

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



Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales

26 October 2011

Dear Jocelyn

The Enterprise and Business Committee met on 12 and on 20 October to question Ministers as part of our scrutiny of the Welsh Government Draft Budget Proposals 2012-13.

We have written to the Minister for Education and Skills, the Minister for Business, Enterprise, Technology and Science and the Minister for Local Government and Communities outlining our concerns and recommendations. Copies of the three letters are attached, and will be published on our website.

We should like to draw the Finance Committee's attention to the following points as we hope this will inform your overarching strategic scrutiny of the Government's budget proposals.

Minister for Education and Skills

We had serious concerns about the presentation of the budget and the lack of clarity in the Minister's paper over baselines and transfers. We believe this compromised our ability to fulfil our role in scrutinising the Department's budget and in holding Ministers to account on behalf of the people of Wales.

Bae Caerdydd
Cardiff Bay
CF99 1NA

We therefore draw your attention to the section on Presentation of the Draft Budget and recommendation 1 in our letter.

Minister for Business, Enterprise, Technology and Science

We had some concerns about the level of detail in the presentation of the Draft Budget, the consistency of analysis in the Minister's paper, and also the lack of alignment between the Draft Budget and delivery of the Programme for Government commitments. We therefore draw your attention to recommendations 1 and 3 in our letter.

We also had concerns regarding the lack of performance targets and monitoring and evaluation framework for much of the BETS portfolio. We therefore draw your attention to recommendation 4 in our letter.

Minister for Local Government and Communities

We had some concerns about the lack of detail about delivery within the budget, as the Minister is currently reviewing the National Transport Plan, as this made it difficult to scrutinise the budget.

We trust these points will be helpful to your Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nick', with a horizontal line underneath it.

Nick Ramsay AM
Chair, Enterprise and Business Committee

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



Carl Sargeant AM
Minister for Local Government and Communities
Welsh Government

26 October 2011

Dear Carl

Thank you for attending the Enterprise and Business Committee meeting on 20 October as part of our scrutiny of the Welsh Government Draft Budget Proposals 2012-13.

The Committee would like to make a number of recommendations for your consideration. We are also writing letters containing recommendations to the Minister for Business, Enterprise, Technology and Science and to the Minister for Education and Skills. All three letters are being copied to the Finance Committee to inform its scrutiny of the Draft Budget, and they will be published on our website.

Alignment of the Draft Budget and National Transport Plan

The Committee was reassured by, and welcomed, your statement regarding the reprioritisation of the National Transport Plan, that “nothing would be going in or out of the plan”, and that headline budget figures will not be affected. However, the Committee did find that the lack of detail about delivery within the budget, resulting from the National Transport Plan review, made it difficult to scrutinise the budget. To this end the Committee

Bae Caerdydd
Cardiff Bay
CF99 1NA

Clerc/Clerk: Dr Siân Phipps, Ffôn /Tel: 029 2089 8582
E-bost /Email: enterprise.committee@wales.gov.uk

will be keen to consider the outcome of the reprioritisation exercise and to subsequently monitor the implementation and spend of the revised National Transport Plan.

- 1. We recommend that you provide us with full details of the outcome of the National Transport Plan reprioritisation exercise once it is complete including any impact this may have on the budget over the next three years.**

Managing Projects within the Transport Portfolio

The Committee was interested to hear about the approach you are proposing to take to awarding future contracts for infrastructure projects. The Committee was, however, concerned about the potential impact this could have on the companies providing the service, particularly those in the voluntary sector. The Committee welcomed the recognition of over-exaggerated time margins or costs in relation to projects and would welcome more detail as to how you propose to avoid this in future contracts.

- 2. We recommend that your proposed new approach to risk management contains safeguards to protect service providers, in particular those from the third sector, from being transferred detrimental levels of risk. We also recommend that you provide us with details about how you propose to avoid over-exaggerated time margins or costs in relation to future projects.**

Enterprise Zones

The Committee was interested in the evidence you provided about enterprise zones, in particular that the location of these would be a factor in the reprioritisation of the National Transport Plan. However, the Committee was concerned that there did not appear to be any additional budget to facilitate integrated transport into the planning for enterprise zones and would encourage you to work with the Minister for Business, Enterprise, Technology and Science to guarantee funding for this from the £10 million consequential.

- 3. We recommend that you keep the Committee updated on how transport is being integrated into plans for the enterprise zones and any potential budgetary implications.**

Additional Information

You agreed to provide us with the following additional information:

- The monitoring tools used by your department to demonstrate success within the National Transport Plan
- An update on the Welsh Government's negotiations regarding potential funding for the electrification of the Great Western mainline to Swansea.
- Clarification on how the non-cash amounts of the budget are set
- A progress report on the smart card initiative

Thank you for assisting the Committee in its work, and we look forward to receiving your response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nick', with a horizontal line underneath.

Nick Ramsay AM
Chair, Enterprise and Business Committee

c.c. Jocelyn Davies AM
Chair, Finance Committee

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



Edwina Hart AM
Minister for Business, Enterprise, Technology and Science
Welsh Government

26 October 2011

Dear Edwina

We wish to thank you and your officials for attending the Enterprise and Business Committee meeting on 12 October as part of our scrutiny of the Welsh Government Draft Budget Proposals 2012-13.

