

ECONOMIC DEVELOPMENT & TRANSPORT COMMITTEE

EDT(2) 13-05 (p1)

Date:	20 October 2005
Time:	9.30 am to 12.30 pm
Venue:	National Assembly for Wales, Cardiff Bay
Title:	DRAFT ASSEMBLY BUDGET 2006-07

Purpose

To assist the Committee in its consideration of the Draft Assembly Budget proposals for the Economic Development and Transport MEG. Standing Order 21.3 refers.

Summary

The attached paper sets out the proposed changes to the MEG, how these fit with budget priorities and explains how the funding will be used to take forward the commitments in Wales: A Better Country and the supporting strategies including the Transport Framework, A Winning Wales and its successor. The Proposals also take account of the overarching Spatial Plan, Making the Connections and Health Strategy Wales and other Assembly-wide requirements.

Timing

The committee is required to respond to the Draft Assembly Budget proposals by 11 November 2005.

Action for Subject Committee

The committee is invited to consider the proposed changes to the Economic Development and Transport MEG

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Economic Development and Transport Committee EDT 13-05

DRAFT ASSEMBLY BUDGET 2006-07: PROPOSAL FOR THE ECONOMIC DEVELOPMENT AND TRANSPORT MEG (Main Expenditure Group)

Priorities in EDTC paper

In the paper to the Committee in May (EDT2 06 05) I indicated that the Structural Funds programme should remain the top priority for this budget period. I also identified priority areas for better targeting and additional investment:

- Innovation
- Transport infrastructure and services
- Targeted regeneration
- Measures to tackle challenge posed by Climate change
- Continued emphasis on promoting entrepreneurship.

This will support the perceived needs to modernise our transport system, to promote innovation in all our key business sectors and to develop a dynamic energy strategy. Optimising the communications infrastructure remains a high priority too.

EDTC response to priorities paper

In developing my budget proposals I have paid close attention to the Committee's own views on priorities. You agreed that maintaining funding for the Structural Fund programmes should remain the top priority. You also identified the need for:

- Increased expenditure on infrastructure, eg rail services, maintenance and extension of concessionary fares schemes;
- Targeted regeneration – Heads of the Valleys strategy as a key priority;
- Moving to meet the challenges posed by climate change with careful investment and 'cutting edge' technologies;
- Targeting broadband access to areas of need; and
- Careful consideration of the impact of merger issues and the making the connections agenda to re-distribute efficiency gains within the EDT MEG.

I accept all these points and have allowed for them in my proposal.

Structural Funds

The Structural Funds programmes in Wales are progressing well with, over 87% of all available funds committed to approved projects. The corresponding figure for Objective 1 Programme is 88%.

To date the Structural Funds Programmes in Wales have committed £1.35 billion to 2,519 projects, representing some £3.25 billion of total project investment in Wales. These projects have already reported that over 55,300 gross new jobs can be associated with projects match funded by the Structural Funds programmes. The Objective 1 programme has committed some £1.1 billion of grants to 1,527 projects representing over £2.75 billion of total project investment in the region.

The Mid-Term Evaluation Updates are showing that good progress had been made in implementing the recommendations of the Mid-Term Evaluations, including strengthened links with the Assembly Government policies, streamlined partnership arrangements and simplified procedures and processes.

Match funding can be provided from a wide range of both public and private resources. The Objective 1 projects approved to date have committed match funding that in total exceeds the overall programme target. Within the EDT MEG, as well as the support provided through the aegis of WDA and WTB, match funding continues to be provided by LRF and P2P. Should the existing indicative provision not be sufficient to meet demand additional resources will be made available through in-year cash management as usual. No worthwhile project that supports our strategic agenda will fail through lack

of match funding and there will be sufficient support for the structural funds programme

Structural Funds post 2006

Subject to the outcome of any decision on the EU Financial Perspective, Wales may benefit from further Structural Fund investment post 2006. The EDT MEG for 2006 -2007 may need to be reviewed in the light of this and I have advised the Finance Minister accordingly

Other Priorities

As well as the issues raised by the Committee, the Assembly Government's budget proposals take full account of the requirement to ensure that core services will be maintained and to continue delivering Wales: A Better Country.

