

The Welsh Assembly Government's Spending Review 2004

Aims

1. The spending review undertook a detailed examination of all the Assembly Government's expenditure to ensure that the 2004 Assembly budget met the strategic priorities set out in Wales: A Better Country. The aim of the review was to ensure that the budget:
 - reflected the Assembly Government's values and priorities
 - delivered the specific commitments set out in Wales: A Better Country
 - made prudent provision for future contingencies
 - was informed by a strategic view of the long-term prospects and pressures
 - maximised the benefits to be achieved for the people of Wales
2. The review examined spending priorities in two ways – through a methodical evaluation of all the main spending programmes and by looking in more depth at some of the key issues and spending areas.

The Spending Review Evaluation Exercise (SpREE)

3. For its across-the-board assessment the review used a mechanism adapted from the US Office of Management and Budget's Programme Assessment Rating Tool. This provided the Review team with a consistent basis from which to evaluate the effectiveness of each of the main spending programmes in delivering the Assembly government's aims and values.
4. The first step was to define these programmes, by grouping together expenditures in a way which would be meaningful. The principles on which the programmes were constructed were
 - expenditure in each programme should have a common theme or purpose
 - information was available or could be assembled without excessive effort or estimation, by aggregating Basic Expenditure Lines (BELs) or, where necessary, dividing BELs according to other readily available information
 - expenditure had a clear client group, and reflected a customer view rather than a producer view of what constituted the service
 - the programme should include the cost of the whole delivery chain – for example grants and expenditure by ASPBs, Local Health Boards and local authority expenditure funded by specific grants
 - the set of programmes for each portfolio should provide the basis for a manageable exercise (not too fine a grain) while allowing sufficient distinctions to be informative (not too coarse a grain)

5. The result was a set of 66 programmes which in a number of cases cut across the conventional budget analysis of BELs and Sub-Expenditure Groups (SEGs). This inevitably involves an element of judgement and estimation. By the end of the review the number of programmes had been rationalised to 61.
6. Each of the programmes was assessed in terms of the extent to which it contributed effectively to the aims and values set out in Wales: A Better Country. This included the specific priorities of getting more people into jobs, creating better jobs and skills, improving health, and developing strong and safe communities. The assessment also covered programmes' contribution to the broader values of equality, tackling poverty, culture and bilingualism, sustainable development and benefit to all parts of Wales; and it looked at the evidence of effective delivery and co-operative working across institutional boundaries.
7. The assessments were arrived at in a series of workshops, bringing together the relevant Assembly officials, including the economists and researchers, together with other participants from ASPBs and local government. The workshops drew on available evidence gathered from monitoring and evaluations and from challenges to that evidence from the researchers and economists. The outcomes represented a consensus of those who took part. The results were moderated for consistency and compiled to inform Cabinet's decisions on the allocation of resources in the draft budget. The information also informed individual portfolio ministers' detailed allocation of their own budgets. The exercise is also resulting in a set of further actions to follow up the issues raised – in particular to improve the evidence base of evaluations and to make further improvements in the future budget process.

Specific topics

8. In parallel with the SpREE exercise the review focussed in on some of the key strategic issues. Substantial effort was devoted to the ensuring that the budget would fund the delivery of the specific commitments set out in Wales: A Better Country.
9. The review also considered:
 - the implementation of Health Challenge Wales, to tackle comprehensively the promotion of better health
 - the need to tackle the long term and fundamental factors that can create more and better employment, through a need for better early years interventions and childcare and more focused 14-19 education and training
 - implementing the Wanless Report to refocus more effectively the delivery of health services and social care
 - ensuring that mainstream services are equipped to deliver in the Communities First areas

- the impact of the Spatial Plan on future budget allocations
 - the scope to rationalise grant schemes for more effective delivery and simpler procedures for applicants, including the voluntary sector
 - making progress on equal pay for women and men
 - the balance between capital and revenue expenditure and the future management of capital programmes
10. Advice on these also informed the draft budget decisions, and further work is being undertaken on a number of these issues.
11. The outcome of the review for each programme in this portfolio is summarised on the following pages.

How money is moving

12. Overall, the review enabled ministers to take informed decisions which will result in significant shifts in spending over the three year budget period. The SpREE exercise was reassuring to ministers in confirming that at the level of broad programmes there were no gross mismatches between spending programmes and the Assembly Government's aims and values.
13. But there was much that could be done at the more detailed level to improve the targeting of funding, and prioritise the resources available over the next three years to make a major impact in programmes that could most effectively tackle root causes of Wales' more deep rooted challenges of health and deprivation.
14. There is always limited scope to shift money in the short term. The spending review enabled ministers to balance the short term pressures, but at the same time to focus on the much more substantial scope to shift priorities for 2007-08 spending, and to do so on an informed basis. The table at Annex A shows the resulting budget proposals by programme. Also at Annex B is a table showing the reconciliation of the programme figures to BELs.

Innovation and Competitiveness

The programme funds Assembly Government and WDA expenditure on promoting innovation and competitiveness.

Review conclusions

The review concluded that the programme was central to the Assembly Government's priority for

creating better jobs and skills in Wales, and thus improving employment opportunities more generally. It constituted a long-term investment in transforming the Welsh economy. It contributed to sustainable development by integrating social, economic and environmental considerations.

Independent evaluation had been undertaken on most elements of the programme, showing how services were providing value for money. Studies undertaken so far identified areas for improvement in some elements of the programme and there was scope to do more to assess the outcomes and overall contribution of innovation activities taken as a whole.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
82,218	93,068	100,818	95,818

Taking the programme forward

The programme remains central to our commitment to improving innovation and competitiveness of Welsh businesses and a comprehensive programme of improvements is in place that will address the need for further improvement in the evaluation of overall effectiveness.

