

Welsh Government Draft Budget 2013-14: A Budget for Growth and Jobs

Purpose

1. The Welsh Government's Draft Budget 2013-14 was published on 2 October. This paper provides an overview of the strategic priorities underpinning our spending plans.
2. A copy of the Draft Budget Proposals 2013-14, together with the supporting MEG Action tables and Budget Document, can be found on the Welsh Government's website at:

<http://wales.gov.uk/funding/budget/draftbudget1314/?lang=en>

Strategic Context

3. The Draft Budget 2013-14 sets out our spending plans for 2013-14 and indicative plans for 2014-15, which are the final two years of the current Spending Review period.
4. It is our normal practice to publish budget proposals for three years. However, 2014-15 is the final year for which we have a firm settlement. Although the UK Government has published its headline spending plans for the first two years of the next Spending Review, uncertainties in terms of economic forecasts and UK Government responses makes it difficult to accurately predict the Welsh budget settlement in the next Spending Review period. For those reasons, we are not providing indicative allocations at this stage beyond 2014-15.
5. The settlement we received in the UK Government's 2010 Spending Review represented the most challenging allocation for Wales since devolution and between 2010-11 and 2014-15, our budget reduces by 12 percent in real terms. Overall, our total DEL budget in 2013-14 will fall by £300m in real terms and by 2014-15 will be £1.8bn lower than in 2010-11¹. By 2014-15, the Welsh Budget will be £2.1bn lower in real terms than at its peak in 2009-10 and around the same level as in 2005-6.
6. The reductions to our capital budgets are particularly severe and our budget for investing in capital projects in 2014-15 will, in real terms, be 55 percent of what it was in 2009-10. This is despite the additional capital funding provided in 2013-14 and 2014-15, available as a result of the UK Government's Autumn Statement and the March Budget 2012.

¹ Excluding depreciation.

7. Our spending plans are framed in this context.

Programme for Government

8. The Programme for Government sets the outcomes we want to achieve for Wales including a more prosperous economy and better, more efficient public services that equip people to fulfil their potential and maximise their contribution to society and the economy.
9. In preparing the Draft Budget 2013-14 we have conducted a review of our spending plans to ensure that they are aligned to support delivery of the Programme for Government. This approach was informed by the Programme for Government's annual report which provides detail on the progress we have made against our key commitments.
10. We are confident that our budgets are, in the main, in the right place to deliver against our commitments. However, we have, in some areas, made a small number of adjustments to our plans to support delivery. The detail of these changes is included in the Departmental chapters of the Budget document.

Budget Priorities

11. When I published our Budget for Growth and Jobs last year, I set out the three pronged approach that we are taking to stimulate the economy and create employment opportunities:
 - Direct and targeted support that we provide for Welsh businesses.
 - Support we provide in policy areas which contribute to producing the conditions required for economic growth – education, employment support, skills and health.
 - Support we can provide through capital investment.
12. The spending plans I published on 2 October continue to build on this approach through the additional £175 capital investment I announced to support key investment priorities throughout Wales.
13. Our Budget proposals also reflect the decisions we have already taken over the last two years to protect frontline services and mitigate the impact of the UK Government cuts on the most vulnerable – protecting investment in health, schools, social services and maintaining our vital Universal Benefits.
14. We are also safeguarding the allocations we made in last year's Budget:
 - sustaining the investment of £129m over three years for our Five for a Fairer Future commitments;

- increasing our investment in the Pupil Deprivation Grant by £4.7m to £36.8m in 2013-14; and
- supporting the NHS through with the additional £288m up to 2014-15.

15. These are the priorities that underpin our spending plans.

Capital Allocations

16. A key strand of our approach to supporting the economy is maximising the opportunities available to us to invest in capital infrastructure. We know that investment in infrastructure can have a significant effect on growth and jobs, and that our approach to capital investment can make all the difference to delivering key outcomes for Wales. That is why since the Final Budget 2012-13, we have continued to take a number of measures to boost the economy, including the £44m capital investment package we announced alongside the Wales Infrastructure Investment Plan for Growth and Jobs in May.