The allocations also reflect the outcome of the spending review and anticipated realisation of efficiency gains. In proposing changes I have taken account of the:

- emerging policy priorities in Wales: A Vibrant Economy (the successor to a Winning Wales), in particular, a greater emphasis on innovation and infrastructure;
- the need to ensure that the Knowledge Bank for Business is adequately resourced (as a Top 10 manifesto priority); and
- the commitment to invest more on the energy front and on targeted regeneration, including resources for the Heads of the Valleys Programme.

Revision of baseline provision

1. Allocation of the additional funds agreed by Cabinet on 18 July

			£000s
SPA	BEL	2006-07	2007-08
Regeneration Packages	Regeneration – capital For HOV	10,000	10,000
Improve Rail & Air Services	Rail & Air – Capital 1960 –Ebbw Vale rail link	600	500

2. Allocation of cash releasing revenue gains

Spending Programme Area (SPA)	Budget Expenditure Line (BEL)	2006-07	2007-08

Innovation and Competitiveness	Innov & Design Techy 3740 for creative industries	1,000	1,000
	Innov & Design Techy 3740 for Knowledge Bank	2,000	2,000
Improve Rail and Air Services	Rail and Air revenue 1880	1,000	1,000
Regeneration Packages	Regeneration 4290 for HOV	1,000	1,000
Innovation & Competitiveness	Energy & Eenvt 3760 for climate change	950	1,000
	TOTAL	5,950	6,000

3. Re-targeting

I plan to redirect £4.5m of the Entrepreneurship programme and £1.5m from business promotion programme to increase our capacity to boost innovation and regeneration. However the resources remaining in these spending programmes continue to be significant. Notable outcomes have already been achieved. Entrepreneurship activity continues to rise rapidly in Wales. I intend now to build on this by targeting investment into areas that will deliver best growth.

Wales: A Better Country commitments

Extend Free and reduced travel	I am continuing to fund the existing concessionary fares scheme and developing a half fare concessionary travel scheme for 16-18 year olds. The budget provides for £38.5m and £40.6m in 2006-07 and 2007-08.
Knowledge bank	Excellent progress has been made. £1m has been allocated this year, and £5.5m and £7m will be provided in 2006-07 and 2007-08 respectively. The Knowledge Bank For Business (KB4B) will be launched this year and initially we will be working with a number of high potential companies to help them achieve their ambitious growth targets.
Extend 20mph zones and safer routes to school	£3.8m was allocated in 05-06 for safe routes to schools schemes across local authorities in Wales. Over 300 schools now have a safe route in and around their environment. I will continue to allocate funds to local authorities to help them improve road safety in their local areas and create additional 20 mph zones. Total support for the road safety programme amounts to £12.9m annually.
Further develop knowledge economy through stronger links between FE and HE and business	Support for capital projects to help further develop the knowledge economy and help boost the science base in Wales (see detail below) Knowledge Bank will help forge closer links between HE and business
Entrepreneurship scholarships for young people	The commitment to review entrepreneurship scholarship programmes has been met following the review of the Knowledge Exploitation Fund (KEF) with improvements to the support package introduced

£25m streamlined innovation grant	Action completed
Deliver Broadband access for 67,000 extra businesses	By the summer of 2005 coverage has increased to 99.5% of the Welsh population. All but 35 of the exchanges have been enabled. The Broadband programme now aims to extend coverage to remaining unviable exchange areas and any other region in Wales unable to receive Broadband services currently. This will ensure availability of first generation Broadband to all in Wales.
Simplify business support	Business Eye has been launched and there is scope for further simplification post merger.
Invest in Transport infrastructure	The significant programme of investment continues eg. A465, A494/A550, A470 road schemes completed, Vale of Glamorgan rail line opened to passenger traffic, Bridgend Bus Station completed etc. Work is starting on A479, A470, A465 dualling and work is due to start on £27m Ebbw Vale rail line in 2006 – scheduled to be completed early 2007.

