

## Agenda Supplement – Finance Committee

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Meeting Venue:

**Committee Room 3 – Senedd**

Meeting date: 19 October 2016

Meeting time: 09.00

For further information contact:

**Bethan Davies**

Committee Clerk

0300 200 6372

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Please note the documents below are in addition to those published in the main Agenda and Reports pack for this Meeting

### **Welsh Government Draft Budget Proposals 2017–18: Consultation Responses**

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#### **3 Welsh Government Draft Budget 2017–18: Consultation Responses**

(Pages 1 – 219)



**Y Pwyllgor Cyllid**

Cynigion Cyllideb Ddrafft Llywodraeth  
Cymru ar gyfer 2017-18

**Ymatebion i'r Ymgynghoriad  
Hydref 2016**



**Finance Committee**

Welsh Government Draft Budget Proposals  
2017-18

**Consultation Responses  
October 2016**

## Cynnwys | Content

\*Ar gael yn Gymraeg /Available in Welsh

<b>Id</b>	<b>Sefydliad</b>	<b>Organisation</b>
WGDB_17-18 01	Consortiwm Manwerthu Cymru	Welsh Retail Consortium
WGDB_17-18 02	Sefydliad y Peirianwyr Sifil Cymru	Institution of Civil Engineers (ICE) Wales Cymru
WGDB_17-18 03 *	Cymdeithas yr Iaith Gymraeg	Cymdeithas yr Iaith Gymraeg
WGDB_17-18 04	ATL Cymru	ATL Cymru
WGDB_17-18 05	Cyngor Bwrdeistref Sirol Wrexham	Wrexham County Borough Council
WGDB_17-18 06	Oxfam Cymru	Oxfam Cymru
WGDB_17-18 07	WWF Cymru	WWF Cymru
WDGB_17-18 08	Y Brifysgol Agored yng Nghymru	Open University of Wales
WDGB_17-18 09	Llywodraethwyr Cymru	Governors Wales
WDGB_17-18 10	Chwarae Teg	Chwarae Teg
WDGB_17-18 11*	Prifysgol Caerdydd	Cardiff University
WDGB_17-18 12	Welsh Women's Aid	Welsh Women's Aid
WDGB_17-18 13	Cymorth Cymru	Cymorth Cymru
WDGB_17-18 14	Ymddiriedolaeth Gofalwyr Cymru	Carers Trust Wales
WDGB_17-18 15	Fforwm Gofal Cymru	Care Forum Wales
WDGB_17-18 16	Prifysgolion Cymru	Universities Wales
WDGB_17-18 17	Cyfeillion y Ddaear Cymru	Friends of the Earth Cymru
WDGB_17-18 18	Shelter Cymru	Shelter Cymru
WDGB_17-18 19	Comisiwn Cydraddoldeb a Hawliau Dynol	Equality and Human Rights Commission
WDGB_17-18 20	Cyngor Gweithredu Gwirfoddol Cymru	Wales Council for Voluntary Action

WDGB_17-18 21	Sefydliad Bevan	Bevan Foundation
WDGB_17-18 22	Confederasiwn GIG Cymru	Welsh NHS Confederation
WDGB_17-18 23	Cartrefi I Gymru	Homes for Wales
WDGB_17-18 24	Cartrefi Cymunedol Cymru	Community Housing Cymru
WDGB_17-18 25	Undeb Prifysgol a Chloeg Cymru	University and College Union
WDGB_17-18 26	Cymdeithas Llywodraeth Leol Cymru	Welsh Local Government Association

# OPEN FOR BUSINESS:

## GROWING A MORE PRODUCTIVE AND COMPETITIVE WELSH ECONOMY

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RETAIL INDUSTRY RECOMMENDATIONS TO THE WELSH GOVERNMENT  
FOR ITS BUDGET & SPENDING REVIEW 2017-18





MAKING A POSITIVE DIFFERENCE  
TO THE RETAIL INDUSTRY AND  
THE CUSTOMERS IT SERVES

## ECONOMIC

RETAIL  
CONTRIBUTES

6%

OF WELSH GVA



21%



IN WALES RETAIL ACCOUNTS  
FOR OVER A FIFTH OF  
ALL BUSINESS RATES

## INDUSTRY

OPEN

13,170

RETAIL OUTLETS  
IN WALES, 2015

9%

OF WELSH  
BUSINESSES  
ARE RETAILERS.

