

# **Finance Committee**

## **FIN(4) 05-11 – Paper 1**

### **Title – Welsh Government Draft Budget 2012-13: A Budget for Growth and Jobs**

#### **Purpose**

1. The Welsh Government's Draft Budget 2012-13 was published on 4 October. This paper provides an overview of the strategic priorities underpinning our spending plans.
2. A copy of the Draft Budget Proposals 2012-13, 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/draftbudget1213/?lang=en>

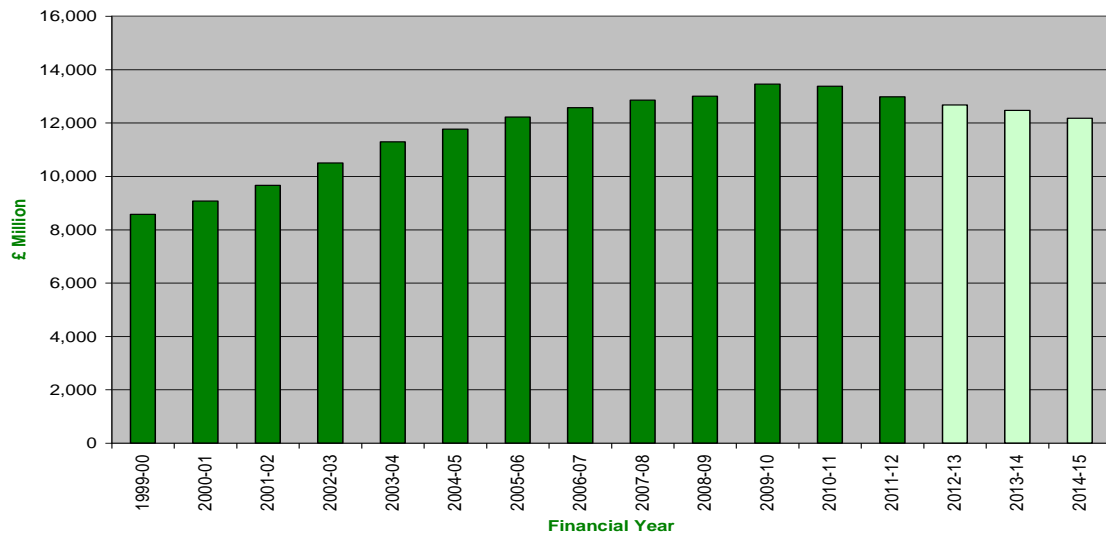
#### **Public Spending Context**

3. The Draft Budget 2012-13 sets out the Welsh Government's spending plans for the next three years from 2012-13 to 2014-15. In presenting the Draft Budget, we are setting out for the first time, our plans for 2014-15, which is the final year of the UK Government's 2010 Spending Review settlement.
4. The Spending Review, as adjusted by the UK Government's March 2011 Budget, sets our budget for the period covered by the Draft Budget. Overall, in real terms, our total DEL budget in 2012-13 will fall by £430m and by 2014-15 will be £1.95bn lower than in 2010-11<sup>1</sup>.
5. This real terms reduction is in stark contrast to the budget growth seen over the last decade between the establishment of the National Assembly for Wales in 1999 and 2009-10. In this period the Welsh fiscal resource DEL budget grew by £4.9bn in real terms. By 2014-15 the Welsh budget will be £1.3bn lower in real terms than at its peak in 2009-10 and around the same level as in 2005-06. We are well advanced in managing within these resources, but the ongoing reductions will continue to place a strain on all public services
6. In real terms, our capital budgets in 2012-13 will be lower by 9.9% than in 2011-12. This compares to a reduction of 28.6% in 2011-12. However, the cumulative impact of these reductions should not be underestimated. Our capital budget in 2014-15 will, in real terms, be half of its 2009-10 levels. These real terms trends in the Welsh budget are set out in the following two charts.