Transport

I plan to invest more resources in transport, including an extra £1m a year for rail and air services, in addition to the £8 billion, 15-year programme announced last December. I am taking forward the dualling of the A465 Heads of the Valleys road as well as increasing capacity on the M4 north of Cardiff and the A494/A550/A55 corridor in North East Wales. I am planning to invest heavily in local authority road schemes including the Porth relief road.

The Welsh Assembly Government has provided an extra £2m to assist local government in managing the local road network. The latest NRMCS survey * indicates that overall there has been an improvement in the visual condition of local roads in Wales over the last 6 years and the structural condition of the principle road network has improved slightly. I am working with WLGA to calculate maintenance backlog. The resulting evidence will be available next year to inform future investment decisions.

On rail I am making significant investment in increasing capacity on the Valleys lines and reopening the Ebbw Vale line to passengers. Work is due to start in 2006 – scheduled to be completed early 2007

I will be giving priority to air services, with a new Welsh Route Development Fund to stimulate new international services from Cardiff and the introduction of an intra-Wales service between Cardiff and RAF Valley on Anglesey.

Planned expenditure on transport and the targeting of expenditure, is designed to continue the development of transport infrastructure and services in Wales which is critical to the achievement of many of the Welsh Assembly Government's goals.

Footnote

* source - The National Road Maintenance Condition Survey report (NRMCS) published annually by the Department of Transport is the best source of data on the visual and structural condition of roads in England and Wales.

Science and technology projects

I am investigating the opportunities for focusing our science policy more on to technologies which support key areas such as health, low carbon energy and high resource efficiency developments and projects to boost Wales' capacity to innovate.

Welsh Assembly Government funds have already been found for exceptional science projects such as our support for Institute of Life Sciences at Swansea. There is a commitment to provide £11.5m for this project - £8.5m this year and £3m in 2006-07. Other projects include Micro Nano Technology centres for HEs (£2.1m this year). I plan to contribute to a £5.5m PET Scanner project, which will benefit R&D as well as patient care. This will be a collaborative venture with my colleague the Minister for Health and Social Services. In addition I have agreed to deployment of a proportion of landfill tax receipts for Carbon Trust Wales. This amounts to £3.5 over three years beginning in 2005-06. The funds are being used to expand Carbon Trust Wales' business sector client programmes and accelerating take up of low carbon technologies. I will identify and consider further opportunities carefully and seek funding for such projects on an ad hoc basis.

Regeneration

I am making £22m new money available for the first 3 years of the Heads of the Valleys programme and investing in coastal development strategy. The steel regeneration programme (£76m) will be successfully completed in 2006-07

The Heads of the Valleys Programme Strategy is being developed and detail of the budget spend is not yet available. The Programme is aimed at holistically tackling the root causes of the issues faced by the Heads of the Valleys, so I would expect to fund (and/or lever in other sources of funding for) projects that provide cross-boundary, cross-sectoral approaches to issues such as transport, tourism, the natural environment, housing, employment, and healthcare.

Cross cutting issues

The planned spending programmes take account of the over-arching Spatial Plan, Making the Connections and Health Strategy Wales. Good progress is being made in developing cross-cutting projects with other portfolios e.g. links between transport, regeneration, health and social justice. For instance, a number of our transport initiatives directly support Health Challenge Wales and future support will be provided for the campaign in raising business awareness of musculoskeletal issues and of the Corporate Health Standard.

As emphasised earlier, the most ambitious cross-cutting opportunity is the Heads of the Valleys Programme which aims to transform the life chances of the people living in the area by capitalising in a planned way on the £300 million investment in the A465 Heads of the Valleys road. I plan to work closely with Social Justice and Regeneration Department and our partners in local government to ensure that there is coherence and no duplication.

The new merged EDT will have an enhanced capacity to contribute to the Spatial Plan agenda and Sustainable Development. A material enhancement to EDT's policy capacity is being established which, working across Welsh Assembly Government and with partners, will provide additional impetus in tackling cross-cutting issues such as regeneration, ensuring that physical investment is taken forward alongside revenue support or developments of human capital.

The dominant area of capital investment is in Transport Wales, with a particular emphasis on supporting the aims and objectives of the Wales Spatial Plan.