We are in the process of developing a range of innovation measures to assess the outcomes from our activities. This is a difficult area but we are working jointly with economists and statisticians, both here, at the WDA, and with DTI, to be able to quantify progress.

We also evaluate individual areas of spending or support activity regularly to ascertain effectiveness. The programme of grants to support innovation was reviewed recently as part of the commitment to a £25m innovation grant scheme- SMARTCymru was launched from September 2003. The WDA has just completed a review of the Knowledge Exploitation Fund. In addition Regional Selective Assistance has been refocused on support for innovation.

Additional funding has been allocated for the development of a Knowledge Bank, which will encompass much of the innovation and competitiveness activity. This means that delivery methods and "products/ services" are likely to be changing in the coming 12 months. Review and evaluation will be built into these changes, and certain existing aspects will be critically examined – such as Technium. A research & evaluation plan to take this forward is being drawn up with the WDA.

We are also committed to further develop the knowledge economy. A series of capital developments are planned to support this, and additional funding has also been allocated to support a Creative Industries

Strategy that will be launched this autumn.

Entrepreneurship

The programme funds the Assembly Investment Grant and the WDA's expenditure, including Finance Wales, on promoting the concept of enterprise and providing practical and financial support for new and developing businesses.

Review conclusions

The programme was well focused on priorities and made a significant contribution to the Assembly Government's aims for helping people into jobs and improving the quality of jobs and skills. The programme was also responsive to the need for appropriate targeting, both in relation to need and to the differing needs of each part of Wales. Significant aspects of the expenditure were relatively new so that quality evaluation evidence on outcomes was not yet available. There was scope for looking more explicitly at the promotion of sustainable development by integrating economic, social and environmental aims within the activities supported.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
	2004-05	2005-06	2006-07
41,453	41,453	41,453	41,453

Taking the programme forward

We are tackling the need for better evidence of outcomes as the programme becomes established. The Entrepreneurship Action Plan is currently being reviewed by the WDA. The Plan comprises a range of different activities grouped under Key Actions, which have drawn in a variety of funding. Start and end dates vary with some having short and others longer-term outcomes. As a consequence, research and evaluation on each of the Key Actions is at different stages. Where the evidence allows, conclusions will be drawn and adjustments proposed. The WDA review also includes a scrutiny of published research to gain as broad a picture as possible of the effectiveness of the various types of interventions. This work is complemented by the WDA's own review of its Performance Measures, which are designed to better

capture outputs against expenditure.

A Winning Wales (which includes the Entrepreneurship activities) was subjected to the Assembly's sustainable development integrated policy tool. As part of its refresh in 2003, this exercise was repeated by the Assembly Sustainable Development Unit's retained consultants, Forum For the Future. This identified 3 key needs:

- Greater support to the Welsh language through business - the Welsh Language Economic Development Group has since been formed.
- Improved linguistic skills – being followed up with Wales Trade International.
- Impact of poor health on economic development - research is ongoing into the incidence of economic inactivity and chronic health problems particularly in the Valleys.

No additional funding is being allocated for 2005-06 and there is very little scope for reprioritisation given that Structural Funds are supporting much of the expenditure.

Telecommunications Infrastructure

This programme funds measures to improve the availability and affordability of broadband communications.

Review conclusions

The programme was specifically focused on the Assembly Government's priorities for long-term transformation of the Welsh economy, helping more people into jobs and creating better jobs and skills. The programme was too new for there yet to be robust evidence from evaluation of its effectiveness though there was a commitment to undertake research through the Broadband Wales Observatory contract.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
14,237	14,492	16,237	14,237

Taking the programme forward

The Observatory, which is being delivered by Cardiff University's European Innovation & Commerce Centre (ECIC), will:

- Assist with monitoring/ evaluating programme and targets, and publish a BB State of the Nation annual report.
- Prepare benchmark reports comparing Wales to the rest of the world.
- Build a database of related activities, projects and best practice in Wales.
- Produce one 'blue skies' bb paper per annum

- Evaluate the economic impact of broadband with particular reference to businesses (in conjunction with EcAD & ERAP).
- Review practices in other markets and evaluate their appropriateness within a Wales context.

Progress against programme targets will be included in the new Broadband Wales Strategy to be published shortly. The Observatory is currently agreeing a work plan on how it will benchmark Wales against the UK and worldwide. The Observatory will also look at the economic impact on Wales of both the programme and broadband generally.

The Broadband Wales Unit will carry out a series of surveys as part of its project delivery on the attitude to and impact of broadband, including details of connectivity, advantages and disadvantages, and reasons for adoption or non-adoption of broadband.

The research will cover specific domestic and business connectivity and attitudes and will, through the domestic programme, provide a focus on SME businesses utilising domestic broadband connections and their benefits. It will also monitor the impact of the Programme through quantitative research. This will cover awareness, parentage, impact, messaging and will be linked through to monitoring of hits and access to the Broadband Wales website.

Property and Related Infrastructure

The programme relates to the WDA's capital expenditure on developing employment sites and premises, either directly or through supporting the private sector.

Review conclusions

The review considered that the programme was one of those that should be central to delivering the Assembly Government's main priorities for employment. It contributed to a large extent to helping more

people into jobs and creating better jobs and skills and had wider benefits for sustainability. It was well targeted to respond to the differing needs of different parts of Wales.

