

Enterprise and Learning Committee

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Department for the Economy and Transport

Draft Budget Proposals for 2009-10 & 2010-11

Introduction

This paper provides background and briefing information for the Committee on the Department for the Economy & Transport's (DE&T) future programme budget proposals as outlined within the draft budget announcement made by the Finance and Public Service Delivery Minister on 7 October 2008.

Background

At its meeting on the 7 July 2008, Cabinet agreed the high-level allocations for the 2009-10 draft budget along with the indicative allocations for 2010-11. The settlement reflects extensive discussions between Ministers and officials on the DE&T priorities with particular consideration of the funding commitments of One Wales.

The settlement has focused predominantly on allocating additional revenue expenditure, as funding for new capital projects will, in general be determined by the Strategic Capital Investment Board alongside the Department's capital allocation and European funding where appropriate.

The budget proposals for DE&T incorporate an additional Revenue allocation of £18m in each of the years 2009-10 & 2010-11 from the indicative budget allocations that were published in January 2008 following the completion of last year's budget setting process.

NB: The published budgets show an increase of £17.650m as they also reflect a funding transfer to DCELLS of £350k in relation to their responsibility for the Management and Leadership Development and Investors in People programme.

The following summary financial table shows the overall effect on DE&T's Department Expenditure Limit (DEL), baseline budget.

Summary Financial Table:

| | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|------------------|--|---|--|--|
| Revenue | 692,285 | 704,194 | 721,844 | 732,251 |
| Capital | 468,495 | 467,405 | 467,405 | 468,495 |
| Total DEL | 1,160,780 | 1,171,599 | 1,189,249 | 1,200,746 |

Overview and Statement of Priorities.

The overarching ambition of DE&T is to deliver the progressive agenda set out in 'One Wales', ensuring that the economy continues to diversify and remains resilient and competitive. DE&T is responsible for delivering 28 'One Wales' commitments, and contributing to the delivery of many more.

The vision encompasses both - creating the conditions for innovation and growth to drive up value added in the economy and ensuring that people in Wales can access the labour market, increase their own wealth and in turn provide the skills that businesses need to grow.

The Department has four key priorities:

Transport - focusing on the five key areas set out in the Wales Transport Strategy, 'One Wales: Connecting the nation': reducing greenhouse gas emissions and other environmental impacts; improving public transport and better integration between modes; improving links and access between key settlements and sites across Wales and strategically important all-Wales links; enhancing

international connectivity; and increasing safety and security.

Business support - following the advice of the Ministerial Advisory Group (MAG) we are implementing a sectoral approach focusing on 14 key sectors identified as having the best growth prospects for Wales. At the heart of this approach is Flexible Support for Business, a transformation of the way the Assembly Government works with businesses. This is underpinned by the Single Investment Fund, and brings together the full range of business support.

Research and commercialisation - jointly implementing the recommendations of the Gibson review with DCELLs, by creating closer working relationships with businesses and universities in order to grow research and development activity in Wales and derive maximum commercial benefit. The main focus is on investing in partnership with major corporates and universities to stimulate innovation across the key sectors and beyond.

Regeneration and economic inactivity - through more strategic and co-ordinated programmes involving organisations from across the private, public and voluntary sectors, making links between areas of critical need and areas of particular opportunity. Partnership working will look holistically at areas such as employment, skills, social enterprise, community development and housing and deliver real social, economic and environmental outcomes. These new ways of working will also help to address the specific issues of groups such as black and minority ethnic people and Welsh language communities.

DE&T is working across portfolios to ensure that action and investment are co-ordinated. DE&T resources alone will not automatically bring success; to make a real and lasting difference, the public sector must work across organisational and geographic boundaries.

Spending Programme Areas (SPAs)

General

During consideration of the 2009-10 draft budget proposals, DE&T has taken the opportunity to make some minor changes to the structure and presentation of the published SPA and BEL tables.

To ensure a proper comparison the 2008-09 figures in the tables that follow have been restated using the revised structure. This revision will be formalised by an in-year supplementary budget.

1. Flexible Support for Business

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|-------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Flexible Support for Business | 144,302 | 151,801 | 145,469 | 144,134 |

Flexible Support for Business aims to improve the competitiveness of Welsh businesses through streamlining and providing access to effective support for customer needs, helping businesses start-up and grow. It will maximise the development and commercialisation of new and improved products, processes and services and the adoption of new technology with a view to increase business expenditure on R&D in Wales and better links with the Higher Education Sector.

Our support will also foster an export culture in the Welsh business environment and encourage inward investment by multinational companies looking to establish a base for their European/UK operations.

