

Y Pwyllgor Menter a Busnes
Enterprise and Business Committee

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Edwina Hart AM
Minister for Business, Enterprise, Technology and Science
Welsh Government

17 October 2012

Dear Edwina

Welsh Government Draft Budget Proposals 2013-14

On behalf of the Enterprise and Business Committee I should like to thank you and your officials for attending the Enterprise and Business Committee meeting on 11 October as part of our scrutiny of the Welsh Government Draft Budget Proposals 2013-14.

Our scrutiny this year was supported by an engagement event we held on 27 September where we spoke to a range of organisations about the priorities **they would like to see reflected in the Government's Draft Budget.**

The Committee would like to make a number of recommendations for your **considered response. We are also sending this letter to the Assembly's** Finance Committee to inform its overarching strategic scrutiny of the Draft Budget. Both our letter and your reply will be published on our website.

Bae Caerdydd
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Transparency in the budget

The Committee welcomes the improvements made this year in the **presentation and clarity of the Welsh Government's budget documents and** the papers that Ministers have submitted to Assembly committees. For example, we welcome the fact that you have used baseline figures from the Supplementary Budget 2012-13 (June 2012).

When we carried out our budget scrutiny last year we raised concerns about the lack of alignment between your **portfolio's spending plans and** Programme for Government commitments. We are therefore pleased to see that since then your spending plans for BETS have been reviewed and adjusted to ensure that budgets in 2013-14 and 2014-15 are aligned to deliver the Programme for Government priorities.

Both of these developments have greatly assisted us in our job of scrutinising your budget proposals. There is always room for improvement, however.

1. For next year, we should like you to focus on providing us with more information regarding the outputs, outcomes and targets associated with your budget allocations. Wherever possible we should like to see you define the measurable outputs and outcomes you expect to be achieved by a particular area of expenditure, to enable us to do our job in evaluating the effectiveness of your **Department's activities**.

Accountability

We believe that your Department is making good progress in terms of carrying out regular monitoring of budget and spending against outputs, and we were pleased to hear that you have aligned your **Department's** outputs to its finances. We were particularly interested in the quarterly **"deep dive"** review that is being **undertaken into all of your Department's projects** and initiatives.

2. **Based on the findings of your new "deep dive" reviews**, we should welcome a quarterly report that provides a detailed analysis of the outputs achieved against expenditure within your **Department's** budget. This should include analysis of the cost per job associated with particular projects or programmes as appropriate.

This Committee would also like to carry out post-spend scrutiny and budget accountability in addition to our annual scrutiny of budget proposals.

3. We invite you to appear before the Committee during the next 12 months to enable us to scrutinise how your **last year's** budget and subsequent expenditure delivered identified inputs, outputs, outcomes and value for money.

Affordability

During our scrutiny session on 11 October we discussed how the current **economic circumstances at a UK level are putting the Welsh Government's** budget under pressure, and that future spending review periods could bring further cuts to the Welsh block.

You told us last year that you could potentially acquire “a lot of money” for the development of Enterprise Zones in Wales. We are aware from your comments on 11 October that those discussions are still on-going and that there are issues of prioritisation and commercial sensitivity still to be resolved, but we would like to see clarity soon on the finances and the outcomes.

4. We look forward to your announcing the specific interventions that will be used in each Enterprise Zone, what their intended outputs and outcomes will be and how much resource your Department and others will be allocating to their implementation. We should also like you to clarify what other sources of funding might be used and how.

Similarly, there are other policy areas that are still being developed and where their budgetary implications are still unclear. For example, during the scrutiny session your officials clarified that the UK Government funding of £57 million to expand high-speed broadband throughout Wales was not reflected in your budget.

5. We should like you to clarify as soon as possible your budget allocations for initiatives that are in progress, such as City Regions, Powys Local Growth Zones, reforms to Business Rates and Next Generation Broadband for Wales, together with a clear sense of the desired outputs and outcomes of that spend.

6. We should like information when it is available on the proportion of the Major Events budget that is represented by the work with Cardiff Council to explore the feasibility of bidding to host the Commonwealth Games in 2026. At the same time, could you clarify what the strategic objectives are for hosting the Games. Could we also request a list of the specific projects that are being funded from the Major Events budget.

Prioritisation

In your paper you mention that your priorities are to deliver growth and jobs, and particularly the Science agenda. You also refer to continual monitoring of projects to ensure they are delivering their projected outcomes. Where projects are not found to be delivering as planned, you say that resources are being reallocated to interventions that will deliver jobs and growth.

7. As part of the Programme for Government Annual Report we should like to see you publish, for those cases where significant amounts of funding are involved, the rationale that you use to reallocate resources from under-performing projects to other interventions.
8. As jobs have been identified as a key performance indicator, we should also like you to report on the job outputs achieved by your Department, as part of the Programme for Government Annual Report.

Value for Money

We very much welcome Annex B of your paper, which contains information on the allocations to each of your nine key sectors. This is the first time this level of detail has been provided to us regarding your key sector policy. We note that only six of the nine sector panels have published documents setting out the strategic priorities for their sector, and also that these plans are not currently Welsh Government policy.

You mentioned that you would be willing to provide a further note on the future direction of all the sectors. For us to scrutinise value for money in these policy areas it is essential to know what outcomes you expect from the proposed levels of spending.

9. We should like you to publish final, agreed three-year plans for all nine key sectors that contain information on the measurable

outputs, outcomes and targets you expect to be achieved and how they are expected to contribute to economic growth, to enable us to evaluate whether you are delivering against the identified priorities.

Last year we expressed some concern about the lack of progress being made in setting performance **targets for your Department's activities**.

10. As part of the Programme for Government Annual Report we should like you to publish the analyses you have undertaken of the direct contribution your Department has made to economic growth.

Budgetary processes

Moving forward, we should like to see you continue to build flexibility into your Departmental budgeting so that your officials can be enterprising in developing and supporting initiatives with the private sector. We appreciate that such an approach will require officials to take more calculated risks.

Thank you for assisting the Committee in its work, and we look forward to receiving your response to the points raised in this letter as soon as possible.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nick', with a horizontal line underneath.

Nick Ramsay AM
Chair, Enterprise and Business Committee

c.c. Jocelyn Davies AM
Chair, Finance Committee