

## Memorandum on the Business, Enterprise, Technology and Science (BETS) Draft Budget Proposals for 2012/13

Enterprise and Business Committee - 12th October 2011

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### Introduction

This paper provides information on the BETS budget proposals as outlined in the draft budget announced on 4th October 2011. This paper does not cover detail relating to the Deputy Minister for Agriculture, Fisheries and European programmes. It also does not cover detailed items relating to Tourism and Major Events which are being scrutinised by the Communities, Equality and Local Government Committee on the 19<sup>th</sup> October.

### Summary of Budget Changes

The total Main Expenditure Group (MEG) allocation has increased by £1m in 2012/13 and £1m in 2013/14, compared to indicative plans for 2012/13, published in the Final Budget 2011/12, (as restated based on the new structure in the First Supplementary Budget 2011/12), The indicative plan for 2014/15, is £263.8m (the same as in 2013/14).

The additional resource funding is associated with the National Science Academy with a transfer of £1m per annum. A revenue budget of £2.7m for innovation schemes has been realigned to the Encouraging Innovation SPA and £0.3m for strategic programme support has also been realigned to the Strategy and Corporate Programmes SPA

The draft budget for 2012/13 for BETS contains only minor changes in comparison to the Department's indicative budget allocations in the previous Welsh Government budget. These adjustments clarify the allocation of resources for delivery in specific areas.

The table below shows the overall effect on the DEL baseline budget.

	2011/12 Supplementary Budget £'000	Changes £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Revenue	184,095	(2,776)	181,319	182,877	182,877
Capital	94,588	(6,132)	88,456	79,370	79,370
Non Cash	1,551	0	1,551	1,551	1,551
AME	41,402	0	41,402	41,402	41,402
DEL	321,636	(8,908)	312,728	305,200	305,200

The £8.908m reduction is primarily from the following budget areas:

### **Revenue £2.776m**

- A net reduction in funding of £2.722m in the Sectors & Business Group reflecting reductions in legacy Single Investment Fund (SIF) commitments, core funding for Finance Wales and transfers to Innovation and Corporate and Strategy Programmes;

- A reduction of £0.128m in Tourism, Marketing and Major Events activities;
- An additional £0.945m provided for ICT infrastructure;
- An increase of £0.203m for corporate services and programmes reflecting the transfer of funding for stakeholder engagement from Sectors to Strategy Programmes
- A reduction of £1.074m relates to rural affairs

### **Capital £6.132m**

- Net reduction of £6.132m from efficiency savings and refocusing business support in line with profiled commitments for legacy SIF in order to release funds in support of ICT infrastructure and Sectors

### **Funding of Spending Programme Areas**

The Minister for Finance and Leader of the House announced the Round IV projects under the Invest-to-Save fund in June 2011. It included Public Sector Broadband Aggregation (PSBA) projects for accelerating the benefits of broadband in North Wales and other schemes with £4m allocated in the supplementary budget for 2011/2 and £1m made available in 2012/13.

#### Sectors & Business

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Sectors and Business	Revenue	48,871	43,826	43,856	43,856
	Capital	69,129	59,992	43,711	43,711
	<b>TOTAL</b>	<b>118,000</b>	<b>103,818</b>	<b>87,567</b>	<b>87,567</b>

The total budget of £103.8m includes £89.4m for business support in 2012/13 to create an environment to help develop thriving companies. £14.4m will be allocated for entrepreneurship and business information

Six priority sectors were announced in 2010 with three additional sectors announced last month. Sector priorities will inform budget allocations, as previous commitments cease and funding is released for new priorities. We will continue to work closely with UK Trade & Investment (UKT&I) across international markets, to promote Wales as an inward investment location and to promote Welsh companies in international markets.

Funding of over £1.5m is available for trade activity for export activities which sectors can draw on.

£14.4m support for entrepreneurship and business information will include youth entrepreneurship, start-up support to encourage self employment and the creation of high potential starts and responsible business practices. This will also include ensuring that the mutual and co-operative sector has access to appropriate and robust business advice. Responsible Business practices will facilitate corporate social responsibility commitments for the Department.

The reduction of £14.182m from 2011/12 represents savings from re-profiled commitments on legacy SIF and efficiency savings redirected to meet other pressures within the DEL.

#### Finance Wales

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Finance Wales	Revenue	5,102	4,802	4,102	4,102
	Capital	1,500	1,500	1,500	1,500
	<b>TOTAL</b>	<b>6,602</b>	<b>6,302</b>	<b>5,602</b>	<b>5,602</b>

This includes core funding to Finance Wales to provide investments for businesses in Wales and provision of capital to support the JEREMIE fund. The reduction of £0.300m represents efficiency savings in the operating costs of Finance Wales and will not adversely impact the operational delivery to SMEs.

#### Encouraging Innovation

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Encouraging Innovation	Revenue	3,162	5,785	5,800	5,800
	Capital	433	357	300	300
	<b>TOTAL</b>	<b>3,595</b>	<b>6,142</b>	<b>6,100</b>	<b>6,100</b>

£6.1m has been allocated to encourage businesses to invest in Innovation and develop links with academia through the Business Innovation, A4B and Research, Development and Innovation programmes.

The net increase of £2.547m from 2011/12 reflects the transfer of £2.656m for Innovation based programmes from Sectors and Business. The funding for activities under the Academia for Business (A4B) programme is included within Sectors and Business activity, reflecting alignment of this programme to support sector and business activity. Efficiency savings of £0.109m are being achieved through rationalisation and focussing support.

The budget includes £1m funding for the National Science Academy (NSA) to encourage young people to engage with Science, Technology, Engineering and Mathematics subjects.