Since the value of the investment depended on the generation of new activity rather than displacing existing activity, there was an important need to update the evaluation evidence in light of the current state of the economy.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
39,366	39,366	39,366	39,366

Taking the programme forward

We accept the need to improve our planning in this area to reflect the specific points raised and have already made significant progress through the WDA's recently approved Property Strategy for Employment Sites and Premises across Wales for the next four years.

The strategy covers existing sites and buildings in both public and private ownership and also considers potential new employment sites for the future. It provides a framework fully aligned with the Wales Spatial Plan, derived from analysis of market demand. Although the emphasis of the strategy has been placed on market demand, it also aims to stimulate demand opportunities in markets that are growing nationally and internationally as well as nurturing new indigenous businesses. It is a dynamic strategy that will be reviewed annually to ensure that it develops in parallel with market demands and Assembly objectives.

A sustainability assessment is being undertaken on the whole strategy as well as on individual projects which will be taken forward under a property programme. The issue of displacement will be taken into account as part of these assessments.

The Employment Sites and Premises strategy is the first in a series of property strategies being developed by the WDA for the Assembly Government under the overarching agenda set by a Winning Wales and the Wales Spatial Plan. In time it will be complemented by a regeneration strategy for urban and rural Wales and a housing strategy including both executive and affordable housing.

In 2005-06, funding for business infrastructure will, subject to Ministerial approval, be determined during the WDA's internal budget planning round, taking account of new private sector funding mechanisms. Overall public sector expenditure in this area is expected to reduce from 2005-06 onwards, not least because the ability of the WDA to generate capital receipts is expected to be considerably lower in future years.

Regeneration Packages

The programme relates to WDA expenditure on regeneration and land reclamation activities as well as direct Assembly Government funding for specific regeneration packages. It also provides funding for certain contractual Cardiff Bay Development Corporation successor arrangements, such as the Harbour Authority function assumed by Cardiff County Council and the Penarth Link project assumed by the Vales of Glamorgan council.

Review conclusions

The review considered that the programme was focused on priorities which were central to the Assembly Government's aims for more and better employment, healthier environments and stronger communities. Regeneration expenditure makes a considerable contribution to our priorities on sustainability and addresses the need for spatial planning by responding to the particular needs of individual areas. Evaluation arrangements were in place for individual current schemes and evidence would emerge from those in due course. There was a need though to go further and evaluate the effectiveness of current regeneration policies against an overall strategic view of their aims.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
42,761	54,161	51,261	49,761

Taking the programme forward

There is an accepted need to improve planning and evaluation in this area. The historical absence of a

coherent regeneration policy framework for Wales has led to ad-hoc and uncoordinated interventions. Although individual programmes and activities have been evaluated and demonstrated some success there is a consensus that more could be achieved, more quickly, if a more coherent and collaborative approach were adopted.

A more holistic approach to regeneration is already being delivered through the WDA Community Regeneration Toolkit which provides a tailored response to the needs and opportunities of different communities across Wales using its wide range of programmes (both capital and revenue) to provide (soft) capacity building support to (hard) implementation support. It is however particularly difficult to measure the effectiveness of the soft forms of support and this is being considered further by the WDA.

The Wales Spatial Plan will provide the overarching framework for regeneration investment in Wales. It will encourage a holistic approach, taking account of policy across transport, education/lifelong learning, health and housing as well as a horizontally integrated approach between existing programmes. The WDA is on behalf of, and in close consultation with, the Welsh Assembly Government preparing a regeneration strategy alongside its property strategy for employment sites and premises ensuring that both are fully aligned to the Wales Spatial Plan.

An interim evaluation of Steel Regeneration Package has been undertaken. While it is too early to assess whether targets have been met, there is good evidence to support the Five Counties Regeneration Strategy and the benefits of collaborative working between local authorities and the Assembly Government and its ASPBs. It does not provide evidence to support the creation of an emergency fund.

Again it is too early to evaluate outputs, but the regeneration packages for South Ceredigion and North Pembrokeshire are being reviewed to assess the extent to which effective use is being made of expenditure to inform future investment decisions.

Land reclamation is a WDA function enshrined in legislation. Land reclamation projects are inherently expensive and long-term, delivering predominantly environmental and social benefits, but also in the longer term creating employment. The WDA carefully prioritises land reclamation expenditure, as there are many more sites in need of reclamation than there is funding available.

Funding has been allocated for future years for existing commitments, including Ebbw Vale rail link, Brymbo, the Steel Regeneration Package, South Ceredigion and North Pembrokeshire. In addition, a regeneration package is to be developed for the Heads of the Valleys, which will take account of the findings of the above reviews. All future packages will be developed in liaison with local partners, including the relevant local authorities. In this way maximum use can be made of existing resources, which can be reprioritised if necessary.

The Evaluation of Regeneration in Cardiff Bay has been completed and the report is now being finalised.

Domestic and International Business Promotion

The programme funds the domestic and international promotion of Wales as a business location. It includes WalesTrade International, trade missions, and marketing of Wales overseas, including the WDA's overseas presence and activities.

Review Conclusions

The review concluded that the programme was firmly focused on the Assembly Government's economic priorities for helping more people into jobs and creating better jobs and skills. It was satisfied that there was robust evidence to satisfy the investment. The programme made a significant contribution to transforming Wales in the long term and creating a positive future for each part of Wales.

Draft Budget Proposals

Original Plans	New Plans (£,000)		
2004-05	2005-06	2006-07	2007-08
49,991	49,991	49,991	49,991

Taking the programme forward

The impact of this programme is seen widely as Welsh companies took part in trade missions across the world, including a major showcase in Australia. WalesTrade International has now identified business opportunities for Welsh companies of in excess of £2 billion world-wide and assisted Welsh companies convert more than £275 million into actual orders.

