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ECONOMIC DEVELOPMENT COMMITTEE EDC-5-00 (p.2)

Date: 15 March 2000
Time: 9.00 - 12.30
Venue: Committee Room 1, National Assembly Building
Title : BUDGET TRANSFERS FOR 1999-2000

(A Paper from the Economic Development Secretary)

Purpose

1. To consult the Committee on proposed budget transfers in the Economic Development Main Expenditure Group (MEG) for end of year 1999-2000.

Summary

2. The paper shows details of the anticipated outturn and proposed budget changes for end of year 1999-2000 for the MEG, Sub Expenditure Groups (SEGs), and Budget Expenditure Lines (BELs).

Timing

3. The Finance Secretary will propose a Motion on 22 March to accept revisions to the Assembly's budgets for 1999-2000. The provisional out-turn figures have only recently become available and this is the first opportunity to consult the Committee.

Compliance

4. Expenditure within the Economic MEG is covered by the following statutes:

- Industrial Development Act 1982

- Welsh Development Agency Act 1975 as amended by the Government of Wales Act 1998

- Local Government, Planning and Land Act 1980

- Development of Tourism Act 1969

- Tourism (Overseas Promotion) (Wales) Act 1992
- Housing Grants, Construction and Regeneration Act 1996
- Science and Technology Act 1965
- Government of Wales Act 1998 - Section 85

5. The powers under the relevant Sections in these Acts have either been transferred to, or made exercisable by, the Assembly. Authority to operate the various schemes and programmes funded by budgets in the MEG has been delegated to the Economic Development Secretary and to officials.

Background

6. Under Standing Order 19.7 all transfers of resources between MEGs must be approved by the Assembly in plenary. I need to submit details of all such proposed changes to the Finance Secretary for approval before inclusion in the Motion. The proposed overall change in the Economic Development MEG arises from proposed changes at SEG and BEL level which, under Standing Orders 19.8 and 19.9, have already been approved by the Finance Secretary.

7. To help the Committee's consideration, I have provided some commentary on the significant changes proposed at BEL level.

Anticipated Overall Outturn for the Economic Development MEG

8. Officials have recently finished their consideration of the likely outturn for each of the budget lines and as a consequence the overall MEG is thought to have an underspend of just over £29.5m which is just over 8% of the £354m total. This overall figure is a consequence of cash underspends for the year in 2 SEGs with an increase in cash expenditure for the year in another. An outturn summary at SEG level is shown below, and a full list at BEL level is in Annex 1.

All figures in £'000s

Sub Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
RSA and Other Business Support	69,861	57,636	-12,225
Welsh Development Agency	138,032	115,103	-22,929
Cardiff Bay Development Corporation	42,069	42,069	0
Wales Tourist Board	15,436	15,286	-150

SDS/Capital Challenge	51,393	48,224	-3,169
European Regional Development Fund	29,046	40,000	10,954
Other Economic Development	8,616	6,623	-1,993
ECONOMIC DEVELOPMENT - TOTAL	354,453	324,941	-29,512

Budgets take account of changes notified to the Assembly by the Finance Secretary on 15 December.

Major Differences in Budget Outturn at BEL level in Sub Expenditure Groups

a) Regional Selective Assistance and Other Business Support

All figures in £'000s			
Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
RSA-Projects & Business Improvement Support	64,301	52,000	-12,301
REG: Regional Innovation Grant (RIN)	1,153	1,476	323
MISS	1,230	910	-320
Innovation & Technology Counsellors	731	631	-100
SMART / SPUR	1,950	2,150	200

9. Several large claims for RSA totalling £11.5m which were expected this financial year have not yet been submitted. A further claim for £1.2m has only just been received and will not probably be paid this financial year. The submission of many smaller claims expected this year totalling around £1.6m has also been delayed. This delay is due to companies not making the anticipated progress with capital expenditure or job numbers. On the other hand, claims for RIN and SMART/SPUR have been submitted earlier than expected resulting in an overspend on the original budgets. Expenditure on all 3 of these budgets is demand led and is dependent on progress against targets set in the offer letter. It is very difficult, therefore, to predict expenditure accurately.