An additional £3m has been allocated in the 2009-10 draft budget for research and commercialisation projects. The following movements have also taken place as part of the internal reprioritisation process; £2m of marketing costs moved to the Marketing and Major Events SPA, £2m to the Property Related Infrastructure SPA for additional property revenue commitments, £2m for additional commitments within the ICT Infrastructure and Policy, Strategy Development & Corporate Services SPAs, and £3.3m to fund revenue commitments within Transport, primarily in relation to increasing costs of rail support.

2. Property Related Infrastructure

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|-----|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
|-----|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|

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|---------------------------------|--------|--------|--------|--------|
| Property Related Infrastructure | 63,793 | 61,525 | 63,525 | 63,377 |
|---------------------------------|--------|--------|--------|--------|

This SPA contributes to One Wales commitments by supporting a positive climate for business growth. This is achieved by ensuring an adequate and appropriate supply of sites and premises that can accommodate the creation by business of more and better jobs.

Spend in this area adds value to strategic regeneration plans and supports wider economic priorities by improving infrastructure, employment, property and affordable housing.

An additional £2m of revenue funding has been provided through the reprioritisation exercise to recognise extra commitments relating to new legislation associated with empty property rates, extra Welsh Industrial Strategic Partnerships rental payments and additional security and maintenance charges.

3. Strategic Regeneration

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Strategic Regeneration | 65,800 | 66,124 | 65,969 | 65,990 |

A strategic focus for regeneration activities across Wales will ensure that this SPA replicates best practice arising from the Heads of the Valleys Programme and Mon a Menai Initiatives. These programmes and others will also support and tackle economic inactivity.

As well as major regeneration initiatives, the SPA covers targeted urban and rural renewal activities, and environmental improvements to sites and properties. This SPA directly contributes to the One Wales commitments of implementing a labour market strategy with a long term goal of full employment at a rate of 80%.

As part of the budget reprioritisation process £155k has been transferred from this SPA to contribute to the revenue pressures elsewhere in the MEG, for example, local transport programme support within the Improving Integration and Delivery of Local Transport SPA.

4. ICT Infrastructure Operations

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|-------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| ICT Infrastructure Operations | 16,533 | 4,771 | 5,556 | 5,558 |

This SPA will fund two ICT infrastructure projects - Regional Innovation Broadband Support (RIBS) providing basic level broadband (512Kbs downstream speed) to those areas in Wales that are unable to receive broadband services; and FibreSpeed - an open access network to improve the availability and affordability of very high speed broadband services delivering a competitive wholesale backbone core network across Wales.

An additional £785k has been provided through the reprioritisation exercise for FibreSpeed project.

5. Marketing & Major Events

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|-----|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
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|--------------------------|-------|-------|-------|-------|
| Marketing & Major Events | 8,876 | 6,768 | 8,790 | 8,728 |
|--------------------------|-------|-------|-------|-------|

This SPA contributes to the One Wales commitments of promoting Welsh contribution to sporting events building on Ryder Cup, building on work to raise the international profile of Wales, and developing and promoting the Wales brand

£2m of marketing costs, previously shown within Flexible Support for Business has been re-presented within this SPA.

6. Policy, Strategy Development & Corporate Services

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|---|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Policy, Strategy Development & Corporate Services | 17,470 | 15,432 | 16,377 | 15,766 |

This SPA will promote policy and strategy initiatives to address key issues affecting the economy of Wales and directly contributes to the following "One Wales" commitments of adopting an all-Wales approach to economic development, guaranteeing investment in all regions within the Wales Spatial Plan framework and developing an all-Wales green jobs strategy. In addition, the Public Sector Broadband Aggregation (PSBA) project offers a consolidated all-Wales one-network solution.

Further funding has been provided through the budget reprioritisation exercise for DE&T's contribution to the Health Challenge Wales initiative, Sector Strategy Policy Development, Support for Sector Fora, Research & Evaluation projects and funding for the Economic Research and Advisory Panel.

7. European Funding

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| European Funding | 2,875 | 1,368 | 1,283 | 1,290 |

This shows the administration of the Structural Fund Programmes. These are managed by the Wales European Funding Office, which falls within the Department for Economy and Transport.

A small reduction in programme support of £85k has been identified to contribute to revenue pressures elsewhere in the MEG, for example, increased cost of Bus Revenue support within the Improving Integration & Delivery of Local Transport SPA.

8. Maintaining the Trunk Road Network

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|------------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Maintaining the Trunk Road Network | 81,857 | 95,990 | 84,879 | 86,121 |

The expenditure under this SPA is essential to discharge the statutory duty to manage, operate and maintain the safety of the motorway and trunk road network, taking into account social, economic and environmental needs and obligations of Wales.

Budgets include the repair and strengthening programme, renewal of roads and bridges, purchase of vehicles and equipment, Design Build & Operate Shadow tolls, routine maintenance, programme support and depreciation and impairments

A total net reduction of £11.1m has been made as part of the budget reprioritisation process. Transfers have been made within the Transport Group to meet additional pressures to cover the Arriva Trains Wales performance bonus payment and the increasing demand from local authorities for local transport infrastructure projects.