8,265

CURRENT TOTAL

ACROSS THE UK  
RETAIL PAYS

£32<sub>BN</sub>

TAX PER  
YEAR

## EMPLOYMENT

**135,897**  
RETAIL JOBS  
IN WALES



**RETAIL**



IS THE LARGEST  
PRIVATE SECTOR EMPLOYER  
**IN WALES**

RETAILERS INVEST

**£1,130**

IN TRAINING  
EACH EMPLOYEE



## CONSUMERS

**WELSH  
CONSUMERS**

**PAY**  
**2.4%**  
**LESS**

FOR THEIR BASKET  
THAN THE UK AVERAGE



**2.5**  
MILLION

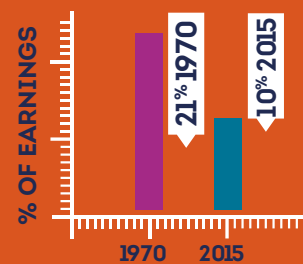
CONSUMERS  
IN WALES



**11**  
MILLION

TRANSACTIONS  
PER WEEK

THE WEEKLY FOOD SHOP



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# EXECUTIVE SUMMARY

Retail is an industry undergoing enormous structural change during a sustained period of weak demand. In that context, expanding government-imposed costs have become an acute issue. The industry was already contending with this challenging backdrop prior to the vote in favour of Britain leaving the European Union.

In light of the Brexit vote there is now an even greater need for the Welsh Government and Assembly as a whole to look afresh at the increased burdens facing retailers and consumers, and take steps to support the industry and promote future growth.

We look forward to engaging with the Welsh Government and the National Assembly for Wales in the fifth term. To ensure that Wales remains open for business and competitive we would urge elected members and decision makers to engage with the largest private sector employer in Wales, the retail industry, to support decisions which will provide investment and long term economic growth for communities across Wales.

Specifically, Welsh Ministers should:

- Work with the industry to deliver a retail strategy which sets out a clear road-map for future tax and regulatory changes for the decade ahead
- Press ahead with fundamental reform of business rates so that a modernised, sustainable, strategically coherent and competitive rates system can be in place
- Ensure firms in Wales which pay the Apprenticeship Levy directly benefit from it
- Bolster consumer confidence by keeping a firm grip on personal tax rates once the current Draft Wales Bill is enacted and income tax powers have been drawn down
- Shelve any proposals for a deposit return scheme for drinks containers which would push up prices for consumers



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# RECOMMENDATIONS

The WRC wants to see a bold and ambitious Budget which uses the flexibilities provided to achieve the competitiveness goal. Our recommendations are:

## BREXIT

Retailers and Wales as a whole benefit from an open, outward looking liberal approach to trade. We would encourage both the UK and Welsh administrations in early course to draw up an inventory of those existing EU regulatory powers which will be repatriated to the UK parliament and National Assembly for Wales and outline the likely approach which will be taken.

The Welsh Government ought to build on its positive message of early engagement with business with tangible action. Retailers were already facing a challenging landscape before the Brexit result. The Welsh Government must look closely at the increased burdens facing retailers, and take steps to support the industry and promote growth.

Top of the agenda should be to work with the sector to deliver an industry strategy which sets out a clear road-map for future tax and regulatory changes. Ministers should press ahead with fundamental reform of business rates and ensure firms paying the Apprenticeship Levy directly benefit from it. Ministers should aid consumer confidence by keeping a firm grip on personal tax rates and by removing any consideration for a Wales-only deposit return scheme for drinks containers.