10. The Miscellaneous Industrial Services Support (MISS) budget is made up of many smaller budgets for work such as export promotion and international relations. Although the overall budget shows an underspend of £320,000, some £235,000 has been committed on promotional materials which will not be invoiced until the next financial year and a request for carry forward of this amount will be made in due course.

11. Progress on various initiatives residing within the Innovation and Technology Counsellor line has been slower than expected, resulting in an anticipated cash underspend of £100,000.

b) Welsh Development Agency

All figures in £'000s

Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
WDA: Grant-in-Aid (Capital Expenditure)	98,807	75,277	-23,530
WDA: Public Dividend Capital Issues	351	1,100	749
WDA: NLF Borrowing	249	100	-149

12. The £23.530m cash underspend on capital expenditure is a consequence of funding for 3 major projects being delayed until after this financial year, the largest of which is in respect of the LG project. £0.75m is also being transferred to meet the increased need for Public Dividend Capital.

c) Wales Tourist Board

Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
WTB - Grant in Aid - other costs	8,075	8,125	50
WTB - capital projects to private sector	2,516	2,481	-35
WTB - capital projects grants to persons	1,014	999	-15
WTB Repaym.grants	-120	-270	-150

13. The increased demand to meet other costs will be met from the underspends in capital projects. The increased level of receipts from the repayment grants was noted in December.

d) SDS/Capital Challenge

Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
Capital Challenge PiC	450	0	-450
Challenge Fund Capital Grant	23,100	20,401	-2,699

14. The 8 local authorities eligible for PiC revenue support have been slower than anticipated in finalising and submitting bids. Only one bid for revenue has been received which will be determined shortly but no expenditure is likely in 1999-2000.

15. The outturn on the capital grant represents slippage in various projects totalling £1.94m, the remainder of the cash underspend being accounted for by retention payments relating to fourth quarter anticipated expenditure.

e) European Regional Development Fund

All figures in £'000s			
Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
European Regional Development Fund	29,046	40,000	10,954

16. The account covers payments under a number of different European programmes. Approvals under current programmes for Rural Wales and Industrial South Wales and nine smaller Community initiatives continued until the end of 1999 with payments to be made on eligible expenditure up to the end of 2001. Expenditure is dependent upon the level of claims for grants received. It is, therefore, not possible to forecast outturn with any certainty.

17. Revised outturn has increased from £35 million to £40 million. It is customary for the outturn to be amended at this stage as it is dependent on the number of claims submitted. The forecast of £75 million for 2000-01 remains. It is possible to fund this additional requirement of £10.954 million from the Regional Selective Assistance SEG. This is a demand-led programme which is anticipated to underspend by around £12 million. It is preferable to utilise the RSA underspend for this year rather than draw down additional ERDF EYF. For 2000-01 the RSA budget includes an additional £3.9 million which at this point is adequate. A profile of expenditure and the source of funds for 1999-2000 and 2000-01 is to be found at Annex 2

f) Other Economic Development

All figures in £'000s			
Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
Urban regener,evaluat,research,publicity	118	279	161
Rural Schemes	6,150	5,830	-320
Coalfields Regeneration Trust	1,962	130	-1,832

18. The primary reason for the Urban regeneration budget overspend is unforeseen consultancy expenditure connected with the winding up of CBDC and publicity expenditure connected with the implementation of European programmes.

19. The underspend in Rural Schemes is due to the retention on the 4th quarter expenditure this year being higher than that in 1998-99, coupled with a local authority not spending its full allocation.

20. Latest intelligence is that the Trust will be able to spend only £130,000 during this financial year. In due course I intend to seek the agreement of the Finance Secretary to carry forward the unspent funds into the next financial year.

Proposed Transfers Between MEGs, SEGs and BELs

i) I propose to use the anticipated cash underspend in RSA to meet increased demand in the following:

£m

European Regional Development Fund (SEG) 10.954

Regional Innovation Grant - RIN (BEL) 0.323

SMART/SPUR (BEL) 0.200

Welsh Design and Advisory Service (BEL) 0.034

Regional Investment Grant - RIG (BEL) 0.018

Total 11.529

ii) Within the WDA SEG, I propose that the increased demand in Public Dividend Capital should be met by a transfer of £0.750m from Grant-in-Aid (capital expenditure).

iii) Within the Wales Tourist Board SEG, I propose to fund the increased demand for £0.050m in Grant-in-Aid - other costs from the underspends in capital projects to private sector and capital projects grant to persons.

iv) Within the Other Economic Development SEG, I proposed to fund the increased demand for £0.161m in the Urban regeneration budget from the underspend in Rural Schemes.

v) The Finance Secretary will also propose that £130,000 of the underspend on RSA will be transferred to the Agriculture and Rural Development MEG to meet pressures on the Organic Aid budget.