Marketing of events in Wales has also had an impact. In November 2003 Wales again played host to the British leg of the World Rally Championship, the Wales Rally GB, which attracted 80 million viewers world-wide. The other main area of marketing spend is to ensure Wales gains the maximum benefit from the Ryder Cup 2010.

There are no plans to make changes this year and additional funding therefore has not been allocated. However, Wales Trade International receives significant support from the Structural Funds and the funding position will need to be reviewed when its new project nears completion.

Support for Employment Creation

The programme funds Regional Selective Assistance (RSA) and Wales Tourist Board investment in employment creating projects

Review conclusions

The review noted that the programme was focused on the Assembly Government's priorities for long-term transformation of the economy, creating better opportunities for quality employment. The case for these investments rests on assurance that they generate additional economic activity rather than displacing existing activities. This made it important to review and keep up to date the evidence and evaluation of the effectiveness of the programmes.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
67,561	67,561	67,561	67,561

Taking the programme forward

It is worth noting that RSA Wales also makes a wider contribution to business in Wales. The fundamentals of RSA are also about support for disadvantaged areas, narrowing the gap in growth rates between assisted and non-assisted areas, and helping individual businesses within those areas to be more competitive. A refocus of RSA was announced in June 2004. The refocus ensures that RSA is now even more closely aligned to the priorities and targets set out in 'A Winning Wales' and in 'Wales a Better Country'. This includes a formal quality assessment process as part of the appraisal.

The review drew attention to the need for evidence of the effectiveness of this expenditure. A programme of improvements is in place that will address the issues raised:

- A pilot is being carried out of a Gross Value Added measurement (as a proxy for productivity) in relation to individual RSA applications. If successful, the GVA test will be applied to all new

applications.

- An evaluation of the impact of the refocusing exercise is being considered for inclusion in the Auditor General Wales' forthcoming vfm programme.
- We are liaising with DTI and the Scottish Executive benchmark progress against that of broadly similar schemes operating in England and Scotland.

The Wales Tourist Board's Section 4 grant scheme was comprehensively reviewed as part of the 2002 quinquennial review of the WTB. It concluded that S4 should continue as a sectoral scheme until the end of the current structural funds period.

Tourism Promotion

The programme funds the Wales Tourist Board's expenditure on promoting Wales as a destination for tourism and business travel.

Review conclusions

The review concluded that the programme demonstrated the effectiveness of this expenditure through a range of evidence. The spending in turn supported the creation of employment opportunities in and beyond the tourism industry. It also through promoting the image of Wales made a distinct contribution to strengthening Wales' cultural identity.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
17,473	17,473	17,473	17,473

Taking the programme forward

The activities are well researched and targeted, with good evidence of effectiveness and with robust monitoring and evaluation. The programme, which has attracted significant Structural Funds support, has had a demonstrable impact in recent years. Wales outperformed the UK on tourism during 2003 with visitors to Wales spending £1.8 billion, an increase of 14% when spend in the UK as a whole was down

1%.

There are therefore no plans to change funding over the next few years and activities will continue unchanged. Tourism in Wales and progress towards the targets in the tourism strategy 'Achieving our Potential' will continue to be closely monitored and future funding will be reviewed at the end of the current structural funds project.

Maintain the Trunk Road Network

The programme funds maintenance expenditure necessary to maintain the network in an acceptable condition at minimum full life cost. It funds the maintenance and renewal of the roads and structures, communications infrastructure and lighting. It funds network operator functions and traffic information services. It includes the cost of shadow tolls. The figures shown include the depreciation and cost of capital on the value of the trunk road network.

Review conclusions

The review concluded that expenditure under this programme was not primarily aimed at delivering our economic, social and health priorities but was essential to maintain our capital investment in the road network in a safe and efficient condition.

The review noted the importance of the expenditure in minimising long-term costs. The maintenance of the network underpinned the contribution which trunk roads made to access to employment and made a necessary contribution to safety and minimising accidents.

Good use of project appraisal techniques indicated that the programme was well designed but there was scope for better evaluation and overall assessment of evidence of the effectiveness of this expenditure.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
465,552	466,244	466,244	466,244

Taking the programme forward

The reorganisation of arrangements for trunk road maintenance, which will come into effect by 2006 will incorporate a comprehensive programme of improvements that will address the issues raised in the spending review.

Following extensive consultation with stakeholders, the existing eight trunk road maintaining agents will be replaced by new agencies covering South, Mid and North Wales respectively by April 2006. Reduced duplication, economies of scale and new performance management systems will lead to more cost-effective delivery. The larger agency areas will also facilitate strategic partnerships with the public and private sector for delivery of wider policy objectives.

A Value Management Process has been introduced for the appraisal of bids from the maintaining agents for major schemes. Expenditure is prioritised on the basis of value for money, safety, environment, and network disruption. This will be extended to other maintenance and improvement programmes over the next few years.

Greater use will also be made of whole life costing to allow options to be compared on the basis of net present value (NPV). A trial of this will be carried out on 2005-06 bids and consultants have been engaged to advise on the development of a bridge management system that 'maintains the function of the network' at minimum whole life cost.

The £7bn motorway and trunk road network is an important asset. An annual programme of technical surveys measures its condition and provides feedback on maintenance undertaken in previous years. To provide even better information, we are considering a new technique – 'SCANNER' – which records the surface defects of a road at traffic speed and reduces disruption to the network. The contribution to Assembly Government priorities and crosscutting themes is harder to measure but ways of measuring the impact on the economy, health and communities will be investigated.