## RETAIL INDUSTRY STRATEGY

The WRC has a shared interest with the Welsh Government in improving the conditions for the industry to thrive and succeed through a competitive, open and attractive business environment. There is a pressing need for a more coherent approach, one where industry and the government as a whole work together and endorse a joint retail strategy which supports and nurtures the growth and success of retail to help it fulfil its potential over the next 10 years. At the very least there ought to be a clear road-map setting out the intended regulatory and tax changes that are likely to impact on the industry over the decade ahead. An industry strategy or road-map could benefit not only retail but its supply chain and the other sectors it touches such as tourism. This strategy needs to be about more than structured and effective dialogue, and ought to become a benchmark against which each proposal for policy and regulation can be tested.

Retail is increasingly being seen as an important sector for stimulating commercial investment and achieving more sustainable and inclusive economic growth. This has been recognised in recent years through the UK Government's BIS Retail Strategy and UKTI International Action Plan, and also at a European level through the Commission's Retail Action Plan. The WRC is ready to work with the Welsh Government to develop a joint industry/government retail strategy or retail road-map.

## BUSINESS RATES

As highlighted previously, retailers are keen to see fundamental reform of Wales's annual business rates system in order to support investment, business growth and revive our high streets where 1 out of every 8 premises is vacant. We are pleased that the Welsh Government considered the business rates system during the fourth Assembly under Chris Sutton's stewardship. Now that business rates are fully devolved to Wales we ask that these recommendations be looked at once more and that the WRC is involved in how any fundamental reform can be implemented given that the retail industry in Wales pays 21% of all business rates revenue.

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A reformed rates system which flexes with economic and trading conditions and leads to a substantially lower tax burden would increase retailers' confidence about investing in new and refurbished shop premises and help revive high streets and town centres. At the heart of this agenda should be a short to medium-term plan to substantially lower the rates burden. In the medium to long term we need to see a creative approach to radical reform. Business rates are an anachronistic and outdated system for the current digital age, which disproportionately affect bricks and mortar stores which typically contribute directly to their local area via employment and community-based initiatives.

### INCOME TAX: DRAFT WALES BILL

The retail industry takes a great interest in personal taxation issues because of the potential impact on customers' disposable incomes and discretionary spending, the potential impact on employees and on retailers' administrative systems, and because of the potential knock on implications for other taxes.

The WRC has concerns over the shifting balance in the burden of taxation between personal and business taxpayers over recent years, with business rates escalating in stark contrast to council tax for example. We would be concerned if a similar approach was adopted more widely in the context of personal taxes if it led to business taxes on firms having to pick up an even greater burden of taxation.

Shoppers remain cautious and retail sales remain lacklustre. We would therefore caution against changes in the tax rate or bands which might cast a cloud over what is likely to remain a tentative recovery in consumer confidence, for example if the aim is to achieve a substantial increase in the tax yield.

Wales is an attractive place to live and work and in order for it to remain so we would urge Ministers, once the powers are drawn down and in place to do so, to think twice about any moves which would lead to those working in Wales having to pay higher taxes than elsewhere in the UK, as this could affect the ability of retailers to retain or attract talent - either on a permanent or temporary basis - especially when compared to other parts of the UK<sup>1</sup>.

The amount consumers have to spend is of course influenced by a wide range of factors including the cost of living which can be affected by broader public policy decisions<sup>2</sup>. Retailers can and do play their part in keeping down the cost of living for families<sup>3</sup>.

The WRC believes Wales's prospects can be enhanced further by using future powers over income tax to positively support the economy and consumer spending. The best outcome for retailers, households and the economy is for income tax rates for the vast majority of the Welsh public to be at least as competitive as they are over the border.

### APPRENTICESHIP LEVY

There is still a dearth of information and clarity over many aspects of the UK Government's new Apprenticeship Levy, not least how it might apply in Wales. This is particularly concerning given that there is less than a year before implementation. Indeed, we feel in light of Brexit there is a strong case for pausing its implementation at UK level. We would urge Welsh Government to press the case with counterparts in Westminster to rethink the levy, or at the very least pause its implementation.