Action for the Committee

I should be grateful for the Committee's views on the proposed budget transfers.

Contact Point

Industrial Development Division

Rhodri Morgan AM MP

Annex

Economic Development MEG Budget and Expected Outturn by SEG and BEL

All figures in £'000s

Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
Regional Development Grant	1	0	-1
RSA-Projects & Business Improvement Support	64,301	52,000	-12,301
Exchange Risk Guarantee Scheme	934	884	-50
RSA Receipts (Domestic)	-1,300	-1,282	18
ERGS Receipts (Domestic)	-22	-22	0
REG: Regional Investment Grant (RIG)	0	18	18
REG: Regional Innovation Grant (RIN)	1,153	1,476	323
REG: Receipts (RIG)	-1	0	1
REG: Receipts (RIN)	-1	0	1
MISS	1,230	910	-320
MISS receipts	-90	-90	0
MISS VAT Refund	-3	-65	-62
A/A Recovery	-50	-36	14
Welsh Design Advisory Service	300	334	34
Innovation & Technology Counsellors	731	631	-100
SMART / SPUR	1,950	2,150	200

SMART /spur publicity	50	50	0
TCS	678	678	0
RSA AND OTHER BUSINESS SUPPORT	69,861	57,636	-12,225
WDA:Grant-in-Aid (Current Expenditure)	38,626	38,626	0
WDA: Grant-in-Aid (Capital Expenditure)	98,807	75,277	-23,530
WDA: Public Dividend Capital Issues	351	1,100	749
WDA: NLF Borrowing	249	100	-149
WDA: PDC Repayment	-1		1
Welsh Development Agency	138,032	115,103	-22,929
CBDC Capital	36,369	36,369	0
CBDC Current	5,700	5,700	0
Cardiff Bay Development Corporation	42,069	42,069	0

Expenditure Groups	1999-2000 Budget	Expected Outturn	Difference
WTB - Grant in Aid - running costs	4,211	4,211	0
WTB - Grant in Aid - other costs	8,075	8,125	50
WTB - capital projects to private sector	2,516	2,481	-35
WTB - capital projects grants to persons	1,014	999	-15
WTB - net lending for projects	20	20	0
WTB - Sector Challenge	255	255	0
WTB Repaym.grants	-120	-270	-150
WTB Repaym.of principle on tourist loans	-280	-280	0
WTB Sector Challenge receipts – DTI	-255	-255	0
Wales Tourist Board	15,436	15,286	-150
Capital Challenge	450	0	-450
Challenge Fund Capital Grant	23,100	20,401	-2,699
Strategic Development Scheme BCA	17,843	17,843	0
Challenge fund credit approvals 25%	10,000	9,980	-20
SDS/Capital Challenge	51,393	48,224	-3,169
European Regional Development Fund	29,046	40,000	10,954

Urban regener,evaluat,research,publicity	118	279	161
Gwent Levels Bird Reserve:legal cost	1	0	-1
Rural schemes	6,150	5,830	-320
European Union payments (other than ERDF and ESF)	1	0	-1
Groundwork trusts	384	384	0
Coalfields Regeneration Trust	1,962	130	-1,832
Other Economic Development	8,616	6,623	-1,993
ECONOMIC DEVELOPMENT – TOTAL	354,453	324,941	-29,512

Annex 2

European Regional Development Fund

Published expenditure profile and source of funds for 1999-2000 and 2000-01

Programme Period	£million			
	1999-00 Existing Budgets	1999-00 Revised position	2000-01 Plans	2000-01 Revised Plans
Pre 2000 programmes	35	40	50	50
Post 2000 programmes	nil	nil	25	25
Total requirement	35	40	75	75
To be funded by:				
Baseline provision	9	9	19	19
ERDF carry forward	26	20	20	26
Other carry forward			36	30
Underspend from other programmes		11		
Total provision available	35	40	75	75