A Consultancy Framework Agreement is being set up to support policy development and evaluation in specialist areas. This will provide a mechanism for procuring the external support needed to continue the development of asset management procedures and the evaluation of the impact on wider Assembly Government policy objectives.

Improve the Trunk Road Network

The programme funds the costs of capital schemes to improve on the trunk road network, including studies, design, land acquisition, compensation and works.

Review conclusions

The programme was established and well focused on the Assembly Government's priorities. By improving accessibility it contributed substantially to the main economic aims of helping more people into jobs and creating better jobs and skills. By designing for improved road safety and removing through traffic from towns it contributed to our health agenda and to making communities safer.

The use of robust project appraisal techniques indicated that the programme was well designed, with strong evidence of a quality product. However, evidence of wider economic impacts is difficult to assess and there was a lack of studies of actual outcomes.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
54,831	65,458	74,478	79,341

Taking the programme forward

We are continuing to improve the appraisal methods for schemes, which the review commended. Draft Welsh Transport Appraisal Guidance is currently in preparation. This will set out objectives and required outcomes for projects, to condition the choice of optimal solutions and inform the evaluation process, including looking at all options.

We have accepted the need for better evaluation of the impact of schemes that have been completed. There are a number of reasons why anticipated benefits from infrastructure are difficult to assess. These effects need to be explored alongside alternatives to providing the infrastructure. An important part of an enhanced research and evaluation plan will relate to this programme and will provide information on the success or otherwise in achieving the desired outcomes on economic, social and environmental grounds.

We are restructuring the procurement practice to deliver the aims set out in the Transport Directorate's Procurement Strategy published in June 2002.

We will implement the programme of action and evaluation in the Trunk Road Estate Biodiversity Action Plan to ensure that improvement projects and network maintenance improve biodiversity on what is the largest single asset owned by the Assembly.

The priority for expenditure over the next 3 years is to take forward the programme of schemes announced in 2001 and supplemented in 2002. Additional funding is being made available in 2006-07 and 2007-08. However, this and the existing expenditure over the budget period are already committed to the previously announced schemes.

Improve Rail and Air Services

The programme funds the Assembly Government's contributions to investment in rail and air services, either directly or through grants to local authorities.

Review conclusions

The review concluded that the programme was clearly focused on the Assembly Government's transport priorities. Although rail journeys form a small proportion of total travel in Wales, rail is important particularly in linking the South Wales Valleys to areas the job opportunities of Cardiff and the M4 corridor. As such it makes a direct contribution to helping more people into jobs and sustaining local communities. The review noted particularly the good cross-boundary working between organisations and the importance of the sub-regional transport planning arrangements that had been established. There was effective appraisal of projects but the review drew attention to the lack of evaluation evidence of the effectiveness of the outcomes of the Assembly Government's investments.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
	2005-06	2006-07	2007-08
2004-05			
16,879	31,980	24,565	23,715

Taking the programme forward

Mainline investment remains a central Network Rail responsibility, outside the funding responsibility of Assembly Government. However, the new franchise arrangements will provide the opportunity for further improved cross-boundary working.

All investment is already subject to business plan scrutiny and all significant investment projects

completed after the end of 2004 will be subject to post-completion evaluation.

All funding support – eg for the Heart of Wales Line second winter Sunday service – is subject to monitoring and reporting arrangements, and to formal annual review.

With regard to future developments, capital funding for the Vale of Glamorgan line is already in baselines and additional capital funding has been allocated to complete the Ebbw Valley scheme. Revenue funding is in baselines for Ebbw Valley phase 1 and for the Vale of Glamorgan line. However, additional revenue would be required to move to a half-hourly service.

Our immediate next priority is to relieve peak Valleys overcrowding. Funding is in baselines to lease additional rolling stock and improve the Aberdare line platforms to accommodate longer trains from April 2005. The implications of further enhancements on Valley Line services is under review in the context of the Wales Spatial Plan. A revised programme will be published as part of the Transport Review.

The programme has recently been revised and further work will also include measures to improve air services in Wales.

Improve Local Roads

The programme funds local authorities' capital expenditure on major improvement schemes to local roads.

Review conclusions

The programme was an established part of the Assembly Government's transport priorities and contributed to delivering wider economic benefits (through access to employment) and to health and communities (by designing for better road safety and minimising the impact of traffic on towns and villages). The review identified scope for improvement in the quality of the evaluation evidence available. The current appraisal framework provided strong reassurance that projects met sustainable criteria for their economic, social and environmental impact. This should provide a good basis for the work needed to gather better evidence of the effectiveness of schemes that have been implemented.

Draft Budget Proposals

Original Plans	New Plans (£000s)
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2004-05	2005-06	2006-07	2007-08
52,426	55,883	55,883	55,883

Taking the programme forward

The review recognised the strength of the NATA appraisal framework and we accept the need to improve ex post evaluation of completed road schemes. We will work with local authorities to address this.

A major study on ‘The Economic Impact of Road Infrastructure Investment’ has just been completed. This suggests that investment in roads affects the distribution of economic activity through impacts on the development and marketing of business sites. The study concludes that this impact can be potent at the local level (eg in a town) but that the net effect at the sub-regional level will usually be minor or negligible. We will take account of the conclusions of this report when formulating plans.

While many of the schemes in the current programme are targeted largely at economic development, a number are focused on community regeneration. Good examples of this are the Greater Bargoed Community Regeneration Scheme and the A499 improvements between Aberdesach and Llanaelhaearn in Gwynedd.