The Committee would like to make a number of comments for your consideration. We are also writing to the Minister for Education and Skills and to the Minister for Local Government and Communities. All three letters are being copied to the Finance Committee to inform its overarching strategic scrutiny of the Draft Budget, and they will be published on our website.

Presentation of the Draft Budget

Our responsibility is to scrutinise the expenditure and policies of the Welsh Government and to hold Ministers to account on behalf of the people of Wales. We welcome the fact that the budget tables in your paper either showed year-on-year changes, or enabled these to be calculated, and that the majority of the analysis in your paper also focused on year-on-year changes.

Bae Caerdydd
Cardiff Bay
CF99 1NA

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E-bost /Email: enterprise.committee@wales.gov.uk

However, if we are to be effective in our role, we need greater clarity and a greater level of detail in the information presented to us. Our scrutiny task was also made harder as we did not receive your paper until 7 October, the Friday before the scrutiny session.

- 1. We recommend that in future years we should be provided with a budget paper that clearly shows in detail where changes have been made, and from which baselines they have been calculated. We also recommend that in future Draft Budgets the proposed changes should be consistently presented and analysed in the Minister's paper on a year-on-year basis and that we should receive this information at least one week before the budget scrutiny session.**

You have agreed to send us a note on the budget transfers that have taken place so far within the different areas of your portfolio. For the record, we also made a request, through the Clerk, on 28 September, for a breakdown of the allocations within your budget for the following policy areas: the promotion of inward investment; each of your nine key sectors; the repayable business finance scheme; Enterprise Zones; and support for micro-enterprises.

- 2. As we did not receive this information, we would request that these details should be forwarded to us as soon as possible.**

Alignment of the Draft Budget and Policy Delivery

It would appear that all other Welsh Government Department Draft Budgets have been re-aligned to delivering the new Programme for Government commitments. We understood from your response to our questions on this that you are still in the process of finalising your portfolio's spending plans because you are still reviewing key policy areas.

We appreciate that some degree of flexibility will be required to adjust your Department's spending to changes in your priorities, and also to changes in the economic climate as they arise.

However, there also needs to be a core spend that allows us as a Committee to monitor expenditure over consecutive years and to evaluate the activities of your Department against set targets and outcomes. You have stated that such targets are still in the process of being formulated.

- 3. We recommend that you provide us with regular updates on how your budget and your priorities are being aligned, and we would like you to appear again before the Committee in the New Year to inform us on progress in achieving that alignment.**

Performance Measurement

We were concerned about progress in setting performance targets for your Department's activities. We appreciate that the Welsh Government needs to develop a more sophisticated, longer-term approach to measuring and evaluating performance, and that you are currently in the process of developing this work. You also informed us that you were establishing baselines and targets for measuring outcomes.

- 4. We would like you to publish your performance measurement framework as soon as possible and we look forward to scrutinising it in due course.**

Repayable Business Finance Scheme

We understand that the Welsh Government has changed its support to businesses from grants to loans, but as we discussed in the evidence session, we were not able to identify where the revenue stream from that support features in the Draft Budget.

- 5. You offered to provide us with a paper in the New Year on how much revenue can be expected in future from the repayable business finance scheme, and we shall be keen to analyse the detail in due course.**

Inward Investment

You told us that you are aiming for a more coherent approach to inward investment and that resources may need to go further in this area. You explained that you wanted to see an improvement in Wales's position in the UK, greater professionalism, and greater utilisation of "Team Wales". Officials also referred to improvements needed in the quality of Wales's offer and the number of jobs that are brought into Wales.

- 6. We appreciate that you are still reviewing inward investment policy, but we would urge you to identify some clear outcomes that you expect to deliver as a result of your Department's expenditure and activities in this area.**

Infrastructure

You told us that you were confident that sufficient funds will be available for the Next Generation Broadband (or “21st Century Access”) project to be delivered, although we appreciate you could not provide us with much detail on the budget allocation for this because of current contract negotiations.

- 7. We recommend that in the event of potential rises in costs during implementation of the 21st Century Access project that the Welsh Government will find the resources to meet those additional costs, and that you provide us with more information on this project once the contract has been agreed.**

Sustainability

When we asked you whether a sustainability appraisal had been carried out during the preparation of your department’s Draft Budget, you informed us that you had taken a broad look at sustainability issues. We were therefore pleased to hear that you are going to undertake further work in this area between now and your preparation of the final budget.

- 8. We encourage you to carry out the promised work on a sustainability appraisal of your final budget, and also to consider funding conditions for Welsh Government support for businesses that promote green issues such as carbon emissions reductions and energy efficiency, and which uphold corporate social responsibilities.**

First Minister’s Announcement on Economic Stimulus

The afternoon following the budget scrutiny, the First Minister made an announcement on the Welsh Government’s approach to economic stimulus.