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1 The cost of employing people includes employers' NICs and has risen lately due to the introduction of pensions auto-enrolment and changes to the NMW.  
2 For example over housing supply, transport costs and duties and charges (e.g. charges for water and sewerage, carrier bags, deposit return schemes for drinks containers etc).  
3 Retailers are responding to the squeeze on household budgets and strong industry-wide competition with keen prices and promotions, helping to keep down the cost of living. Shop prices have fallen for 3 years, with food inflation near its lowest recorded level.

.....  
"AT THE HEART OF THIS AGENDA SHOULD BE A SHORT TO MEDIUM-TERM PLAN TO SUBSTANTIALLY LOWER THE RATES BURDEN. IN THE MEDIUM TO LONG TERM WE NEED TO SEE A CREATIVE APPROACH TO RADICAL REFORM."  
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Retailers have a strong record on training and career progression, with many providing a wide range of apprenticeships in diverse areas such as logistics, warehousing and food preparation alongside many other accredited or job related qualifications.

It is important that employers are not only able to access the funds for their broader skills needs but are at the heart of designing how the funds from the levy will be utilised in Wales to aid productivity and growth. We are concerned that there are currently no plans to formally hold a consultation process with stakeholders over the implementation of the levy as is the case in Scotland and would suggest that this approach should be considered.

### **FEES, CHARGES AND LEVIES**

The Welsh Government, its agencies, and Welsh local authorities determine or are highly influential in the setting of a number of fees, charges and levies which are or can be applicable to retailers. These include planning application fees, Business Improvement District levies, water and sewerage charges, fees for building warrants and the Carrier Bag Charge. The WRC is keen to see effective, well-resourced and consistent regulatory services, underpinned by a clear rationale for variations in charges with commensurate improvements in services and based on timely dialogue with the industry.

### **DEPOSIT RETURN SCHEME**

Welsh retail is amongst the most climate-conscious industries and retailers have taken a lead in reducing the environmental impacts of both their own direct operations and supporting improvements right along their supply chain. The WRC has previously outlined its support for a more harmonised local authority recycling scheme and we fully support the efforts being made by Welsh Government in this regard. We remain firmly opposed to the mooted Wales-wide deposit return scheme for drinks and other containers.

Such a nation-wide deposit scheme would disproportionately penalise the disadvantaged consumer by pushing up prices, undermine existing kerbside recycling, increase carbon emissions through extra consumer journeys and retailer haulage operations and place significant costs on business. Reducing trading space in shops on our high streets is incongruous with the Welsh Government's ambitions to revitalise town centres. The cost to business of any introduction of such a scheme fails to take into account several other cost factors including the loss of trading space, costs of storage, associated installation infrastructure, and staff training.

### **REGULATION**

With a significant number of retailers operating on a national and international stage the ease and cost of doing business is a major factor in their decisions of where to invest. Important steps have been taken in recent years including the development of Primary Authority which will guarantee greater regulatory consistency across the 22 local authorities in Wales. We are keen to ensure future regulations take full account of the dramatic structural change occurring in industries like retail and we would welcome the opportunity for further discussion with our industry in ensuring that regulation does not place unnecessary burden on retailers given the current flux facing the industry.

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## INFRASTRUCTURE

Transport is vital to the success of the retail industry. With outlets located in most cities and towns, retailers rely on access to good quality and reliable transport for the daily operation of their businesses – for ease of access for customers, to deliver goods, and to enable employees to reach the workplace.

Rail is increasingly used to distribute freight for retailers around the country, and changes in customer demand and how people shop is putting a premium on having effective high speed broadband. As a result, any windfall 'consequential' received from UK Budgets should be used for GDP-enhancing infrastructure projects or town centre regeneration which benefit the business environment.