9. Roads, Depreciation & Impairment

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Roads Depreciation & Impairments | 250,168 | 250,168 | 250,168 | 250,168 |

This non-cash budget reflects the costs of wear on the motorway and trunk road network.

10. Improving the Trunk Road Network

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Improving the Trunk Road Network | 76,805 | 90,911 | 90,866 | 90,868 |

This SPA seeks to improve and upgrade the trunk road network in Wales in a sustainable manner.

Capital budgets include the management and delivery of the Trunk Road Forward Programme of major new construction and improvement schemes; a programme of schemes designed to enhance and improve sub-standard sections of trunk road by upgrading their features; a programme of Making Better Use schemes improving existing facilities to improve road network usage. Revenue budgets provide for activities supporting the delivery of the programme including public inquiries, consultancy advice, legal and valuation services.

11. Improving Rail & Air Services

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|-------------------------------|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Improving Rail & Air Services | 187,789 | 190,483 | 200,291 | 209,088 |

This SPA aims to enhance and modernise the railway infrastructure, train services and air services within Wales. It includes capital funding for investment in rail infrastructure (via both the public and private sector) including major infrastructure projects, station and track enhancements and security improvements, as well as revenue funding to provide support for train operating costs including the Wales and Borders Rail Franchise operated by Arriva Trains Wales, and revenue support to enhance services.

Additional funding of £8.5m has been provided through the Assembly Government's budget planning process and an additional £1.3m being transferred into this SPA through the re-prioritisation exercise. This has been provided primarily to support increasing costs of Arriva Train Wales' performance payments and enhanced rail services such as the Valleys strengthening.

12. Improving Local Roads

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|-----------------------|--|---|--|--|
| Improving Local Roads | 100,192 | 100,515 | 100,515 | 100,515 |

This SPA supports local authorities in Wales to improve the local road network in a sustainable manner taking into account the social, economic and environmental needs of Wales.

13. Improving Integration & Delivery of Local Transport

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|---|--|---|--|--|
| Improving Integration and Delivery of Local Transport | 107,779 | 104,822 | 118,945 | 122,515 |

Capital budgets, in the form of Transport Grant paid to local authorities, funds local transport infrastructure improvements including bus priority measures, transport interchanges, park and ride schemes and real time passenger information.

Revenue funding, facilitates free travel on buses for people over 60 and for disabled people. Further support is provided for socially necessary services and by means of a bus fuel duty rebate paid to bus operators. Funding also supports development of the regional transport consortia co-ordinators to facilitate the preparation of travel plans by large employers and the provision of information on public transport services.

Additional funding of £6.5m has been provided through the 2009-10 draft budget and a further £7.6m has been re-prioritised since the final budget published January 2008. This is primarily to contribute to the increasing cost of Concessionary Fares and the additional demand for local transport infrastructure projects.

14. Improving Road Safety

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|-----------------------|--|---|--|--|
| Improving Road Safety | 24,264 | 21,281 | 24,308 | 24,320 |

This SPA relates to progress towards delivery of the 2010 UK road casualty reduction targets. The schemes and initiatives fund implementation of the Road Safety Strategy for Wales and includes grants to local authorities for road safety engineering, education, training and publicity, together with a programme for local safety improvement schemes on the trunk road network.

An additional £3m has been provided to this SPA through the re-prioritisation exercise, principally to recognise the increased costs of a prioritised programme of resurfacing schemes and community and local safety schemes.

15. Improving the Quality of the Local Environment

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|------------|--|---|--|--|
|------------|--|---|--|--|

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|--|-------|-------|-------|-------|
| Improving the Quality of the Local Environment | 1,000 | 1,648 | 1,005 | 1,005 |
|--|-------|-------|-------|-------|

Provides funding for schemes to mitigate the effects of excessive road noise from trunk roads. This is supported by introducing low noise surfacing, or noise barriers, or a combination of both.

A small reduction of £0.6m has been identified to contribute to the revenue pressures elsewhere in the MEG.

16. Supporting Walking & Cycling

| SPA | 2008-09 Revised Budgets £,000 | 2009-10 Indicative Plans £,000 | 2009-10 New Plans £,000 | 2010-11 New Plans £,000 |
|------------------------------|--|---|--|--|
| Supporting Walking & Cycling | 11,277 | 7,992 | 11,303 | 11,303 |

This SPA follows the Assembly Government Walking and Cycling Strategy (2003) and relates to increasing the numbers of people walking and cycling - particularly for short journeys - thereby benefiting health and the environment.

£3.3m has been transferred into this SPA through the re-prioritisation exercise to maintain the budget at a consistent level with that required for previous Ministerial commitments on 'safe routes in communities'.