#### Regional Funding

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Regional Funding	Revenue	2,005	2,005	2,005	2,005
	Capital	995	995	995	995

	<b>TOTAL</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
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£3m of Regional Funding will align with Programme for Government commitments. Proposals are being developed for Regional Funding and will be agreed for delivery during 2011/12.

#### Tourism and Marketing

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Tourism	Revenue	12,747	12,723	12,626	12,626
	Capital	2,790	2,595	2,313	2,313
	<b>TOTAL</b>	<b>15,537</b>	<b>15,318</b>	<b>14,939</b>	<b>14,939</b>

£18.1m funding for tourism (£15.318m) and marketing (£2.796m) actions will focus on increasing visitor demand and conversion, developing the visitor experience and facilitating relevant marketing campaigns. Administering the Tourism Investment Support Scheme and the UK harmonised grading schemes effectively will support improved product quality and higher levels of competitiveness in the tourism sector. The overall reduction of £0.219m represents efficiency savings in tourism actions.

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Marketing	Revenue	2,840	2,796	2,815	2,815
	<b>TOTAL</b>	<b>2,840</b>	<b>2,796</b>	<b>2,815</b>	<b>2,815</b>

Marketing supports key campaigns and activities to help communication and success of delivery of BETS programme and projects. Efficiency savings of £0.044m from 2011/12 will be realised through focussed campaigns and rationalisation of procurement and supporting activities.

#### Major Events

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Major Events	Revenue	3,930	3,870	3,897	3,897
	<b>TOTAL</b>	<b>3,930</b>	<b>3,870</b>	<b>3,897</b>	<b>3,897</b>

£3.9m funding for Major Events will support work with national, UK and international sports federations to ensure more major events are hosted in Wales in the future, ensuring that the whole of Wales reaps the benefits of this

ambition. The budget will also support work with Cardiff City Council to explore the feasibility of bidding to host the Commonwealth Games in 2026. The reduction of £0.060m from 2011/12 represents efficiency savings.

#### Infrastructure

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Infrastructure	Revenue*	20,161	21,106	22,262	22,262
	Capital	6,291	10,031	18,456	18,456
	<b>TOTAL</b>	<b>26,452</b>	<b>31,137</b>	<b>40,718</b>	<b>40,718</b>

\* excludes non fiscal resource DEL of £1,309k

£31.1m (excluding non fiscal resource DEL) support for Property Related Infrastructure, ICT Infrastructure and the Next Generation Broadband for Wales project (NGBW). In respect of Property Related Infrastructure, the current property policy area covers management of the existing property portfolio, land reclamation programme and property offers to business.

A breakdown of the allocation within the budget for the NGBW cannot be ascertained until final bids are received from the bidders involved in the ongoing competitive process. A blend of Welsh Government, European Union and UK Government funding will be used to leverage private sector investment to support the project.

#### Rural Affairs

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
Rural Affairs	Revenue*	79,078	78,004	79,074	79,074
	Capital	13,001	12,569	11,723	11,723
	<b>TOTAL</b>	<b>92,089</b>	<b>90,573</b>	<b>90,797</b>	<b>90,797</b>

\* excludes non fiscal resource DEL of £242k

£90.6m support for rural businesses and communities will promote the sustainability of the farming, fisheries and agri-food industries and their associated supply chains in a way that enhances the socio economic, environmental and cultural cohesion of rural Wales. Making progress toward these outcomes involves working with key partner organisations as well as with other devolved administrations in the UK and EU. All aspects of Fisheries policy and strategy, legislation, fisheries management, enforcement and administration of the European Fisheries Fund will be supported as well as developing and marketing the Welsh food and drink industry.

#### Strategy & Corporate Programmes

Action	Expenditure Category	2011/12 Supplementary Budget	2012/13 Proposed Budget	2013/14 Indicative Plans	2014/15 Indicative Plans
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		£'000	£'000	£'000	£'000
Strategy & Corporate Programmes	Revenue	4,677	4,880	4,918	4,918
	Capital	449	417	372	372
	<b>TOTAL</b>	<b>5,126</b>	<b>5,297</b>	<b>5,290</b>	<b>5,290</b>

£5.3m supports the Health Challenge Programme, National Loans Fund repayments, and strategy support activity. This budget line also supports the economic analysis which underpins many spending decisions. The net additional £0.171m from 2011/12 reflects a transfer of funding from sectors to strategy programmes relating to stakeholder engagement

#### Welsh European Funding Office (WEFO)

Action	Expenditure Category	2011/12 Supplementary Budget £'000	2012/13 Proposed Budget £'000	2013/14 Indicative Plans £'000	2014/15 Indicative Plans £'000
WEFO	Manage Delivery of Structural Fund Programmes in Wales	1,522	1,522	1,522	1,522
	<b>TOTAL</b>	<b>1,522</b>	<b>1,522</b>	<b>1,522</b>	<b>1,522</b>

WEFO will continue to manage, monitor and report on the implementation of the EU Structural Fund programmes in Wales and ensure the alignment of EU Structural Fund programmes and projects with Welsh Government policies and EU policies and strategies.

#### Impact Assessments

An equality impact assessment process was undertaken when the indicative allocations were laid in the Final Budget of February 2011 and this remains relevant for the Draft Budget. We are currently focussing equality impact assessment at planning and implementation phase across the various areas of the department. This will include an action plan which will identify how the Department can assess impact across the span of its work.

In terms of sustainable development, we are working to encourage a low-carbon, low-waste and resource-efficient economy, working closely with businesses, collaborating with key partners and preparing sector strategies.