

Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled 'A National Infrastructure Commission for Wales

08 March 2017

Ensuring people are united and connected is a fundamental part of this Government's delivery document, *Taking Wales Forward*. By focusing on developing a stronger, fairer economy, we will be able provide economic stability to communities across Wales.

In order for Wales to grow effectively, our people must be supported by sustainable services which meet the needs of today but also prepares us for the challenges of the future. Fundamental to this will be the range, quality and capacity of infrastructure networks across Wales.

That is why I am looking towards a better informed, longer-term strategy of infrastructure investment. A strategy which enshrines the principles of the first-of-its kind Well-being of Future Generations (Wales) Act 2015, and which accounts for the modern process which has been put in place to plan and manage natural resources in the Environment (Wales) Act 2016.

In *Taking Wales Forward* we have committed towards establishing a National Infrastructure Commission for Wales to provide independent and expert advice on strategic infrastructure needs and priorities.

I am encouraged that the Economy, Infrastructure and Skills Committee recognised the potential value of such a commission by making it the subject of one of its first inquiries.

I very much welcome the Committee's report and the opportunity to discuss and develop the working arrangements for the commission. Through their engagement with stakeholders, the Committee has produced a constructive report which, alongside feedback received during the Welsh Government's public consultation, has helped shaped our considerations for the commission.

Many of the Committee's recommendations align with our thinking. There are some areas where I consider more time is needed to assess the benefit and potential impact. This reflects my approach of viewing the establishment of the Commission as the first stage of a developing process.

A crucial part of the commission's operations will be the ability of the National Assembly to scrutinise and review its work. This will help us tailor its development in the early years through annual remit letters, which will allow flexibility.

This ongoing scrutiny will feed into the formal Welsh Government review before the next assembly term.

I want to see the Commission's full potential locked over the coming years, and I look forward to the committee's continued role on this journey. I have set out my response to the Report's individual recommendations below.

Detailed Responses to the report's recommendations are set out below:

Recommendation 1

The Committee recommends that

The remit of the Commission should be extended to include the supply of land for strategically significant housing developments and related supporting infrastructure alongside the economic and environmental infrastructure

Response: Accept in Principle

The Commission's initial remit will extend to economic and environmental infrastructure.

We recognise there is an argument for extending the remit to include strategic land supply, but given the already existing mechanisms in place, this will require careful consideration. Time will be needed to allow for regional development plans to bed down before the effectiveness can be assessed. We have already made a commitment to undertake a formal review of the Commission before the end of this Assembly term when at which point this issue will be considered further with the involvement of Cabinet colleagues.

In the meantime, the National Infrastructure Commission for Wales will be expected to consider the potential interactions between its recommendations and social infrastructure. This will ensure that the Commission's recommendations take a holistic view of infrastructure needs, but is also able to maintain its primary focus.

Financial Implications – Expanding the remit towards land supply for housing would result in resourcing pressures for the Commission, its secretariat and on its research budget . The full financial implications will be assessed as part of the review before the end of this assembly term.

Recommendation 2

The Committee recommends that

The annual remit letter to the NICfW should include an indication of the scale of funding the Welsh Government expects to have available for infrastructure spending over the longest practical timescale.

Response : Accept

We accept the Committee's recommendation and agree that it will be vital for the Commission to have a clear idea of the availability of funding from the Welsh Government to steer their recommendations. This will be balanced against the availability of private funding, non-devolved and local funding, and the effectiveness of the mechanisms to access it.

Financial Implications – None

Recommendation 3

The Committee recommends that:

There is a need for a dedicated team of people to pay close attention to how private funding is leveraged in to infrastructure development. The Welsh Government should consider whether that body is better placed within Finance Wales/Development Bank of Wales or the National Infrastructure Commission for Wales, and how it should collaborate with related work taking place in Welsh local government

Response: Accept

We accept there will be a clear need for dedicated officials to focus on how more private funding can be used to support infrastructure developments. We do not consider this appropriate for the commission, because of the risk of diverting focus from its primary purpose of providing independent advice on long term infrastructure needs. We will explore alternative mechanisms, such as the Development Bank.

Financial Implications – It is likely additional resource will be required to fulfil this recommendation depending on the most appropriate mechanism.

Recommendation 4

The Committee recommends that:

The Commission should be established as a non-statutory body, but with the clear presumption that legislation will follow to move the Commission to become a statutory, independent body. Welsh Government should assess how best to trigger the move to a statutory body.

Response - Reject

We will establish the Commission on a non-statutory basis to ensure it is able to provide advice and recommendations as soon as possible. We do not

consider that the role or remit of the Commission would be enhanced by placing the Commission on a statutory footing.

We have already made a commitment to undertake a formal review of the Commission before the end of this assembly term.

Financial Implications – Minimal implications for this assembly term, as a review of the status, remit and effectiveness of the commission is already planned. There will be resource and financial implications of bringing forward legislation; which will be a matter for the 6th term.

