

Response from ConstructionSkills Wales to the Finance Committee consultation on the Welsh Government draft budget proposals for 2012 – 13

Introduction

ConstructionSkills Wales (CSW) welcomes this opportunity to comment on the Welsh Government's draft budget proposals for 2012 – 13. CSW fully recognises that this initial consultation is based on indicative figures and at the time of writing the Welsh Government has not published its budget for 2012 – 13. As the Welsh arm of the national Sector Skills Council for the construction sector, CSW has an interest in all skill levels and how the appropriate training for our sector is delivered across Wales.

As a Sector Skills Council we are predominantly concerned with the provision of good quality training and apprenticeships, company development, sector specific skills training and the spread of best industry and workplace practice within our specific sector, however CSW welcomes this opportunity to comment on the future funding of specific departments within the Welsh Government as this clearly has an effect on our work and that of our employers.

1. Looking at the indicative budget allocations for 2012 – 13, do you have any concerns from a strategy, overarching perspective?

After examining the indicative budget allocations for 2012 – 13 as outlined, ConstructionSkills Wales welcomes the restructuring that the Welsh Government has completed in relation to the departmental MEGs following the Welsh General Election this year.

Overall it is clear that the indicative budget proposals for 2012 – 13 reflect the priorities of the Welsh Government set out in the Welsh Labour manifesto and the legislative programme announced on 12 July (with a large proportion of the budget allocated to health¹, social care and communities related issues). This is not to say that CSW agrees with the overall approach and would strongly recommend that future Welsh Government spending plans reflect the importance of the construction sector in Wales and the importance of business development and skills training to the Welsh economic recovery and future sustainability.

CSW is also concerned by the apparent arbitrary separation of the business portfolio from the transport portfolio. As the voice of the construction sector in Wales on skills, the proper use of major infrastructure projects to boost skills, job creation and opportunities for the sector is vitally important. With the divorcing of the transport portfolio from the business portfolio, CSW would expect to see a significant lack of a strategic approach in the coming months and years.

In order to maximise the output from major projects it is essential that a strategic, overarching perspective is taken in relation to infrastructure: roads and connectivity projects must relate to business investment and job opportunities. By removing the transport portfolio from the business brief, the new Minister for Business, Enterprise, Technology & Science is

¹ CSW fully recognises that the Health MEG has historically been the largest spending department given its wide range of work across Wales, but it is clear from the Welsh Labour manifesto and programme for government that health and social policy issues will remain a priority.

prevented from taking a strategic, pan-Wales approach to economic development, which by definition must include major infrastructure (including transport) projects².

2. Looking at the indicative budget allocations for 2012 – 13, do you have any concerns about any specific areas?

Table 2.7, p.11 of the Supplementary Budget 2011 – 12 (Explanatory Note) outlines the MEG allocations and the restated indicative allocations for 2012 – 13. This was useful in establishing an overview of the specific MEG allocations.

Housing, Regeneration & Heritage

CSW is concerned to see a reduction in the budget allocations to this MEG, when taking into account the ambitions for the Housing Bill which the Welsh Government has outlined. A significant amount of work will have to be put into this legislation if it is to meet the triple aims of tackling homelessness, improving standards and availability of housing and improving tenants' rights / housing services.

Table 2.7 indicates that the indicative allocation for the HRH MEG will be reduced by £28,423 in 2012 – 13 and then a further £30,947 in 2013 – 14³. This appears at odds with the indicative timeline for consulting and introducing the Housing Bill (2013). CSW is concerned that this incredibly important issue and potentially very powerful piece of legislation will be being consulted on and introduced precisely when the department responsible for the Bill is experiencing significant budget reductions.

Furthermore CSW is concerned that there appears to be little information available at this stage about the level of funding being made available and the potential implications of bringing forward and introducing the Housing Bill will affect the departmental budget.

Business, Enterprise, Technology & Science

CSW recognises that the significant reduction in the revised MEG allocation for the BETS DEL comes largely as a result of the removal of the transport responsibilities. However, the BETS department will still be responsible for the bulk of activity relating to the *Economic Renewal Programme* and economic development. CSW firmly believes that economic growth and stable recovery for the Welsh economy should be the primary focus of the Welsh Government. To this end we have already outlined our concerns over the lack of an integrated approach to major infrastructure projects and the reductions of £9908 in 2012 – 13 and a further £7528 in 2013 – 14⁴ will continue to limit the number of ways in which the department will be able to support indigenous Welsh companies.

It is also unclear at this stage, both from the indicative allocations and as a result of any clear policy decisions from the Welsh Government as to how the sector support alluded to in the *Economic Renewal Programme* will manifest itself. Furthermore, in Table 5.1 (p.18, Supplementary Budget 2011 – 12 Explanatory Note) does not include any information on how the "Sectors and Business" budget line will be broken down in terms of supporting

² CSW recognises that this it is a matter for the Welsh Government as to how the Welsh Government departments are organised, however we do feel that the reorganisation of the business and transport responsibilities will have a future impact on the strategic direction of funding for economic development.

³ These figures, as they are referred to in various documents, are in £000s.

⁴ *ibid*

anchor companies, the six key sectors as well as the regionally important businesses, all of which the Welsh Government has pledged to support in some fashion.

