



William Graham AM
Chair
Enterprise and Business Committee

08 February 2016

Dear William

During my evidence session with the Enterprise and Business Committee on 14 January, I said I would write to the Committee with some additional information.

Year on year comparison

A table is attached at Annex A which summarises the changes between the 2015/16 Supplementary Budget and the 2016/17 Draft Budget.

Funding allocation to the Road and Rail Scheme Action

The reduction in funding of £109m for the Road and Rail Action can be entirely attributed to the non-recurrent capital allocations for 2015/16 of £136.8m offset by a non-recurrent allocation of £27.4m for 2016/17. As discussed in Committee, I am awaiting confirmation of the outcome of bids for further capital allocations to support the National Transport Finance Plan. Any additional allocations are a matter for the Minister for Finance and will be reflected in the 2016/17 Final Budget.

Reduction in the Economy and Science revenue allocation

As discussed at Committee, the budgets are subject to ongoing challenge, review and assessment. Any potential savings and underspends, as a result of slippage for example, are re-allocated in line with current priorities. As outlined in my Evidence Paper, I have ensured that their impact on public services,

growth and jobs is minimised. The table below provides an overview of the 2016/17 revenue reduction of £23,794k:

Overview of Reductions

Action	£k	Narrative
Entrepreneurship	6,089	The timing of the drawdown of EU income drawdown in 2016/17 for Business Wales contracts reduces the requirement for core budget.
Property Infrastructure	6,050	Reduced requirement for core budget with income generated from the property portfolio.
Motorway and Trunk Roads	6,000	Assessment of the network maintenance programme has identified reductions in the revenue requirement as the programme focuses on capital maintenance in line with a spend to save approach
Finance Wales	240	Reduction in core funding as Finance Wales moves towards self funding.
Sectors - Tourism	1,684	Available following a detailed review of requirements such as Visit Wales
Sectors – All activity	2,342	Detailed review of delivery requirements and commitments across all sector activity which have no major impacts on services and programmes. The Open for Business rates scheme is an example of an initiative with low take up so funding reallocated.
Corporate Programmes	120	Detailed review of requirements which includes a reduced interest payments on loans with the National Loan Fund for example in line with repayment schedules.
Science	774	Reprofiling and the potential to co finance new programmes with external funding such as Horizon 2020 in delivering Ser Cymru.
ICT Infrastructure	495	Detailed review and reprofiling of delivery requirements for Superfast Exploitation.
Total Savings	23,794	

Sectors & Business 2016/17 Budget Allocations

The sectoral approach has generated strong outputs in terms of jobs and economic growth with 38,000 jobs in 2014/15 and a strong performance forecast for 2015/16. The sector allocations in 2016/17 support the delivery of prioritised projects considered on a case by case basis. The budget plans

support both short and long term investment which is particularly important in achieving our goals in the Well Being and Future Generations Act 2015. The sector panels play a crucial role for engaging with businesses to inform policy. They have encouraged the priority sector teams to focus on strategic projects with the greatest impact on jobs and growth in the supply chain. Robust financial approval processes are in place to support decisions on applications for business support focussing on value for money, comprehensive due diligence and maximising the opportunity to lever private finance. There is a strong pipeline of projects in development.

I discussed a number of companies and initiatives that have achieved significant impact in terms of growth and jobs at the Committee such as Ford and the investment the Life Science Hub. Some further examples of successful interventions are as follows:

- The total Welsh Government funding of £12m will support the Institute for Compound Semiconductor Technology and has underpinned the successful bid to Innovate UK for a Catapult Centre in Compound Semiconductor Applications, with a further investment by the UK Government of £50m over 5 years. European clusters have demonstrated the ability to add significantly to regional economies by attracting global companies and encouraging start-ups through the provision of underlying research excellence;
- The £8.1m package to support training Airbus in Broughton will ensure that the composite technology is fully exploited and helps secure jobs in the long terms for the 6,000 staff on site; and
- Notable inward investment includes Deloitte establishing a new delivery centre creating 700 new jobs over 5 years increasing the jobs in Wales to around 1,100. This is supported by £3.5m funding. The success of the Cardiff Enterprise Zone strategy is further evidenced by the commitment of Legal and General to invest £400m in new office accommodation.

