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National  
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Wales



**Y Pwyllgor Menter a Busnes  
Enterprise and Business Committee**

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

26 October 2011

Dear Edwina

We wish to thank you and your officials for attending the Enterprise and Business Committee meeting on 12 October as part of our scrutiny of the Welsh Government Draft Budget Proposals 2012–13.

The Committee would like to make a number of comments for your consideration. We are also writing to the Minister for Education and Skills and to the Minister for Local Government and Communities. All three letters are being copied to the Finance Committee to inform its overarching strategic scrutiny of the Draft Budget, and they will be published on our website.

**Presentation of the Draft Budget**

Our responsibility is to scrutinise the expenditure and policies of the Welsh Government and to hold Ministers to account on behalf of the people of Wales. We welcome the fact that the budget tables in your paper either showed year-on-year changes, or enabled these to be calculated, and that the majority of the analysis in your paper also focused on year-on-year changes.

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However, if we are to be effective in our role, we need greater clarity and a greater level of detail in the information presented to us. Our scrutiny task was also made harder as we did not receive your paper until 7 October, the Friday before the scrutiny session.

- 1. We recommend that in future years we should be provided with a budget paper that clearly shows in detail where changes have been made, and from which baselines they have been calculated. We also recommend that in future Draft Budgets the proposed changes should be consistently presented and analysed in the Minister's paper on a year-on-year basis and that we should receive this information at least one week before the budget scrutiny session.**

You have agreed to send us a note on the budget transfers that have taken place so far within the different areas of your portfolio. For the record, we also made a request, through the Clerk, on 28 September, for a breakdown of the allocations within your budget for the following policy areas: the promotion of inward investment; each of your nine key sectors; the repayable business finance scheme; Enterprise Zones; and support for micro-enterprises.

- 2. As we did not receive this information, we would request that these details should be forwarded to us as soon as possible.**

### **Alignment of the Draft Budget and Policy Delivery**

It would appear that all other Welsh Government Department Draft Budgets have been re-aligned to delivering the new Programme for Government commitments. We understood from your response to our questions on this that you are still in the process of finalising your portfolio's spending plans because you are still reviewing key policy areas.

We appreciate that some degree of flexibility will be required to adjust your Department's spending to changes in your priorities, and also to changes in the economic climate as they arise.

However, there also needs to be a core spend that allows us as a Committee to monitor expenditure over consecutive years and to evaluate the activities of your Department against set targets and outcomes. You have stated that such targets are still in the process of being formulated.

- 3. We recommend that you provide us with regular updates on how your budget and your priorities are being aligned, and we would like you to appear again before the Committee in the New Year to inform us on progress in achieving that alignment.**

### **Performance Measurement**

We were concerned about progress in setting performance targets for your Department's activities. We appreciate that the Welsh Government needs to develop a more sophisticated, longer-term approach to measuring and evaluating performance, and that you are currently in the process of developing this work. You also informed us that you were establishing baselines and targets for measuring outcomes.

- 4. We would like you to publish your performance measurement framework as soon as possible and we look forward to scrutinising it in due course.**

### **Repayable Business Finance Scheme**

We understand that the Welsh Government has changed its support to businesses from grants to loans, but as we discussed in the evidence session, we were not able to identify where the revenue stream from that support features in the Draft Budget.

- 5. You offered to provide us with a paper in the New Year on how much revenue can be expected in future from the repayable business finance scheme, and we shall be keen to analyse the detail in due course.**

### **Inward Investment**

You told us that you are aiming for a more coherent approach to inward investment and that resources may need to go further in this area. You explained that you wanted to see an improvement in Wales's position in the UK, greater professionalism, and greater utilisation of "Team Wales". Officials also referred to improvements needed in the quality of Wales's offer and the number of jobs that are brought into Wales.

- 6. We appreciate that you are still reviewing inward investment policy, but we would urge you to identify some clear outcomes that you expect to deliver as a result of your Department's expenditure and activities in this area.**

### **Infrastructure**

You told us that you were confident that sufficient funds will be available for the Next Generation Broadband (or “21<sup>st</sup> Century Access”) project to be delivered, although we appreciate you could not provide us with much detail on the budget allocation for this because of current contract negotiations.

- 7. We recommend that in the event of potential rises in costs during implementation of the 21<sup>st</sup> Century Access project that the Welsh Government will find the resources to meet those additional costs, and that you provide us with more information on this project once the contract has been agreed.**

### **Sustainability**

When we asked you whether a sustainability appraisal had been carried out during the preparation of your department’s Draft Budget, you informed us that you had taken a broad look at sustainability issues. We were therefore pleased to hear that you are going to undertake further work in this area between now and your preparation of the final budget.

- 8. We encourage you to carry out the promised work on a sustainability appraisal of your final budget, and also to consider funding conditions for Welsh Government support for businesses that promote green issues such as carbon emissions reductions and energy efficiency, and which uphold corporate social responsibilities.**

### **First Minister’s Announcement on Economic Stimulus**

The afternoon following the budget scrutiny, the First Minister made an announcement on the Welsh Government’s approach to economic stimulus.

- 9. We would welcome a note at the appropriate time that outlines the extent to which any of the additional money will be allocated to your department, and what it will be intended to deliver.**

### **Additional Information**

- 10. You agreed to send us details of successful projects and savings achieved in relation to the Invest-to-Save and Efficiency and Innovation Programme.**

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 it.

Nick Ramsay AM  
Chair, Enterprise and Business Committee

c.c. Jocelyn Davies AM, Chair, Finance Committee