Education & Skills

Given the importance of skills as part of the economic recovery of Wales, CSW is pleased that by 2013 – 14 the indicative budget appears to indicate an increase for the MEG, however the allocations for 2012 – 13 does include a significant reduction from £1,800,174 down to £1,788,933⁵. Furthermore the slight increase in 2013 – 14 by no means brings these indicative levels back up to 2011 – 12 levels.

CSW does welcome the additional £5,000k to the Business & Skills SPA for the Adapt programme. However, CSW are concerned as to how the increased burden on the tuition fee fund provided by the Welsh Government for Welsh domiciled students will impact the long term sustainability of the Education & Skills budgets.

Environment & Sustainable Development

The ESD MEG allocations are another area where CSW is concerned about the lack of future investment and forward planning. The figures for 2012 – 13 and for 2013 – 14 indicate a reduction in funding of £20,371 and of £7060⁶. As with the Housing allocations discussed above, the ESD department is potentially facing three major pieces of legislation over the coming few years – the Planning, Sustainable Development and Environment Bills. Furthermore, the First Minister in his statement on 12 July said his intention is that the Sustainable Development Bill (as well as the general direction of future policy) will “*set Wales apart as a sustainable nation*” and that “*sustainability lies at the heart of the Welsh Government’s agenda for Wales*”. CSW believes that these commitments are not reflected in the budget allocations indicated at this stage.

3. What expectations do you have of the 2012 – 13 draft budget proposals? What spending commitments and priorities would you like to see in the 2012 – 13 draft budget proposals?

CSW would expect that the 2012 – 13 draft budget proposals accurately reflect the commitments and priorities for economic recovery. For example if adequate funding were not allocated in order to properly reform and legislate in the area of planning, the result could be an even more complex situation than Wales has at the moment. Furthermore, CSW would expect significant focus be given to the following areas in the draft 2012 – 13 budget:

- Skills and training
- Supporting indigenous Welsh SMEs
- Support for sectors / companies which fall outside of the six *ERP* sectors
- Managing the implementation of building regulations (being devolved at the end of 2011)

⁵ These figures, as they are referred to in various documents, are in £000s.

⁶ Ibid

4. The new Welsh Government has not yet published a programme of government. However, the Welsh Government has emphasised that it is seeking to deliver an outcomes-based approach, with the First Minister declaring that “delivery will be the watchword of the next Welsh Labour government”. What – if any – outcomes do you believe the Welsh Government should be trying to achieve with its 2012 – 13 draft budget?

CSW welcomes the focus on “delivery” which the Welsh Government has indicated it will be pursuing in the 4th Assembly. Ultimately the allocation of funding must be based on best value for money in terms of outcomes. Delivery must be based on pre-agreed and pre-established outcomes. For example these outcomes could be included as part of the final budget document and therefore allow bodies such as the Finance Committee, but also other organisations measure the success, or not, of the Welsh Government.

In addition there must be a rigorous examination of the mechanisms employed to fund external bodies and the amounts allocated to these bodies. Those organisations which add value to the work of the Welsh Government or ensure delivery in areas where the Welsh Government has recognised there is a need for additional support must be supported. Equally where the Welsh Government has identified the need for external advocacy or expertise this too must be funded appropriately so they can continue their work. This rigorous examination should also be designed to identify the potential duplication of funding streams to the same organisation, or the duplication of funding the same work across different organisations. Where duplication of funding is identified, the Welsh Government departments responsible should work together on a rationalisation process to remove surplus funding streams or projects.

Finally, CSW would seek clarification from the Finance Committee and the Welsh Government as to what role the First Minister’s Delivery Unit will have in monitoring and publishing the results of these outcomes.

5. Can you suggest any elements that should be in the 2012 – 13 draft budget proposals to support more effective collaborative working?

Joined up approach to policy

Joining up the work of departments at the Welsh Government is essential if savings are to be delivered and value for money ensured. A “whole-government” approach must be taken when discussing policy development. For example, a major infrastructure or housing project should not only fall within the purview of the Minister for Business, Enterprise, Technology & Science or Minister for Housing, Regeneration & Heritage, but should also ensure that the education and skills team are working on the project (to exploit training, apprenticeship and work-based learning opportunities) as well as teams from the Department for Environment & Sustainable Development and Department for Health & Social Services.

This approach will not only deliver savings but will also ensure a holistic approach to issues such as tackling youth unemployment, graduate retention, job creation and assist in the

delivery of the associated benefits – healthier population, stronger communities and families and a more sustainable environment. When reductions in particular projects (major infrastructure developments or housing projects) are discussed as part of the budget scrutiny it must be remembered that these reductions will have a “knock-on” impact on work-based learning opportunities and the number of possible apprenticeship placements.

Information and consultation

As with future legislation and regulation, the publication and notification of spending priorities from the Welsh Government should be made as early as possible. Any changes to spending priorities or budget allocations should be **clearly** outlined in the explanatory information, with information provided by the Welsh Government as to the reasons behind the changes and the expected impact of these decisions. Without this information the success of the decision cannot be effectively judged.

This early publication and notification will also aid with consultation with as large a number of organisation as possible. Furthermore, CSW believes that if the Welsh Government and the Finance Committee are able to consult for an appropriate length of time with a range of organisations (and CSW is pleased to have this opportunity comment at this early stage) it will ensure that the Welsh Government’s budgets are not presented (or at least **perceived**) as a *fait accompli*.

If the Finance Committee would like further information about ConstructionSkills Wales, please contact dave.hoare@grayling.com.