital fund, or are there others in the pipeline?

[227] **Edwina Hart:** We have that bid for centrally retained capital, but I would not want you to think that it is the end game in terms of the support that we are going to be giving to that particular business sector. We are looking at other options to secure additional resources for supporting businesses covered by my current portfolio.

[228] **Julie James:** Are you putting in bids in any other areas?

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

[230] **Mr Hunter:** We have other bids related to tourism and rural businesses; I assume that they will come up in further committee hearings. The online rural payments system has been approved, for example, as well as the tourism investment support scheme. Representatives of the department will be happy to answer questions on those schemes.

[231] **Nick Ramsay:** You touched on sustainability in some of your earlier answers, but was a sustainability appraisal of your department's budget carried out during its preparation? If so, were any changes made as a result of the appraisal?

[232] **Edwina Hart:** We took a broad look at the sustainability issues. I would not say that it would necessarily have passed muster with you, knowing the committee's views on looking at sustainability in the round. We are, therefore, going to undertake further work in that area between now and our preparation of the final budget. We have had some good discussions with the Sustainability Commissioner on what more we can do on the whole issue of sustainability in the sectors. One of the key suggestions that he made was that we should talk to the anchor companies about sustainability issues and about what they can do to help others in their supply chains. We are going to try to work up a programme on this, because I am conscious of the comments that were made by another committee in the last Assembly.

[233] **Leanne Wood:** Are you able to link funding to companies on the basis of their ability to reduce carbon emissions?

[234] **Edwina Hart:** We need to look at that. Another important issue around linking funding to companies is how those companies deal with their workforces; what training opportunities are there, and what are the wage-related issues? We have to introduce more clauses on social responsibilities, corporate responsibilities and so on if a company is going to be a recipient of Government money.

[235] **Leanne Wood:** Is it possible to include emission reduction clauses in public procurement contracts?

[236] **Edwina Hart:** I would have thought that you could pick up on that in your task and finish group. I cannot recall ever receiving a submission on that issue, or having it raised with me directly. I will look at the matter through discussions within the department, but it is one of the key areas that you could look at as part of your inquiry.

[237] **Nick Ramsay:** It seems that this is a work in progress, and you are clearly in the process of working through what your priorities will be at the same time as setting the final budget. It would be helpful if you could keep us updated on developments.

[238] **Edwina Hart:** I am more than happy to do so.

[239] **Nick Ramsay:** The Minister and her officials have agreed to answer some questions that were not picked up in the previous scrutiny session on 22 September.

[240] **Eluned Parrott:** One thing that I was concerned about was monitoring delivery and ways in which we can objectively assess the outputs of your department. Can you give us an idea of what the main outputs are from your department and what impact they have had on the economy?

[241] **Edwina Hart:** The programme for government is always at the heart of everything that we do in the department. The overriding priority for me is the delivery of those priorities. We have a strategic approach, outlining the measures that we are taking, and we are trying to be as open and as accountable as possible. The annual report will be published, setting out current performance on a full range of indicators that have already been identified in the programme. The report will include a chapter, I understand, on growth and sustainable jobs.

[242] However, we have to recognise the economic realities; the issues facing the Welsh economy are long term and are exceptionally complex. Of course, they are not just issues for the Welsh Government. I need to be quite realistic about what influence I have in the short term on some of the issues on the economy. We are going to try to identify the areas where our money will make a difference, as I have indicated to the committee previously. That is quite difficult. Will our money make a difference if we give a company a soft loan that keeps 80 people in employment at this current time? Yes, it definitely would. So, it is those types of areas that I need to work on.

[243] In some ways, I am not sure how you account for them. I know it may sound a silly thing to ask, but how do you measure what a Government has done to retain jobs? I am getting a group of economists together to give some advice, and this is one of the areas that they will have to look at, because it is difficult to measure these types of issues. The Government has a duty to measure what impact it has had. If 80 people are made redundant in a small factory, the impact on their community, their families and their lives is dramatic, but how do you define whether that was good use of money, because you have not created any

more jobs. However, you have not put more people outside the labour market. James, would you like to put your economist's hat on and comment on that?

[244] **Nick Ramsay:** How many economists will you be consulting?

[245] **Edwina Hart:** It will be difficult. You can imagine how difficult it would be for even two of them to agree.

[246] **Nick Ramsay:** You are going to have multiple answers. [*Laughter.*]

[247] **Mr Price:** We will have to make sure that there is no light bulb in there for them to change, before anyone says anything about that. [*Laughter.*]

[248] It is difficult, but we are committed to doing it. One thing that the Minister is consistently saying to me is, 'We have to maximise the value for money in everything we do'. In order to do that, we need to know the impact of what we are achieving. It is quite easy to count jobs. That is what regional development agencies have always done, but to what end? The Welsh Development Agency and, then, economic development within Government have counted jobs, but we have not impacted on some of the things that people really want to impact upon. So, we need to be a bit more sophisticated, and think about the longer term. That is what we are looking at now, and that is why we have not jumped into counting things, which would have people chasing targets that probably do not impact on the economy anyway.

[249] **Eluned Parrott:** I recognise that, and impact is something that a number of sectors are struggling with at the moment. In my work experience in higher education, the impact agenda was complex. However, it is important that, while we do not exist in a test-tube environment, we have baseline measures on which outputs and impacts can be measured over a period of time. So, will you be establishing some baselines, and will you publish them for us to assess?