2016/17 Business rate schemes

I am pleased that I have already been able to announce that it is our intention to extend the Small Business Rates Relief scheme for a further year in 2016/17. I will update Members on any decisions on new schemes as appropriate.

Revenue and capital funding for multiannual transport projects and programmes

As was explained at the Committee, the majority of revenue funding provided is used to finance three main areas namely road maintenance, the rail franchise and providing support for bus services (including concessionary

fares and community transport). Together these activities will account for over £290m of the total revenue allocation. Given that each of these areas are crucial to Wales' social and economic well-being I expect this trend to continue in future years.

In relation to Capital funding, it is recognised that the National Transport Finance Plan sets out an ambitious programme of activity. Delivery of the programme will be reliant not only on the Transport division's core capital funding but also through other sources including European Funding, early access to borrowing powers (in respect of the M4) as well as exploring other innovative financing solutions. The challenge of entering into contracts that extend into future financial years without budgets for those years being agreed at that point is a matter I will be bringing to the attention of the Minister for Finance & Government Business.

Transparency of funding allocation for Active Travel infrastructure

Further information on Active Travel will follow in respect of my attendance at Committee on 20 January.

I would like to take the opportunity to thank the Committee for the positive discussion of the budget priorities.

Edwina Hart

Annex A - ECONOMY, SCIENCE AND TRANSPORT MAIN EXPENDITURE GROUP (MEG)

RESOURCE BUDGET - Departmental Expenditure Limit							
SPA	Actions	2015-16 1st Supp Budget June 2015	Non-Recurrent Adjustments	2016/17 Baseline Adjustments	2015-16 Revised Baseline	Budget Changes & Reprioritisation	2016-17 New Plans Draft Budget
Sectors and Business	Legacy SIF	1,203	0	0	1,203	357	1,560
	Sectors	56,267	-16,500	-2,075	37,692	-6,378	31,314
	Entrepreneurship & Business Information	8,245	0	2,075	10,320	-6,089	4,231
	Total Sectors and Business	65,715	-16,500	0	49,215	-12,110	37,105
Science and Innovation	Innovation	4,377	0	0	4,377	1,342	5,719
	Science	5,569	0	0	5,569	-774	4,795
	Total Science and Innovation	9,946	0	0	9,946	568	10,514
Major Events	Major Events						

major Events	major Events	3,918	0	0	3,918	0	3,918
	Total Major Events	3,918	0	0	3,918	0	3,918
Infrastructure	Deliver ICT Infrastructure	7,286	1,000	0	8,286	-1,495	6,791
	Deliver ICT Infrastructure - Non Cash	1,309	0	0	1,309	0	1,309
	Deliver Property Related Infrastructure	10,076	0	0	10,076	-6,050	4,026
	Total Infrastructure	18,671	1,000	0	19,671	-7,545	12,126
Strategy & Corporate Programmes	Corporate Programmes	3,033	0	0	3,033	533	3,566
	Finance Wales	2,400	0	0	2,400	-240	2,160
	Strategy Programmes	551	0	0	551	0	551
	Total Strategy & Corporate Programmes	5,984	0	0	5,984	293	6,277

Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations	57,789	0	0	57,789	-6,000	51,789
	Improve and Maintain Trunk Road Network (Domestic Routes) - Non Cash	108,691	0	0	108,691	0	108,691
Total Motorway & Trunk Road Network Operations		166,480	0	0	166,480	-6,000	160,480
Rail & Air Services	Rail & Air Services	185,679	0	0	185,679	0	185,679
Total Rail & Air Services		185,679	0	0	185,679	0	185,679
Sustainable Travel	Sustainable Travel	52,209	0	0	52,209	1,098	53,307
	Youth Concessionary Fares	5,000	0	0	5,000	4,750	9,750
Total Sustainable Travel		57,209	0	0	57,209	5,848	63,057