The priority for expenditure over the next 3 years is to take forward the programme of schemes announced in 2001 and supplemented in 2002. No new bids were invited for 2005-06 and there is unlikely to be scope to invite bids for new road schemes until perhaps 2008-09. Expenditure over the budget period is therefore already committed to previously announced schemes.

Improve Integration and Delivery of Local Transport Services

The programme funds concessionary travel for pensioners and disabled people, and support to maintain socially necessary services through Transport Grant to local authorities; Local Transport Services Grant; Bus Service Operators Grant (BSOG) and other related support to local transport services

Review conclusions

The review noted the programme’s importance to the Assembly Government’s transport priorities, which in turn support its wider aims. Support to public transport is particularly important in some areas

in facilitating access to employment and in sustaining the viability of local communities. The review particularly noted the impact of free travel provision for the over 60s and disabled people in tackling the social exclusion that can result from poverty or disability, though it was too soon for formal evaluation evidence yet to be available.

The review challenged whether subsidising bus miles through BSOG was the best approach to maximising benefit, but noted that the D f T had recently reviewed the fuel duty rebate scheme and confirmed the continuation of the National scheme using existing eligibility criteria.

The review commended the active sub-regional co-ordination arrangements but suggested that a clearer strategic framework would give a better basis for evaluating the coherence and effectiveness of the range of grant schemes funded through this programme.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
94,337	104,518	107,733	111,483

Taking the programme forward

The programme focuses on keeping down the costs to individuals of using local public transport. It does so in two ways: through support to bus services and operators; and through concessionary fares schemes for individuals. The review drew attention to the need for better evidence of the effectiveness of this expenditure.

Local Transport Services Grant (which goes to local authorities to subsidise uncommercial socially necessary bus services and is approximately 30% of their total expenditure on this), Transport Grant packages and Bus Revenue Support - are under consideration in the Transport Review.

Concessionary travel schemes are currently available to over 60s and the disabled. They are popular, with good take-up, and are providing a range of social and economic benefits. A formal evaluation of social benefits is being considered, in particular to see if savings can be identified in health and social care budgets from increased well being and reduced isolation in Valleys communities and rural areas.

Additional funding is being provided over the next 3 years to meet the above inflation costs of

maintaining the existing concessionary fares' schemes and to maintain the level of support for uncommercial, socially necessary bus schemes.

Funding is already in baselines to allow a start to be made to extend concessionary fares on to community transport schemes for those unable to use conventional bus services because of severe disability. The findings of the Review into existing transport programmes, and of any evaluation into the social benefits of such schemes, will be taken into account when developing and evaluating these pilots. This will help inform our consultation with service providers on extending concessions to young people and community transport.

Improve Road Safety

The programme funds implementation of the Road Safety Strategy for Wales. It includes funding to RoSPA, grants to local authorities for road safety engineering and safety promotion, together with a programme for local safety improvement schemes on the trunk road network.

Review conclusions

The review concluded that the programme had an established record of success in delivering important Assembly Government priorities. Accident reduction is a significant element of our strategy for better health and schemes undertaken with this funding make a direct contribution to improving safety in communities. There was clear evidence demonstrating the value for money of investment in relation to accident related costs.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
12,363	12,914	12,914	12,914

Taking the programme forward

The review recognised the programme as a strong performing area that produced high quality results. No

funding changes are planned and we will continue to improve our research and evaluation. The incidence of accidents is higher in disadvantaged areas and we will be looking more closely with the Welsh Road Safety Forum at the scope for tackling inequalities.

We will also be examining the possibilities for integrating more explicitly the social, economic and environmental elements of sustainable development in the programme.

We have evaluated the child pedestrian training scheme this year and in our research and evaluation plans we will be looking at how we can provide more robust evidence of effectiveness in terms of outcome for the full range of road safety initiatives in Wales.

Improve the Quality of the Local Environment

The programme funds a range of transport initiatives related to improving the quality of the environment. These include Powershift (promoting the market for vehicles using cleaner fuel), promoting proper servicing of vehicles, promoting reduced emission from commercial vehicles, the Rural Town and Village Initiative and the Freight Facilities Grant.

Review conclusions

This was one of the three small Assembly Government spending programmes, which the review considered to be weak on justification and requiring either more fundamental redesign or winding-up in their present form. The review was concerned that having a number of small unconnected initiatives, none of them heavily funded, and not part of any overarching strategy, seemed unlikely to make a major impact on the Assembly Government's environmental, economic or social priorities. There was therefore a need for a more coherent strategic approach.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
2004-05	2005-06	2006-07	2007-08
3,925	4,075	4,075	4,075

Taking the programme forward

Transport Energy programmes are part of the Powering Future Vehicles Strategy, launched by the Prime Minister in July 2002. The Assembly Government has joined with the Scottish Executive and Department for Transport in issuing a consultation on the longer-term focus and structure of the programmes. The aim is to introduce new programmes by April 2006 that best meet commitments to reduce carbon dioxide emissions under the Kyoto Protocol and Energy White Paper, and to improve Air Quality.

A Biofuels consultation exercise is also currently being carried out. This will help inform policy on what is needed to encourage availability and take-up in Wales.

The Freight Facilities Grant scheme is the only one in Wales to encourage the transfer of freight from road to rail. The Strategic Rail Authority has responsibility for setting the criteria for rail freight grants and the Assembly Government the power to make the grant for schemes in Wales. Last year, the SRA reviewed freight grants and announced new Sensitive Lorry Mile rates from 1 April 2004. All applications are evaluated against criteria set by the SRA, and schemes are monitored annually to ensure that they meet the terms of the grant offers.