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

[251] **Alun Ffred Jones:** I have the same question: will you produce, at some point in the future, some measurable targets or outcomes that you are aiming to achieve, either in a broad sense or otherwise? I know that Government Ministers are nervous, ever since the gross domestic product target of 90 per cent of the UK average was set many years ago, and has not been seen since. While I acknowledge that there are targets that may be less than meaningful and useful, nevertheless, it would seem to me that, in this important area of job creation, employment and relative wealth, we have some means of identifying whether the programme for government is making a difference. Otherwise, why are we spending this money at all? Perhaps, it would be better spent elsewhere.

[252] **Edwina Hart:** The first annual report on the programme for government will contain all the available data on the indicators, including baseline information and analysis. So, there will be something to measure against.

[253] **David Rees:** I agree with you that it is difficult to measure issues when you talk about keeping people in work, because the economic impact that that has on a community is immeasurable in reality. Keeping people in work is vital. You mentioned earlier your corporate responsibility and funding businesses; what aspect of the principles of corporate social responsibility would you expect companies to sign up to? What are you looking for a business to do in that area?

[254] **Edwina Hart:** We have to put our own house in order as a business first, not just

look at what we expect from external businesses. We need to ask whether we are good in how we procure, whether we have our sustainability procurement values encompassed in all these areas, and whether we look at community benefits support as a Government in how we deal with things. Those are issues for us. We are trying to do a lot of work on these principles with the companies that we engage with—how they engage with their supply chains, what they do in terms of their corporate responsibility and their involvement within their local communities. So, we are trying to get some measurable outcomes in that area.

[255] We are also having extensive discussions in this area and will be using organisations like Business in the Community and others to carry on with the discussion and get something to emerge that is, if I may say, more solid than what we have currently. The problem is that we talk about corporate social responsibility and I am not sure that the whole world knows what on earth we are talking about when referring to the way companies and corporations operate. One could argue that if you are in a capitalist system, the issues of corporate responsibility are of no interest to companies at all. However, when you meet staff from some of the large companies especially, you hear about what they have done in their community and how they deal with environmental issues such as using their energy resources. It covers a plethora of issues across the piece. This is something that we will be returning to in order to get clearer definitions of the work we are doing with the anchor companies and others.

[256] **David Rees:** I agree with you that many things need to be looked at. The biggest concern that I have is monitoring it and what happens if people do not meet their obligations?

[257] **Edwina Hart:** At the end of the day, in a relationship with a company, it is easy when it does not meet its obligations with us because, if we have given it money and it says that it will create so many jobs, if it does not, it does not receive its final payment. However, if it has not met its obligations and it employs 1,000 people, you then have a judgment call to make. You might want to say something to it, but what penalty do you have against it? Do you want 1,000 jobs to go? These are very difficult issues, if I am honest, and I do not think that I have got to grips with how to deal with them yet. I think that it is a question of developing a partnership with the responsible partners that we have, whether they are in the trade unions or in the companies, about what we see are the key issues around corporate responsibility. We do not want to make them onerous, but fair and equitable, so that they can be delivered. It is a balancing act. That is why we will need to use the two sides of industry for this discussion, because some of us would have different views to others. There is a middle ground. That is why I indicated to you that, in terms of corporate social responsibility, it is how they deal with their supply chain, their procurement issues and their training agenda, and it is about what they put back in and what more they can enhance. Those are all acceptable things to responsible companies.

[258] **David Rees:** I also think that we need to look at how they work further down, for example if they are sub-contracting, to the obligations of the sub-contractors.

[259] **Edwina Hart:** Absolutely, because, sometimes, they are so far removed from that other end, and when you go down to tier 4, what are their responsibilities? By us looking at some of the procurement and contract matters, we can consider some of the issues that will bind into the discussions on corporate social responsibility as well.

12.00 p.m.

[260] **Nick Ramsay:** In your paper you talked about signing up—which is a very broad term—to your principles of corporate social responsibility, and that the monitoring and evaluating of that is key. Does anyone have any other comments?

[261] **Julie James:** On that same point—[*Inaudible.*]*—*the task and finish group, and I

suspect that I know the answer, Minister. However, it seems to me that we could do a lot more on Government contracts with regard to what we force as a contractual position so that people can win those contracts in the first place. I suspect that you will agree that that is one of the things that we need to consider, because while other European countries are managing to do this, we do not seem to be as good at doing it.

[262] **Edwina Hart:** That is essential, because, in these difficult times, Government contracts are extremely valuable. The point is not just to go down to the bottom line and choose the cheapest contracts, but to choose the most responsible contracts for their wider benefits. So, it is not about just getting the job done so much as what brings the wider benefits. It is key that we look at training and work opportunities in everything that we do—not necessarily with regard to digging up roads, for example, but in terms of training people so that those skills go into the wider community. We have not been very good across the UK in dealing with some of these issues; our continental cousins have got a lot more of this right.

[263] **Nick Ramsay:** Do any Members have any further questions for the Minister? I see that none do. I therefore thank the Minister for Business, Enterprise, Technology and Science, particularly for agreeing to the extra half an hour, although we have only used two minutes of it.

[264] **Edwina Hart:** You have been very efficient today, Chair.

[265] **Nick Ramsay:** Thank you for that. I also thank Rob Hunter and James Price for attending today and for answering our questions.

12.01 p.m.

Papurau i'w Nodi Papers to Note

[266] **Nick Ramsay:** We have one paper to note, which is the Welsh Government draft budget proposals for 2012-13 evidence from Huw Lewis, the Minister for Housing, Regeneration and Heritage. Are we happy to note that paper? I see that we are.

[267] With that, I bring the meeting to a close.

*Daeth y cyfarfod i ben am 12.02 p.m.
The meeting ended at 12.02 p.m.*