## LAND TRANSACTION TAX

Due to the nature and scalability of the industry many retailers have a choice over where to buy, rent or invest in retail premises and warehouses in the UK. With the Land Transaction Tax replacing Stamp Duty Land Tax in Wales from April 2018 the rates, bands and thresholds for Land Transaction Tax must ensure Wales's taxes on purchases of commercial property are competitive.

## CONCLUSION

Retail is an industry undergoing enormous structural change during a sustained period of weak demand, and growing government-imposed costs have become an acute issue. We believe this Budget & Spending Review provides an excellent opportunity to better support our industry's potential, enabling it to grow and flourish whilst supporting investment and employment opportunities throughout Welsh communities. We are very much open to further dialogue on how this can be better realised.

.....  
"WE BELIEVE THIS BUDGET & SPENDING REVIEW PROVIDES AN EXCELLENT OPPORTUNITY TO BETTER SUPPORT OUR INDUSTRY'S POTENTIAL, ENABLING IT TO GROW AND FLOURISH WHILST SUPPORTING INVESTMENT AND EMPLOYMENT OPPORTUNITIES THROUGHOUT WELSH COMMUNITIES."  
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# ABOUT THE WRC

Retail is an exciting, diverse and dynamic industry undergoing transformational change. The WRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the retail industry and to the customers it serves.

Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture. The WRC leads the industry and works with our members to shape debates and influence issues and opportunities that will help make that positive difference. We care about the careers of people who work in our industry, the communities retail touches and competitiveness as a fundamental principle of the industry's success – our 3Cs.

In addition to publishing leading bell-weather indicators on Welsh footfall and shop vacancies in town centres, our policy positions are informed by our 255-strong membership and determined by the WRC's Board.



**WELSH RETAIL CONSORTIUM**

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Welsh Retail Consortium - a company limited by guarantee  
Registered in England and Wales No. 405720 | 10072akb16

## Finance Committee

### Welsh Government Draft Budget Proposals 2017-18

I refer to the Committees of the National Assembly seeking information to inform their scrutiny of the Welsh Government's 2017-18 Draft Budget proposals.

On Behalf of the Institution of Civil Engineers (ICE Wales Cymru) I believe that as our quality of life depends on infrastructure; that there would be little economic activity without energy generation and distribution, water supply and disposal, transportation by rail, road, sea & air and waste management that Wales needs a clear 'Vision for Infrastructure'. The next steps in the development of the Wales Infrastructure Investment Plan (WIIP) are crucial to the delivery of sustainable and effective infrastructure in Wales.

The focus for the budget should be on:

#### **Resilience:**

I consider that the lack of overview of the vulnerabilities of Wales' infrastructure networks has created gaps in our approach to defending critical infrastructure. The interdependence of our infrastructure assets must be recognised with increased levels of information sharing and joint forward planning.

#### **Transport.**

The Committee should consider if Wales has a safe, affordable, integrated and accessible transport network that supports local and regional economic growth, productivity and a vibrant society:

and establish the budget for this area.

#### **Energy:**

Energy security is one of the key issues facing Wales and the UK today. The Committee should consider if Wales:

- Has sufficient supply of electricity to avoid interruptions.
- Is reducing the production of harmful emissions.
- Is promoting energy efficiency measures:

and establish the budget for this area.

#### **Water and waste water:**

Wales has great potential to harness and benefit from its invaluable supply of water. Water is not only essential for communities, but for business and industry alike. The Committee should consider:

- How to produce innovative low carbon ways to transfer water across river catchments.
- How to Invest in and improve the existing water network – improving efficiency and security of service. Reservoirs must be upgraded to meet future water demand with a long term strategic plan for water resources in Wales.
- How to promote Wales' plentiful water supplies linked to inward development – domestic and commercial opportunities. Availability of water can be a business differentiator in some sectors.
- How to help the public to view water as a valuable resource to improve water:

and establish the budget for this area

**Flood Risk management:**

Effective flood risk management requires collaboration across a range of stakeholders. The Committee should consider:

- The development of a long term capital and maintenance programme.
- Strategies to improve property and building resilience and create flood resilient communities:

and establish the budget for this area.