- 9. We would welcome a note at the appropriate time that outlines the extent to which any of the additional money will be allocated to your department, and what it will be intended to deliver.**

Additional Information

- 10. You agreed to send us details of successful projects and savings achieved in relation to the Invest-to-Save and Efficiency and Innovation Programme.**

Thank you for assisting the Committee in its work, and we look forward to receiving your response to the points raised in this letter as soon as possible.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nick', with a horizontal line underneath it.

Nick Ramsay AM
Chair, Enterprise and Business Committee

c.c. Jocelyn Davies AM, Chair, Finance Committee



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

Leighton Andrews AM
Minister for Education and Skills
Welsh Government

26 October 2011

Dear Leighton

We wish to thank you and the Deputy Minister for Skills for attending the Enterprise and Business Committee meeting on 12 October as part of our scrutiny of the Welsh Government Draft Budget Proposals 2012-13.

The Committee would like to make a number of comments for your consideration. We are also writing to the Minister for Business, Enterprise, Technology and Science and to the Minister for Local Government and Communities. All three letters are being copied to the Finance Committee to inform its overarching strategic scrutiny of the Draft Budget, and they will be published on our website.

Presentation of the Budget

We discussed with you in the evidence session how difficult the Committee has found it to make meaningful comparisons between the 2012-13 Draft Budget compared with previous years because of how the Draft Budget has been presented this time. We are aware that the Government has had to make a number of budget transfers within and between departments as a result of the reconfiguration of portfolio responsibilities, departmental restructuring and refocusing of priorities following manifesto commitments.

Bae Caerdydd
Cardiff Bay
CF99 1NA

Yet the confusing presentation of changes made to the Education and Skills Main Expenditure Group has made it very difficult for us as a Committee to track and scrutinise those changes.

In particular, the baselines referred to in your paper did not match those in the published budget documents, and there was a lack of clarity between indicative plans at the time of the supplementary budget, the transfers made and what the budget is now. In addition, our task was made even harder by the fact that we received crucial information only the day before our scrutiny session.

Following the scrutiny session, it has been brought to our attention that with regard to the transfers within the Education and Skills MEG, and the resulting baseline referred to in your paper, the Welsh Government Draft Budget 2012-13 narrative document states (page 46) that these transfers '*will be reflected in the next Supplementary Budget and as such are not included within the published baseline for 2011-12.*' It would therefore appear that the baselines from which you presented your evidence have not yet been actioned, as the relevant transfers will not actually be made until the next Supplementary Budget for 2011-12 (expected February 2012).

We appreciate that you were demonstrating your intention to make such transfers, but because they have not yet been undertaken, and will not be actioned until a later Supplementary Budget we find it confusing that your evidence in support of the Draft Budget was presented on the basis of a baseline that included these transfers.

We believe that our ability to scrutinise the Department's budget and to hold Ministers to account on behalf of the people of Wales has been compromised as a result of the information with which we were provided.

- 1. We appreciate this has been an exceptional year, but we recommend that in future draft budgets, we should be presented with baselines that match so that we can effectively monitor, track and evaluate Government expenditure. We would also recommend that the 2011-12 baselines referred to in evidence should match those published and should not reflect transfers which have yet to be made. We also recommend that the proposed changes should be shown on a year-on-year basis rather than as changes from indicative figures in the previous supplementary budget, and that all this information should be provided to us at least a week**

before the scrutiny session so that we have a fair opportunity to analyse the figures.

Higher Education Tuition Fees

We discussed with you in the evidence session the possible impact that numbers of students coming from outside of Wales will have on Welsh higher education institutions, and therefore on funding. We also asked you how the Welsh Government was assessing the numbers of part-time students and what impact raised tuition fees will have on aspiration. You acknowledged how difficult it was to estimate future cross-border flows and the impact that raised fees may have in future, not only on student numbers, but on whether more Welsh students will choose to study in Wales.

- 2. We would urge you to continue to explore these issues with your advisers and with other countries to reach the best possible estimates, and that you regularly review your budget allocations as a result.**
- 3. Further on the issue of part-time study and in the context of more people wanting to retrain, reskill and return to work in this current economic climate, we recommend that you increase focus on forecasting the demand for part-time support for those people who have already graduated. We would encourage you to keep this issue under review.**

European Union students

- 4. We would be grateful if you could keep us informed about any assessments made of the financial implications for the Welsh Government of European students studying in Wales and in other parts of the UK.**

Additional Information

- 5. You agreed to provide us with more information on the following:**
 - Examples of college mergers that have provided savings.
 - Figures on the additional funding required to cover the rise in tuition fees for Welsh students and where this additional funding has come from.
 - A note on the funding increase for Coleg Ffederal and the University Heads of the Valleys Institute.

- A note on whether the budget allocation for the Welsh Language Delivery Unit is to be used for Welsh adult learners.
- A note on the budget allocation for Mudiad Ysgolion Meithrin.

Thank you for assisting the Committee in its work, and we look forward to receiving your response to the points raised in this letter as soon as possible.

Yours sincerely

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Nick Ramsay AM
Chair, Enterprise and Business Committee

c.c. Jocelyn Davies AM
Chair, Finance Committee