

Cynulliad
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Cymru

National
Assembly for
Wales



**Y Pwyllgor Menter a Busnes
Enterprise and Business Committee**

Edwina Hart AM
Minister for Economy, Science and Transport
Welsh Government

23 October 2014

Dear Minister,

Welsh Government Draft Budget Proposals 2015–16

Thank you for attending the meeting of the Enterprise and Business Committee on 16 October as part of our scrutiny of the draft budget proposals for 2015–16 and providing the information we requested for this meeting in our letter of 24 July. We were pleased to see the detail on individual budget expenditure lines in Annex A, which greatly facilitates our work, along with the six-monthly update in Annex C, which you agreed to provide during last year's discussion on the budget.

As in previous years, the Committee has focused its scrutiny on prioritisation and value for money. These elements of the budget are particularly important in the context of the substantial reductions being made in some areas. We make a number of recommendations below and ask that you respond to the Committee on these points.

Bae Caerdydd
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Clerc/Clerk: Dr Siân Phipps, Ffôn /Tel: 029 2089 8582
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This letter is being copied to the Chair of the Finance Committee and, along with your reply, will be published on our website.

Revenue Reductions to the Economy and Science Budget

Aside from the loss of the UK budget consequential that supported business rate schemes, a further £16.5 million of economy and science revenue reductions are identifiable in your paper. When asked how you had prioritised your commitments in terms of these reductions, you told the Committee that you had tried to protect funding streams relating to employment and tackling poverty.

1. You offered to provide a note on how you are seeking to maximise use of EU structural funds and private investment to reduce the burden on your departmental budget.

The revenue allocations for economy and science in 2015–16 show a net **reduction of £27.4 million** on the 2014–15 supplementary budget baseline. This amounts to a **decrease** of 25.3% in real terms. Part of this reduction is accounted for by the £17.4 million the Welsh Government received in 2014–15 as a UK budget consequential to support business rates schemes, which increased the budget for that year only. However your paper identified a further £16.5 million of reductions in the economy and science revenue allocations (owing to a baseline reduction of £8.144 million identified in the indicative plans for 2015–16) and a further baseline reduction of £8.4 million in 2015–16 ‘as a result of a prioritisation of portfolio budgets across Welsh Government’.

You told Committee about some of the savings that you had found in order to make these cuts—for example, a reduction of £500,000 in the ‘running costs’ of Finance Wales.

2. We would like to know more about the mechanisms your department use to identify savings in a systematic way on an ongoing basis. We would also like a note that shows precisely how the £16.5 million reduction in the economy and science revenue allocations has been achieved, and identifies whether the reductions have been achieved through efficiency savings or reductions in funding. We would also be interested in your assessment as to whether any of the current savings could have been made earlier.

Wales Economic Growth Fund

You mentioned the Wales Economic Growth Fund, which has seen its budget reduced to zero despite the fact that it was designed to help create jobs and tackle poverty. You told the Committee that, for any future programmes in these areas, you would ask for central funding for specific businesses. You also mentioned that you had undertaken a review of the Wales Economic Growth Fund.

3. We would appreciate further information on the extent of support that might be available from the centre for projects that might previously have been funded through the Wales Economic Growth Fund. We would also like to receive a copy of the review that you have undertaken of the Wales Economic Growth Fund.

City Regions and Enterprise Zones

We asked you about the allocations that had been made to City Regions and Enterprise Zones and how you assessed their effectiveness.

4. We look forward to the information that you committed to provide on the projects and expenditure to date within each of the Enterprise Zones, and request that you look at ways to present data on the performance and achievements of each Zone, in order to facilitate scrutiny.

Tourism and Major Events

We welcome your commitment to maintain the capital allocation of £2 million for tourism and note that the stakeholders we spoke to as part of our tourism inquiry found the Tourism Investment Support Scheme very useful. We also note that your budget for 2015–16 shows reduced revenue allocation for major events, ‘in line with spending priorities’.

5. You have agreed to provide the Committee with a breakdown of tourism projects that have been supported through TISS, in addition to those funded through other capital schemes. You also offered to provide a list of major events supported across Wales with details of their economic impact, including specifically the economic impact on Welsh businesses.

Broadband

The origin of the additional £10 million capital funding for Superfast Cymru remains unclear. You explained that £12 million had come from the UK Government, match-funded by the EU, towards ‘infill phase 1’ of Broadband Delivery UK.

6. The Committee would like clarification as to whether the £10 million of capital funding allocated to Superfast Cymru in 2015–16 is a change to the level of Welsh Government funding announced when the contract was awarded to BT in 2012. The Committee would also like further detail of the

funding allocated to and outcomes expected from the infill phase 1 project, the Welsh Government review of Superfast Cymru and the independent review of the work of Broadband Delivery UK. We would be interested in information about how broadband infrastructure schemes in Wales are linked to Enterprise Zones and inward investment.

Transport

The Committee notes that the preparation of the National Transport Plan is out of sync with the budget process, transport budget allocations having been made before the plan is complete. We also remain unsure how the Plan is evaluated in terms of its contribution to Programme for Government and Wales Transport Strategy objectives, as opposed to the assessment of individual projects and their impact.

7. We would like more information on how the National Transport Plan links with the budget-setting process and how the plan as a whole is evaluated in terms of its impact on the Wales Transport Strategy and Programme for Government. In addition, you have already agreed to send the Committee a copy of a report by the Public Policy Institute for Wales on approaches to strategic transport planning.

You told us about savings of between £3 million and £4 million that you had made in the road maintenance budget as a result of changing the inspection regime.

8. It would be useful if you could share with the Committee details of the savings made in the road maintenance budget as a result of inspection regime changes, including the nature of the changes and how this has generated the savings you referred to.

We note that Welsh Government guidance requires local authorities to give estimated costs and sources of funding for projects included in their Local Transport Plans. However, you indicated that this would not be practical in the National Transport Plan.

9. We would like a further explanation as to why it is impractical for the Welsh Government to provide estimated costs for projects under the National Transport Plan given that local authorities are asked to do so.

You agreed to clarify which budget would make provision for the costs of any legal challenge related to the M4 relief road. We look forward to that information but remain concerned about several other issues. When we wrote to you during the summer we asked that you provide details of any allocations in the draft budget for the M4 project around Newport. You explained at the meeting that £7 million of capital funding had been allocated to the M4 project for 2015–16, but this information was not in your paper. Given its scale and importance, we would also like more detail on your assessment of the long-term affordability of the project. We understand that you may have to work with the Minister for Finance to provide this information.

10. The Committee would like further information on how the M4 project will be funded and the basis on which you consider it to be affordable.

On the Active Travel (Wales) Act 2013, your paper refers to a role for the Minister for Natural Resources, but during the meeting you indicated that responsibility for this falls within your portfolio.

11. The Committee would like clarification of your role and that of the Minister for Natural Resources as regards the Active Travel (Wales) Act 2013.

Thank you once again for assisting the Committee in its scrutiny of the draft budget for 2015–16. We look forward to your response to the points raised in this letter.

Yours sincerely,

A handwritten signature in black ink that reads "William Graham". The signature is written in a cursive style with a large, looping initial 'W'.

William Graham AM, Chair, Enterprise and Business Committee

cc Jocelyn Davies AM, Chair, Finance Committee