Making the Connections efficiency gains

Making the Connections' drive towards excellent public services is embedded in all our work. The merger with the WDA and WTB will pave the way for more effective and efficient public services, including investment priorities. For example, there is a commitment to consult users, benchmark, streamline services and deliver more in the regions and the frontline. The synergies flowing from the mergers will yield significant cash savings in coming years which will be re-invested in the most effective and valued services to business and communities. As an example, the new EDT will yield nearly £5m cash saving on management and other running costs by 2008-09.

Equality

The Assembly Government's equality agenda is an integral part of our activities and it is delivered both directly and indirectly.

For example, equality of opportunity is one of the criteria used to assess every application for RSA. In the same way, equal opportunities is a cross-cutting theme for the Structural Fund Programmes. In particular, the EQUAL Programme makes a significant contribution to the development of innovative approaches to promoting diversity. Similarly, the whole of WDA's budget contributes directly or indirectly to the equality agenda: the Structural Funds-supported Potentia Programme aims to help under represented groups to start their own business. In transport, our initiatives on Concessionary Fares benefit social inclusion, provide better access to local services as well as contributing to the health and well being of those over 60 and people with disabilities.

Tables – Assembly Government Draft Budget - Economic Development and Transport MEG

£000s

	2005-06	2006-07	2007-08	2008-09
Baseline	*1,121,671	1,133,561	1,132,824	1,132,824
Changes	375	10,550	12,200	12,200
Revised Total	1,122,046	1,144,111	1,145,024	1,145,024
% Annual growth		1.99%	0.08%	0%
Including AME – MEG Total	1,432,046	1,466,111	1,478,024	1,478,024

* £1,182,437 adjusted to take account of WDA and WTB merger transfers of costs to central services MEG and make 2005-06 comparable to 2006-07 onwards.

AME – Annually Managed Expenditure - Cost of capital

Spending Programme Areas (SPAs)

£000s

SPA	2006-07			2007-08	2008-09
	Revenue	Capital	Total	Total	Total

Innovation & competitiveness	49,982	16,430	66,412 note1	61,462	61,462
Entrepreneurship	26,912	12,748	39,660	39,660	39,660
Telecommunications Infrastructure	15,982	3,056	19,038	17,038	17,038
Property related Infrastructure	27,159	7,990	35,149	35,149	35,149
	net	net			
Regeneration packages	14,144	66,253	80,397	78,397	78,397
Domestic and international business Promotion	19,480	-	19,480	21,180	21,180
Support for employment Creation	741	53,786	54,527	54,527	54,527
Tourism promotion	13,339	-	13,339	13,339	13,339
	net				
European Match Funding	14,590	39,163	53,753	53,753	53,753
European Funding	150,240	85,622	235,862	235,862	235,862
Maintaining the trunk road network	196,983	35,762	232,745	232,745	232,745
Improving the trunk road network	1,112	73,366	74,478	79,341	79,341
	net	net			
Improving rail and air services	3,620	20,278	23,898 note 2	37,548	37,548
Improving local roads	-	79,852	79,852 Note 3	72,252	72,252
Improving the integration and delivery of local transport	68,242	20,700	88,942	87,192	87,192

Improving road safety	363	12,551	12,914	12,914	12,914
Improving the quality of the local environment	2,425	1,650	4,075	4,075	4,075
Supporting walking and cycling	90	9,500	9,590	8,090	8,090
Sub Total		1,122,046	1,144,111	1,145,024	1,145,024
Annually managed expenditure			AME	AME	AME
Maintaining the trunk road network	322,000	-	322,000	333,000	333,000
TOTAL PROPOSED BUDGET	927,404	538,707	1,466,111	1,478,024	1,478,024

Notes:

1. provision in 2006-07 year will be over £66m (compared to £55m this year). Innovation will continue at £7m higher in both 2007-08 and 2008-09. Several important capital projects will complete in 2006-07.
2. funding moved forward to reflect Ebbw Vale rail plans
3. Increased by around £26m in 06-07 and £18m thereafter.

Full breakdown of BELs showing detail of changes is available in published Draft Budget document.....(sorry an electronic version is not presently available)