17. We also allocated £175m additional capital in the Draft Budget 2013-14 to support the delivery of the key investment priorities set out in the Wales Infrastructure Investment Plan. This comprises the following allocations:

- £65m for improving transport – including £40m for the Brynmawr to Tredegar section of the A465 Heads of the Valley Dualling Programme and £25m for improvements to the A55 Conwy Tunnel;
- £30m for hospitals – comprising £18m to support the redevelopment of Morriston Hospital, Swansea and £12m for adult mental health facilities in Llandough Hospital, Cardiff and Glanrhyd Hospital, Bridgend;
- £25m for schools & colleges – including £15m in 2013-14 to accelerate a number of schemes under the 21st Century Schools programme;
- an additional £10m in 2014-15 for high-speed broadband to ensure universal access by 2015;
- an additional £13m for capital investment in Flying Start;
- £12m to expand the Welsh Housing Partnership;
- £10m for domestic energy efficiency; and
- an additional £10m to support a programme of vital flood and coastal defence improvements across Wales.

18. Taken together, this package of investment will deliver real benefits across Wales, creating or supporting more than 3000 jobs over the next two years and boosting the number of affordable homes by more than 800.

19. We are also committed to making further allocations for the Wales Economic Growth Fund and for Enterprise Zones which are priority areas for investment and which will play a key role in providing an economic stimulus across Wales.

Transparency

20. One of the key themes raised during the scrutiny of our proposals last year was around the presentation and transparency of our spending plans. In response to the Finance Committee's report on the Draft Budget 2012-13, I said that I would keep the approach we take to publishing our Budget under review and I was happy to work with the Committee to explore how we can improve the process.

21. Since then, I have continued to engage positively with Committee on this agenda. We have agreed a protocol on changes to the Budget motion and their impact on the in-year cycle. As a result of discussions, the Government has taken steps to improve the transparency and presentation of in-year Supplementary Budgets, including showing the recurrent implications of all allocations made from Reserves and greater detail about reprioritisations within Main Expenditure Groups.

22. In the Draft Budget 2013-14, we have sought to provide greater transparency around our Budget. We have:

- provided for the first time information on the planned repayments under the Invest to Save Fund in 2013-14 and 2014-15;
- highlighted the year-on-year changes affecting each Main Expenditure Group, including real term figures;
- provided a separate reconciliation showing how our Budget proposals align with the Programme for Government; and
- published more accessible information on our Budget for children and young people in a leaflet entitled 'Our Draft Budget 2013-14'.

23. We are also looking to ensure consistency of approach in the way information is provided to Committees during the scrutiny stage. Taken together, I hope the steps we have taken to improve the presentation and transparency of our spending plans demonstrates my commitment to this agenda and will better support the scrutiny process.

Equality

24. The Welsh Government is committed to doing everything it can to narrow the equality gap and we were the first UK Government to assess the impact of our spending proposals as part of the Draft Budget 2011-12.

25. Over the last few years we have looked at how we can improve our approach to equality impact assessments. On 8 October I will publish an Equality Impact Assessment of the Draft Budget 2013-14. This will include an account of the approach we have taken this year to assess the equality impact of our proposals. It will also set out further measures I intend to take to improve to support the continuous improvement of the Equality Impact Assessment process to inform successive Budgets.

Sustainable Development

26. The Government remains committed to sustainable development as our central organising principle. As part of this Draft Budget, we have looked to provide more information on the approach we are taking to ensure that sustainable development is embedded into the development of our policies and programmes, including in the Draft Budget.

27. We view this work as integral to the budget process and have provided further information in the Draft Budget document on the work we have done to integrate economic, social and environmental wellbeing into our decisions.

Summary

28. This is a Budget for Growth for Jobs which will ensure that we are using the resources that are available to us as effectively as possible to deliver maximum benefits for the people of Wales. Through this Draft Budget we have ensured no Departmental budget has reduced compared to previously published plans and in every case we have been able to increase investment.

29. I look forward to hearing your views on our spending plans, together with those from our partners and stakeholders.