We will evaluate whether the noise reduction and community scheme programmes on the trunk road network are achieving the objectives in the Motorway and Trunk Road Noise Mitigation Study November 2002 and the Rural Town and Village Trunk Road Initiative June 2001. We shall use the results to inform the development of future programmes.

Support Walking & Cycling

The programme funds measures to promote walking and cycling and provide better and safer facilities on trunk roads, local roads and cycle ways.

Review conclusions

The programme funded activities, which directly underpinned the Assembly Government's priorities for better health and safer communities. The recent Walking and Cycling Strategy set a clear framework for delivery though it was too soon to have evaluation evidence of outcomes. The expenditure contributed to our aims for sustainable development and was targeted in a way that was responsive to the differing needs of different parts of Wales.

Draft Budget Proposals

Original Plans	New Plans (£000s)		
	2004-05	2005-06	2006-07
9,241	12,501	12,501	12,501

Taking the programme forward

The review recognised that the programme is strong on all aspects of sustainable development. We will develop work on the impact of this expenditure with the new Walking and Cycling Forum for Wales.

There is currently a lack of evidence on the changes in attitudes and habits and we will work with relevant partners to address this.

There are already funding mechanisms in place to deliver the Walking and Cycling Strategy ie Transport Grant, Objective One, Trunk Road scheme funding, Health Promotion grants and the Sustainable Aggregates Levy Fund. We will draw up a definitive list of funding streams across the other portfolio agendas.

We have provided a significant amount of cycling infrastructure on the trunk road network in Wales. We will evaluate the effectiveness of this programme in delivering Assembly objectives to improve health and encourage modal shift, by introducing a monitoring regime to establish level of usage and the reason for the journeys made. We will use the results to inform the future development of the programme

Annex A

EDT MEG Main Spending Areas

EDT Spending Areas	2004-2005 Original Plans	2005-06 New Plans	2006-07 Indicative Plans	2007-08 Indicative Plans
Innovation and competitiveness	82,218	93,068	100,818	95,818
Entrepreneurship	41,453	41,453	41,453	41,453
Telecommunications Infrastructure	14,237	14,492	16,237	14,237

Property and related infrastructure	39,366	39,366	39,366	39,366
Regeneration packages	42,761	54,161	51,261	49,761
Domestic and international business promotion	49,991	49,991	49,991	49,991
Support for employment creation	67,561	67,561	67,561	67,561
Tourism promotion	17,473	17,473	17,473	17,473
Maintain the trunk road network	465,552	466,244	466,244	466,244
Improve the trunk road network	54,831	65,458	74,478	79,341
Improve rail and air services	16,879	31,980	24,565	23,715
Improve local roads	52,426	55,883	55,883	55,883
Improve integration and delivery of local transport	94,337	104,518	107,733	111,483
Improve road safety	12,363	12,914	12,914	12,914
Improve the quality of the local environment	3,925	4,075	4,075	4,075
Support walking and cycling	9,241	12,501	12,501	12,501

Annex B

Economic Development & Transport

Programme & BEL allocation	2004-05 Original Plans (£000s)	2005- 06 New Plans (£000s)	2006- 2007 Indicative Plans (£000s)	2007- 2008 Indicative Plans (£000s)
Innovation and Competitiveness				
Innovation Design and Technology	6,409	16,759	23,409	17,609
Energy and Environment	2,970	3,470	4,570	5,370
Knowledge Exploitation Fund	9,500	9,500	9,500	9,500

A Winning Wales – Project Budget	665	665	665	665
WDA Current Expenditure	33,857	33,857	33,857	33,857
Economic, Research and Evaluation	645	645	645	645
WDA Running costs	12785	12785	12785	12785
WDA Depreciation/Cost of Capital	15387	15387	15387	15387
Programme Total	82,218	93,068	100,818	95,818
Entrepreneurship				
WDA Current Expenditure	30,332	30,332	30,332	30,332
WDA Current Expenditure - Finance Wales	4,099	4,099	4,099	4,099
WDA Running costs	3186	3186	3186	3186
WDA Depreciation/Cost of Capital	3836	3836	3836	3836
Programme Total	41,453	41,453	41,453	41,453

Programme & BEL allocation	2004-05 Original Plans (£000s)	2005- 06 New Plans (£000s)	2006- 2007 Indicative Plans (£000s)	2007- 2008 Indicative Plans (£000s)

Telecomms Infrastructure				
Public Sector Network	3,000	3,000	3,000	3,000
Cymru Ar-Lein, Online for a Better Wales - Raising the Stakes Programme	1,020	1,020	1,020	1,020
Broadband Telecommunications	9,680	9,935	11,680	9,680
Broadband Telecommunications Depreciation and Cost of Capital	282	282	282	282
WDA Current Expenditure	255	255	255	255
Programme Total	14,237	14,492	16,237	14,237
Property and Related Infrastructure				
WDA Running Costs	3279	3279	3279	3279
WDA capital Receipts	-19225	-19225	-19225	-19225
WDA Depreciation/Cost of Capital	3966	3966	3966	3966
WDA: Capital Expenditure	51,346	51,346	51,346	51,346
Programme Total	39,366	39,366	39,366	39,366