Recommendation 5

The Committee recommends that:

To enhance its independence, the Commission should be based outside Cardiff, and should not share a building with Welsh Government departments. However, to minimise costs, it should share accommodation with another public body in a value for money location.

Response: Accept in Principle

The Commission will have a pan-Wales remit and pan-Wales working arrangements supported by a secretariat within Welsh Government but able to determine its own research and working methodologies within the context of the remit provided by the Welsh Ministers.

We will consider the case for the Commission's co-location with other public bodies in the context that it will need to maintain its independence from a range of influences and bodies with whom it will need to work, and value for money to the public purse.

The Commission's independence and pan-Wales perspective will be further protected and supported through its terms of reference and remit letter, and by the ability of the National Assembly to scrutinise the body through the Commission's annual reports which will be laid in the Senedd.

Financial Implications – The financial implications of the recommendation are potentially significant, depending on the available and suitability of the public sector estate.

Recommendation 6

The Committee recommends that:

The Chair of the Commission should be subject to a pre-appointment hearing by a relevant Assembly Committee. The Commission, and its work, should be subject to scrutiny by a relevant Assembly Committee on an annual basis, following the publication of its annual report

Response: Accept

Allowing the Assembly to scrutinise the preferred Chair at a pre-appointment hearing will be a helpful part of its scrutiny arrangements.

Financial Implications – None. Any additional costs will be drawn from programme budgets.

Recommendation 7

The Committee recommends that:

The NICfW should produce a regular “State of the Nation” report in a timescale disconnected from the political timetable. The Committee suggests every three years. The annual report should cover governance issues, and what the Committee has done over the previous 12 months, and its work plan for the coming 12 months. The Welsh Government should respond to recommendations – whether in the triennial report or stand-alone pieces of work - within 6 months.

Response: Accept

We welcome the assembly’s recommendation, which strikes the right balance between the need for adequate scrutiny of the commission’s work and proportionality. We will establish the reporting arrangements on this basis

Financial Implications – Minimal, will be part of the core function of the commission. Therefore any additional costs will be drawn from programme budgets.

Recommendation 8

The Committee recommends that:

Appointments to the NICfW board should reflect the diverse communities of Wales to ensure an understanding of all parts of Wales. Given the importance of City/Growth Deals, the Board should consider establishing a forum to bring together and consider the work going on in each of the regions of Wales.

Response: Accept

Feedback from public consultation supported our proposal that members should be appointed on the basis of their expert knowledge and experience. The commission must take an independent and impartial view of Wales' infrastructure needs and its core function will be framed around the principles and goals within the Well-being of Future Generations Act, supporting the diversity of Wales' communities. This will be reflected in the terms of reference for the commission.

In terms of engagement via regional fora, it will be important for the commission to engage at appropriate levels. This principle will be enshrined in its terms of reference; I see the detailed mechanisms as a matter for the commission.

Financial Implications – None. Any additional costs will be drawn from programme budgets.

Recommendation 9

The Committee recommends that:

The Welsh Government should encourage NICfW to establish and develop strong relationships and information sharing with NIC and STF through its initial remit letter. The Committee believes the NICfW will have an important role in considering the implications of cross-border projects, and projects based wholly in England which have a major impact on Wales

Response: Accept

We agree with the committee's recommendation which is echoed by the majority of respondents to public consultation who told us that ensuring a productive and strong working relationship will be key to the effectiveness of both commissions.

Officials in Welsh Government are currently working closely with counterparts in the UK Government and the UK National Infrastructure Commission towards establishing the best method of collaborative working, and will keep the effectiveness of the working relationships under constant review should more formal arrangements be required.

Although a different type of body, we will also explore potential links with STF.

Financial Implications – Minimal, will be part of the core function of the commission. Therefore any additional costs will be drawn from programme budgets.

Recommendation 10

The Committee recommends that:

The NICfW should be considered a public body under the Well-being of Future Generations Act 2015.

Response: Accept in principle

The duties placed on other public sector organisations in respect of Well-being of Future Generations Act should be reflected in the work of the Commission.

The Commission's terms of reference will make clear that it will have to conduct itself in line with the principles and goals of the act.

On this basis, it would not be appropriate to amend the Well-being of Future Generations Act 2015 to include the Commission at this point, we will however review this matter in the light of the review to which we have committed.

Financial Implications – None - any additional costs will be drawn from programme budgets.

Ken Skates AM
Cabinet Secretary for Economy and Infrastructure

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Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure



Llywodraeth Cymru
Welsh Government

Russell George AM
Chair
Economy, Infrastructure and Skills Committee

08 March 2017

Dear Russell,

I have considered the report that was published in January following the Economy, Infrastructure and Skills Committee inquiry into a National Infrastructure Commission for Wales. My response to your recommendations is included as an attachment to this letter.

I have also today published a summary of responses to the Welsh Government's consultation on the Commission, which can be found on the Welsh Government consultation website:

<https://consultations.gov.wales/>

I would like to take this opportunity to extend my thanks to you and the members for your useful contribution to the development of the Commission, and look forward to continuing a productive relationship with the Committee as our plans mature.

Yours sincerely

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.