

Memorandum on the Economy, Science and Transport (EST)

2013-14 Second Supplementary Budget

Enterprise and Business Committee – 19 February 2014

1.0 Introduction

The purpose of this paper is to provide a note to the Committee following the tabling of the Second Supplementary Budget on 11 February 2014 to explain the changes to the allocations in comparison to the 2013-14 First Supplementary budget.

The overall budget changes are outlined in the Departmental Chapter per the attached link:

<http://wales.gov.uk/funding/budget/2nd-supplementary-budget-2013-2014/?lang=en>

Realignment of Budgets To Delivery Plans

Inevitably throughout the year there are changes in profiles such as delivery of major projects and macro economic challenges. Budgets are subject to monitoring on a continuous basis. Following evaluation of budgets and delivery in year the changes have been made to maximise the impact of the objectives outlined in the Programme for Government.

A summary of the budget transfers and other movements is provided in a table at Annex A.

Revenue Reductions - £11m

As set out in the Supplementary Budget Explanatory Note, £11m was transferred from the Economy, Science and Transport MEG as a contribution to manage in-year pressures.

In identifying these savings and meeting the challenges of revenue reductions, budgets have been aligned to priorities and a level of savings has been achieved primarily through efficiencies. In the long term, affordability is a challenge but negotiations to achieve long term savings which limit the impact on services are in progress for key contracts, especially in regards to savings on Transport budgets. The following table summarises the impact by Action:

ACTION	REVENUE £'000	IMPACT OF CHANGE
Entrepreneurship & Business Information	3,415	Available due to the increase in the intervention rate for the Start Up programme.
Innovation	1,533	Released following the increased income drawdown for EU projects.
Deliver ICT Infrastructure	1,606	Efficiency savings in the delivery of Superfast Cymru project.
Deliver Property Related Infrastructure	466	Efficiency savings in the management of the property portfolio.
Corporate Programmes	147	Efficiency savings in the Customer Relationship Management system.
Finance Wales	500	Efficiency saving for a reduction in the funding of the operating grant.
Sustainable Travel	2,963	Released following a review of the concessionary fares revenue requirement.
Improve Road Safety	370	Released from a surplus identified in grant funding.
Total	11,000	

Financial Transaction Funding - £32.5m

The allocation from central reserves for £32.5m will provide access to finance, support business growth, exports and create / safeguard jobs. In the Draft Budget 2014-15 financial transactions funding of £10m was allocated to Cardiff Airport which was profiled 2013-14 £5m and 2014-15 £5m. This has subsequently been reprofiled in line with the funding drawdown and delivery in the business plan to 2014-15 and 2015-16. The first phase of capital improvement works has commenced in line with the business plan and timed to ensure minimum disruption to services. Funding of £29.5m in year will support the Life Science Fund. This investment has the potential to reinvest in future Welsh businesses. The remaining funding will support new funds in development to support businesses.

Non Cash Allocations - £18.491m

Additional allocations from the Central Reserve made to cover estimated additional depreciation for capital assets in the following business areas:

- Deliver ICT Infrastructure - £1.491m – Fibrespeed project.
- Improve & Maintain Trunk Road Networks - £17m – roads network.

Finance Wales Repayment - £14.65m

The transfer reflects reducing financial obligations of Finance Wales to its external lenders - European Investment Bank. The accounting adjustment has no effect on the EST capital budget.

Superfast Cymru Funding - £21.955m

The transfer from the Department for Culture, Media and Sport (DCMS) is the second tranche of £56.9m to the project from the UK-wide National Broadband Scheme. The drawdown is per the agreed profile with BDUK. The funding has been reprofiled to future years as European funding is being maximised in year. It is being managed to accelerate projects delivering growth and jobs and statutory obligations on the transport road network

South East Wales Integrated Transport £3.5m - (2014-15 £28.7m 2015-16 £29.8m)

The capital allocation supports this transformational scheme to create a South East Wales metro system with better bus and rail links. The Ebbw Vale railway station and extension supported by £11.5m funding already approved is also part of this important programme.

ANNEX A - TRANSFERS WITHIN THE EST MEG

ACTION	REVENUE £'000	CAPITAL £'000	IMPACT OF CHANGE
Transfers Out			
Innovation	4,906		Transfer to Sectors Action £2,906k and £2,000k to Marketing Action. Revenue budget released following the increased income drawdown for EU projects
Sustainable Travel	5,000		Transfer to Rail & Air Services Action. Revenue available following the review of the indicative revenue requirement for concessionary fares.
Legacy SIF		2,500	Transfer to Motorway & Trunk Road Operations Action. Capital budget released from reducing commitments of the Legacy SIF programme.
Deliver ICT Infrastructure		26,000	Transfer to Sectors Action Capital of £20,000k and Motorway and Trunk Roads Action £6,000k. Capital budget is available as the Next Generation Broadband UK project funding has been reprofiled to future years as the EU drawdown has been accelerated in year.
Road & Rail Schemes		5,000	Transfer to Sustainable Travel Action Capital of £5,000k available from reprofiling road projects
Transfers In			
Sectors	2,906	20,000	Transfer from Innovation Action £2,906k to support revenue requirements for the Wales Rally GB and the Life Sciences Hub. Capital of £20,000k has been increased for projects delivering growth and jobs.
Marketing	2,000		Transfer from Innovation Action £2,000k to support additional promotion activity to support growth and jobs.
Rail & Air Services	5,000		Transfer from Sustainable Travel Action. Revenue required to meet inflationary pressure associated with the rail franchise.
Motorway & Trunk Road Operations		8,500	Transfer from Legacy SIF Action £2,500k and £6,000k from Deliver ICT Infrastructure. Capital budget has been increased to meet statutory obligations for the network.
Sustainable Travel		5,000	Transfer from Road & Rail Schemes of £5,000k to meet the indicative capital requirement for concessionary fares funding.
Net Impact	nil	nil	