Programme & BEL allocation	2004-05 Original Plans (£000s)	2005- 06 New Plans (£000s)	2006- 2007 Indicative Plans (£000s)	2007- 2008 Indicative Plans (£000s)
Regeneration Packages				
WDA: Capital Expenditure	47,230	47,230	47,230	47,230
Transfers to Local Government from Cardiff Bay Development Corporation	15,819	15,819	15,819	15,819
Regeneration Packages		11,400	8,500	7,000
WDA Running Costs	1569	1569	1569	1569
WDA capital Receipts	-23775	-23775	-23775	-23775
WDA Depreciation/Cost of Capital	1918	1918	1918	1918
Programme Total	42,761	54,161	51,261	49,761
Domestic and International Business Promotion				
International Trade	6,478	6,478	6,478	6,478
International Relations	1,381	1,381	1,381	1,381
WDA Current Expenditure	24,689	24,689	24,689	24,689
Miscellaneous European Support Services	261	261	261	261
WDA Running Costs	10230	10230	10230	10230

WDA Depreciation/ Cost of Capital	6952	6952	6952	6952
Programme Total	49,991	49,991	49,991	49,991

Programme & BEL allocation	2004-05 Original Plans (£000s)	2005- 06 New Plans (£000s)	2006- 2007 Indicative Plans (£000s)	2007- 2008 Indicative Plans (£000s)
Financial Support for Employment Creation/ Promotion				
RSA-Projects & Business Improvement Support	62,477	62,477	62,477	62,477
WTB Running Costs	1,034	1,034	1,034	1,034
WTB Current Expenditure	500	500	500	500
WTB Capital Expenditure	3,550	3,550	3,550	3,550
Programme Total	67,561	67,561	67,561	67,561

Tourism Promotion				
WTB Running Costs	4,134	4,134	4,134	4,134
WTB Current Expenditure	13,524	13,524	13,524	13,524

WTB Current Receipts	-400	-400	-400	-400
WTB Depreciation/Cost of Capital	215	215	215	215
Programme Total	17,473	17,473	17,473	17,473

Programme & BEL allocation	2004-05 Original Plans (£000s)	2005- 06 New Plans (£000s)	2006- 2007 Indicative Plans (£000s)	2007- 2008 Indicative Plans (£000s)
Maintain the Trunk Road Network				
Design Build Finance and Operate Roads: Shadow Tolls	16,000	16,000	16,000	16,000
Repair and Upgrade	6,900	7,592	7,592	7,592
Renewal of roads and bridges	27,800	27,800	27,800	27,800
Routine Maintenance	28,900	28,900	28,900	28,900
Purchase of vehicles and equipment	370	370	370	370
Programme support, promotion and ancillary activities	1,915	1,915	1,915	1,915
Cost of Capital (AME) (3)	233,499	233,499	233,499	233,499
Depreciation	150,168	150,168	150,168	150,168
Programme Total	465,552	466,244	466,244	466,244

Improve the Trunk Road Network				
Studies	1,051	1,051	1,051	1,051
Trunk Road Forward Programme	38,030	47,800	56,820	61,683
Repair and Upgrade	8,549	9,406	9,406	9,406
Purchase of lands and buildings (incl. Costs of transfer of ownership)	7,215	7,215	7,215	7,215
Programme support, promotion and ancillary activities	1,256	1,256	1,256	1,256
Receipts	-1,270	-1,270	-1,270	-1,270
Programme Total	54,831	65,458	74,478	79,341

Programme & BEL allocation	2004-05 Original Plans (£000s)	2005-06 New Plans (£000s)	2006-2007 Indicative Plans (£000s)	2007-2008 Indicative Plans (£000s)
Improve Rail and Air Services				
Public Transport – Direct Support	6,999	11,213	12,798	12,948
Transport Grant	7,880	8,767	8,767	8,767
Other Local Authority Grants		12,000	1,000	0

Bute Avenue Phase 2	2,000	0	2,000	2,000
Programme Total	16,879	31,980	24,565	23,715
Improve Local Roads				
Capital Grants	2,000	2,000	2,000	2,000
Transport Grant	30,617	34,074	34,074	34,074
Roads – General Capital Funding	19,809	19,809	19,809	19,809
Programme Total	52,426	55,883	55,883	55,883
Improve Integration and Delivery of Local Transport Services				
Programme support, promotion and ancillary activities	1,520	1,520	1,520	1,520
Public Transport – Direct Support	14,252	15,652	16,252	17,372
Transport Grant	34,695	39,491	39,491	39,491
Other Local Authority Grants	722	2,007	2,722	3,152
Concessionary Fares	33,848	36,548	38,448	40,648
Local Transport Services Grant	8,800	8,800	8,800	8,800
Regional Transport Consortium support	500	500	500	500

Programme Total	94,337	104,518	107,733	111,483
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Programme & BEL allocation	2004-05 Original Plans (£000s)	2005- 06 New Plans (£000s)	2006- 2007 Indicative Plans (£000s)	2007- 2008 Indicative Plans (£000s)
Improve Road Safety				
Repair and Upgrade	4,000	4,401	4,401	4,401
Programme support, promotion and ancillary activities	363	363	363	363
Other Local Authority Grants	8,000	8,150	8,150	8,150
Programme Total	12,363	12,914	12,914	12,914
Improve the Quality of the Local Environment				
Repair and Upgrade	1,500	1,650	1,650	1,650
Programme support, promotion and ancillary activities	2,175	2,175	2,175	2,175
Vehicle Emissions Enforcement	250	250	250	250

Programme Total	3,925	4,075	4,075	4,075
Support Walking and Cycling				
Trunk Road Forward Programme	1,500	3,900	3,900	3,900
Programme support, promotion and ancillary activities	90	90	90	90
Transport Grant	7,651	8,511	8,511	8,511
Programme Total	9,241	12,501	12,501	12,501