Improve Road Safety	Improve Road Safety	4,764	0	0	4,764	0	4,764
	Total Improve Road Safety	4,764	0	0	4,764	0	4,764
	Total Resource - Economy, Science and Transport	518,366	-15,500	0	502,866	-18,946	483,920

CAPITAL BUDGET - Departmental Expenditure Limit							
SPA	Actions	2015-16 1st Supp Budget June 2015	Non-Recurrent Adjustments	2016/17 Baseline Adjustments	2015-16 Revised Baseline	Budget Changes & Reprioritisation	2016-17 New Plans Draft Budget
Sectors and Business	Legacy SIF	10,325	0	0	10,325	-5,875	4,450
	Sectors	81,308	-45,500		35,808	53,269	89,077
	Total Sectors and Business	91,633	-45,500	0	46,133	47,394	93,527
Science and Innovation	Innovation	500	0	0	500	2,562	3,062
	Science	2,479	0	0	2,479	0	2,479

	Total Science and Innovation	2,979	0	0	2,979	2,562	5,541
Infrastructure	Deliver ICT Infrastructure	26,304	-10,000		16,304	0	16,304
	Deliver Property Related Infrastructure	2,152	0	0	2,152	-17,967	-15,815
	Total Infrastructure	28,456	-10,000	0	18,456	-17,967	489
Strategy & Corporate Programmes	Corporate Programmes	79	0	0	79	11	90
	Total Strategy & Corporate Programmes	79	0	0	79	11	90
Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations	62,550	-12,000		50,550	20,050	70,600
	Total Motorway & Trunk Road Network Operations	62,550	-12,000	0	50,550	20,050	70,600
Road & Rail Investment	Road & Rail Schemes	192,585	-136,800		55,785	27,434	83,219

	Total Road & Rail Investment	192,585	-136,800	0	55,785	27,434	83,219
Sustainable Travel	Sustainable Travel	72,447	-5,000		67,447	0	67,447
	Total Sustainable Travel	72,447	-5,000	0	67,447	0	67,447
Improve & Maintain Local Roads Infrastructure	General Capital Funding - Roads	13,667	0	0	13,667	0	13,667
	Total Improve & Maintain Local Roads Infrastructure	13,667	0	0	13,667	0	13,667
Improve Road Safety	Improve Road Safety	6,900	0	0	6,900	0	6,900
	Total Improve Road Safety	6,900	0	0	6,900	0	6,900
	Total Capital - Economy, Science and Transport	471,296	-209,300	0	261,996	79,484	341,480

RESOURCE BUDGET - Annually Managed Expenditure							
SPA	Actions	2015-16 1st Supp Budget June 2015	Non-Recurrent Adjustments	2016/17 Baseline Adjustments	2015-16 Revised Baseline	Budget Changes & Reprioritisation	2016-17 New Plans Draft Budget
Infrastructure	Deliver Property Related Infrastructure - Non Cash	25,000	0	-5,000	20,000	0	20,000
	Total Infrastructure	25,000	0	-5,000	20,000	0	20,000
Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations - Non Cash	47,318	0	-32,364	14,954	0	14,954
	Total Motorway & Trunk Road Network Operations	47,318	0	-32,364	14,954	0	14,954
	Total AME - Economy, Science and Transport	72,318	0	-37,364	34,954	0	34,954

	Economy, Science and Transport - Summary	2015-16 1st Supp Budget June 2015	Non-Recurrent Adjustments	2016/17 Baseline Adjustments	2015-16 Revised Baseline	Budget Changes & Reprioritisation	2016-17 New Plans Draft Budget
	Resource DEL	518,366	-15,500	0	502,866	-18,946	483,920
	Capital DEL	471,296	-209,300	0	261,996	79,484	341,480
	Total DEL	989,662	-224,800	0	764,862	60,538	825,400
	Total Annually Managed Expenditure	72,318	0	-37,364	34,954	0	34,954

	Total - Economy, Science and Transport	1,061,980	-224,800	-37,364	799,816	60,538	860,354
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