

National Assembly for Wales
Enterprise and Learning Committee
Welsh Assembly Government Draft Budget 2011-12
30 November 2010

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1. Introduction

1. The Minister for Business and Budget, Jane Hutt AM, published the Welsh Government's Draft Budget 2011-2012 on 17 November 2010. The Enterprise and Learning Committee held a meeting on 24 November to scrutinise Welsh Ministers on the draft budget in the areas within our portfolio – economic development, transport, education and lifelong learning, and skills.
2. We would like to put on record our thanks to Ministers and officials for providing us with written and oral evidence for our short inquiry. We appreciate the considerable work involved in preparing that information, and also the difficult decisions that are having to be made within the current financial framework.
3. This report summarises the main conclusions and recommendations of our scrutiny. We hope that they will be useful to the National Assembly's Finance Committee in its overall consideration of the Welsh Government's strategic approach to setting next year's budget.

2. Economic development

Monitoring and evaluation

4. We challenged the Deputy First Minister and Minister for the Economy and Transport to explain how the draft budget upholds the Government's four strategic priorities of frontline services, protecting the vulnerable, equality of opportunity and economic recovery, and how progress on achieving those outcomes is measured and assessed. We are concerned that there appears to be no rigorous performance framework yet in place.

We recommend that the Welsh Government should develop, as a matter of urgency, a framework for measuring the impact of its economic development policies against strategic objectives.

We also recommend that Welsh Ministers should clarify the role they expect the newly announced Council for Economic Renewal to

play in ensuring that the Government's performance in this area can be regularly held to account.

3. Transport

Sustainable travel

5. We welcome the Deputy First Minister's comment that more money is now being spent on public transport (60 per cent) than on roads (40 per cent).

6. We also value the Welsh Government's concessionary fare policy and would not wish to see any dilution of its success, but we are concerned that it may squeeze other sustainable travel initiatives aimed at increasing the modal shift from private to public transport. The Deputy First Minister acknowledged that because of the way in which the budget is presented it was difficult for us to see the detail of this, so he promised to share with us further information on how decisions have been reached within this part of the budget. We received some information on 29 November, but it still does not enable us to make any meaningful evaluation or comparison of the relative impact of the Government's "continued investment" in this area. We therefore suggest that this issue be explored further by the Finance Committee.

We recommend that the Finance Committee should scrutinise the impact of the Welsh Government's proposals for the future costs of the concessionary fares scheme on both the revenue and capital budgets for developing sustainable travel, and should make recommendations to Ministers for safeguarding other public transport initiatives.

Rail transport

7. During our questioning we were told by the Deputy First Minister that he intends to publish in December a list of rail projects that are going ahead, together with those that will be delayed or cancelled. We believe it will be important for us to look closely at that list when it is available.

8. We welcome the Deputy First Minister's intention to hold further discussions with Arriva Trains Wales in light of the budget to agree on improvements to rail services and priorities. However, we are concerned with Welsh Government officials' comments that we should "rest assured that transport schemes are some of the best-evaluated schemes on which the Government spends money". The Government cannot afford to be complacent.

9. We therefore plan to hold a scrutiny session with the Deputy First Minister early in the New Year when we shall question him further on these issues as part of a wider discussion on progress made since we published our report in January 2010 on the Future Railway Infrastructure in Wales. Progress on rail schemes will depend on the cooperation of Network Rail and in some cases will also depend on its providing a proportion of the funding. We would therefore like to signal our intention to involve Network Rail as part of that scrutiny.

Road transport and safety

10. We understand that the Deputy First Minister will be making an announcement on the whole Trunk road scheme package in December, and we plan to hold a full scrutiny session on that announcement in the spring term.

11. However, the proposed reductions in the budget for road safety and environmental improvements concern us greatly, particularly as delivery of policy in this area relies on wider partnerships with local government. The central squeeze on road safety initiatives will therefore be further compounded by the budgetary pressures of individual local authorities.

12. We are also concerned with Welsh Government officials' responses that road safety will be built into new road projects. We accept the need to mainstream road safety in that way, but so many of Wales's roads are not new. In our view this is a case of passing the buck to other organisations that will also have difficulty in meeting safety costs. In the whole scheme of things, this is relatively small expenditure but it yields huge benefits: it is changing the behaviour of motorists and other road users that most requires revenue funding. We aim to return to this issue in the New Year as part of a follow-up scrutiny session on our report published in September 2009 on Casualty Reduction and Trunk Road Management.

We believe it is imperative that Wales's excellent record in road safety be maintained and we therefore recommend that the Finance Committee question the Welsh Government further on the cost-effectiveness of proposals to reduce its road safety budget.

4. Education

Higher Education

13. We believe that a vibrant higher education sector is key to Wales's economic development. We therefore welcome the Minister's comment that Wales needs to aim for excellence and to be internationally competitive in its higher education system.

14. We look forward to examining the Minister's response to the Browne review of higher education as we are concerned that higher education institutions will face double cuts – both from the Welsh Government's draft budget and from reductions in their other sources of funding. We plan to revisit this issue in the spring term when we shall review progress against recommendations identified in our October 2009 report on the Economic Contribution of Higher Education in Wales.

Schools

15. We would like to put on record our support for the Minister in securing funding for the Foundation Phase. We shall be very interested to hear the findings of the Minister's task and finish group on the structure of education delivery in Wales, which we were told will also include a consideration of funding for schools.

16. Regarding school breakfasts we welcome the Minister's openness to consider the economic impact of the initiative, although we accept that this is not the primary purpose of the scheme.

We recommend that the Welsh Assembly Government should build into future evaluations the contribution that the school breakfasts initiative makes to economic development.

Skills

17. We also support the Welsh Government's policy to protect funding for skills. However, we see the need for a more joined-up approach to ensure the work being done in the further education sector, 14-19 Learning Pathways and in modern apprenticeships can meet the identified needs of the economy. It is imperative that public money should be spent in the best way possible.

European Social Funding

18. The Deputy Minister told us the Welsh Government was currently reviewing the European Social Fund programme and that she was confident that match-funding for ESF projects was secure. We still seek further reassurances, however, that in this financial climate Wales does not compromise its ability to deliver important education and skills projects by failing to draw down ESF funding.

We recommend that the Finance Committee scrutinise further any risk of underspend in the European Social Funds programme as a result of the draft budget proposals.

5. Capital funding

19. Several times during our scrutiny of Ministers there appeared to be a pragmatic approach to protecting the existing capital budget by exploring alternative funding models such as public private partnerships. The Minister told us he was "entirely open to alternative capital" for schools and colleges, which was refreshing to hear. We know that Scotland has developed a distinctive approach in this area and we consider there would be public benefits to considering the suitability of a Welsh approach to this type of funding model.

We recommend that the Welsh Government should carry out an evaluation of the merits of different public private partnership models as a means of generating alternative sources of funding to deliver capital projects and also of saving on revenue expenditure over the longer term.