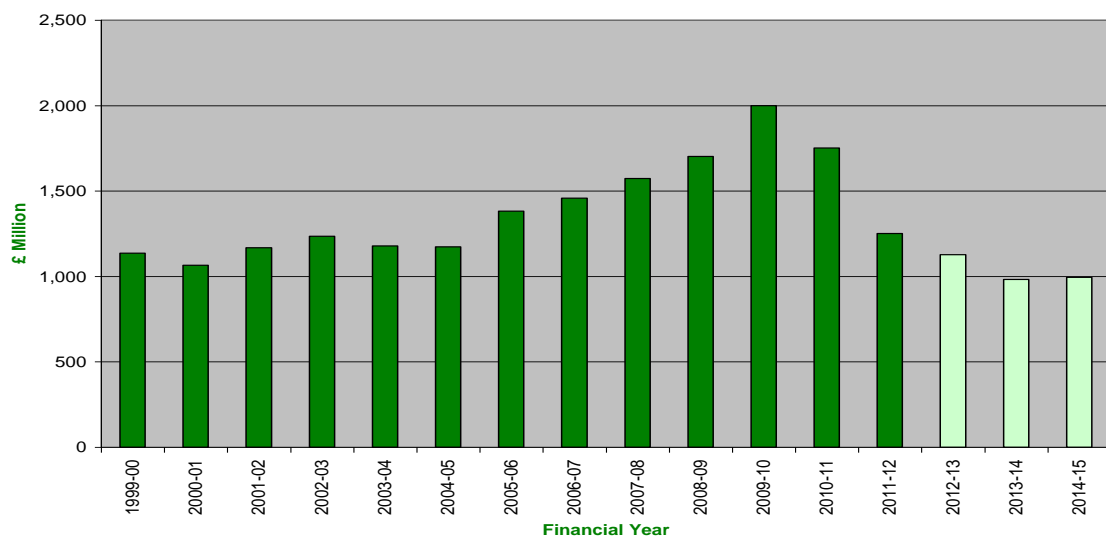
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<sup>1</sup> Excluding depreciation

**Chart 1.1 – Wales Fiscal Resource Departmental Expenditure Limit in Real Terms since Devolution (2010-11 prices)**



**Chart 1.2 – Wales Capital Departmental Expenditure Limit in Real Terms since Devolution (2010 – 11 prices)**



## Programme for Government

7. The Programme for Government was launched by the First Minister on 27 September. It sets out what actions Ministers will be taking, how progress will be measured and what outcomes we want to see for the people of Wales.
8. Our Budget preparations this year have focussed on aligning our spending plans to deliver the vision for Wales that is set out in our Programme for

Government. Our previously published plans provided the platform for this and remain a sound base on which to deliver the Programme for Government.

9. The Draft Budget Proposals 2012-13 show how we will support the priorities set out in the Programme for Government and how Departments have aligned their budgets to take forward this ambitious agenda for Wales.

### **Strategic Priorities**

10. At the heart of the Programme for Government is our vision for a more prosperous economy with better, more efficient public services that equip people to fulfil their potential and maximise their contribution to society and the economy. Ensuring growth in the economy and creating and sustaining jobs is a key priority for the Government. This underpins much of the work that we do and has shaped the Budget plans that I presented last week.
11. Promoting economic growth is complex – as a Government we can take action, but it also relies on factors outside of our control. We have a responsibility to use all the levers available to us to stimulate the economy and create employment opportunities. In the Budget, I set out the three pronged approach that we are taking:
  - There is the direct and targeted support that we provide for Welsh businesses. Over the three years covered in the Budget, we are sustaining the revenue investment funded through the Department for Business, Enterprise, Technology and Science.
  - There is the support that we are providing in policy areas which contribute to producing the conditions required for economic growth – education, employment support, skills and health.
  - Finally, there is the support that we can provide through capital investment. This is a key lever for delivering modern public services, but also for providing investment in the economy.
12. This approach underpins the additional allocations we have made in the Draft Budget and the spending decisions that we have taken. This is a Budget for Growth and Jobs which will support delivery of our ambitious Programme for Government.

### **Budget Proposals**

13. The Draft Budget Document sets out in detail the additional allocations we have made to support our strategic priorities. These include:

## **Five for a Fairer Future**

14. Our Five for a Fairer Future commitments are key to the delivery of our ambitions for economic growth. Over the next three years we are allocating an additional £129 million to support our Five for a Fairer Future pledges:

- £75 million invested over the next three years in our new Jobs Growth Wales scheme. This funding will support 4,000 young people every year with tailored training and employment opportunities and will combine Welsh Government funds and European support;
- An additional £27 million for frontline spending in schools to maintain our commitment to increase schools funding by 1% above changes to the Welsh budget as a whole. This means that over the Spending Review period as a whole, we will have invested an additional £185 million in schools;
- Additional funding of £5million in 2013-14 and 2014-15 to deliver 500 new Police Community Support Officers in Wales; and
- £55 million over three years to expand the successful Flying Start scheme which will help an extra 18,000 children.

## **Universal Benefits**

15. Universal Benefits are an investment in the social fabric of our society. They are about ensuring that everyone is equipped to play their full part in society and contribute to our economic goals. These services are also providing a vital life-line to people experiencing the impact of the current financial pressures. In this Budget, we have continued the protection afforded to universal benefits and extended that protection to the final year of this Budget period. This means that over the Spending Review period we have invested an additional £10 million.

## **Increased NHS Funding**

16. A strong NHS which delivers high quality services to the people of Wales is another key element of our Programme for Government. This is vital to the longer term health and well being of the people of Wales and to their ability to play a full role in the economy. We are investing an additional £288 million to the NHS over the next three years, with the expectation that this will put the NHS on a sustainable financial footing. This is in addition to the allocation that the Minister for Health and Social Services announced for the current year.

## **Capital Investment**

17. Over recent years we have taken steps to maximise the Government's capital investment. This is despite significant reductions by the UK Government. We have previously brought forward capital projects, switched revenue to capital and adopted a more strategic approach to the investment of our limited capital resources through the Centrally Retained Capital Fund.
18. In the Budget Document, I outline the further steps that I am taking. I have set out my proposals for a National Infrastructure Plan, to set out our investment priorities and identify schemes and programmes of national importance. I have also committed to explore every opportunity to boost investment in Welsh infrastructure through a range of innovative approaches. We are working closely with local government and other partners to maximise existing borrowing capacity to boost public sector infrastructure investment over the coming years.

### **Equality Impact**

19. Equality, inclusion and social justice have been central to the development of the Draft Budget. Last year, we published a comprehensive assessment of the equality impact of budgetary decisions. This year the focus has been on assessing the impact of changes to previous plans and where extra funding has been allocated. Full details can be found in the Budget Document.

### **Budget Motion**

20. As we previously discussed, I intend to amend the format of the Budget motion this year to give the Government greater flexibility to effectively manage resources, whilst retaining accountability and transparency. I have published a Draft Budget and would welcome your views on that as part of your Budget report. Alongside this scrutiny, our officials will work together to develop the protocol that we agree should codify procedures around the new approach to the Budget motion.

### **Summary**

21. This is a Budget for Growth and Jobs in Wales which builds on the platform of spending plans agreed last year. This Budget does not start from scratch, but it does provide the support we need to stimulate economic growth and deliver jobs. These plans show how we will use the funding available to us to deliver our Programme for Government.
22. The scrutiny of our spending plans is an important stage of the Budget process in developing and testing our plans. I welcomed the opportunity to make an oral statement and the discussion around that marked a beginning to the scrutiny process. I look forward to hearing the Committee's views on our Budget proposals, as well as considering the evidence and feedback from our partners and stakeholders.