**Waste management:**

There must be a fundamental shift in the way waste is addressed. The Committee should examine how:

- Waste can be treated as a resource
- Wales can shift to a circular economy

and establish the budget for this area.

**Skills:**

The committee should examine if Wales has the right skills in place to address the current productivity lag, to improve infrastructure delivery and yield economic growth:

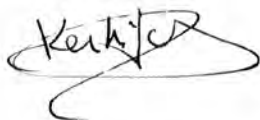
and establish the budget for this area.

**Infrastructure Pipeline:**

Wales needs a joined up infrastructure vision for Wales, looking forward twenty five years and developed through engagement with governments, clients, investors, operators and delivery teams.

I consider that effective engagement takes place with the construction sector and others involved in the development and delivery of infrastructure in Wales, as indicated by the establishment of an Infrastructure Commission for Wales and that its initial focus should be on development of infrastructure vision and pipeline (WIIP) together with a supporting understanding of skills/resources required. It would be useful for the committee to review work to date around the WIIP and engagement with the sector with a view to determining best practice and improvements for the future.

See attached specific responses to the consultation questions.



**Eur Ing Keith Jones BSc DMS C Eng C Env FICE FCIHT FCMI MIO**

**Chartered Civil Engineer  
Chartered Environmentalist  
Director Wales**

**Peiriannydd Sifil Siartredig  
Amgylcheddwr Siartredig  
Cyfarwyddwr Cymru**

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**Sefydliad y Peirianwyr Sifil Cymru  
2il Lawr, Adeiladau Cambrian  
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Bae Caerdydd CF10 5FL**

**Notes:**

The Institution of Civil Engineers (ICE) was founded in 1818 to ensure professionalism in civil engineering.

It represents 86,500 qualified and student civil engineers in the UK and across the globe and has over 3,600 members in Wales

ICE has long worked with governments of the day to help it to achieve its objectives, and has worked with industry to ensure that construction and civil engineering remain major contributors to the UK economy and UK exports

For further information visit [www.ice.org.uk](http://www.ice.org.uk) and [www.ice.org.uk/wales](http://www.ice.org.uk/wales)



## Buddsoddi er mwyn creu miliwn o siaradwyr Cymraeg - Cyllideb Llywodraeth Cymru 2017/18

Ymateb Cymdeithas yr Iaith Gymraeg Medi 2016

### 1. Cyflwyniad

1.1. Cefnogwyd ein gweledigaeth ar gyfer y Gymraeg dan y Llywodraeth newydd gan y prif bleidiau yn y Cynulliad a dangoswyd cefnogaeth iddi hefyd gan nifer fawr o ymgeiswyr o bob plaid, gan gynnwys Gweinidog y Gymraeg a'r Prif Weinidog, ynghyd â nifer fawr o bobl ar hyd a lled y wlad. Dywed y weledigaeth:

*"Dwi eisiau bod yn un mewn miliwn! Dwi eisiau:*

- *cynyddu nifer y siaradwyr Cymraeg i filiwn*
- *atal yr allfudiad a chynnal cymunedau ynghyd â sicrhau llwybrau i ddod â Chymry Cymraeg yn ôl i'w cymunedau*
- *defnyddio'r Gymraeg ymhob rhan o fywyd er mwyn sicrhau mai'r Gymraeg yw'r iaith naturiol o'r crud i'r bedd"*

1.2. Yn ein dogfen "Miliwn o Siaradwyr Cymraeg" a gyhoeddwyd ym mis Gorffennaf 2015, fe wnaethon ni amlinellu degau o bolisiau er mwyn cyrraedd y nodau uchelgeisiol uchod. Dyma rai o'r prif gynigion yn y ddogfen:

- (i) Gweithredu argymhellion allweddol adroddiad yr Athro Sioned Davies ynghylch dysgu'r Gymraeg gan sefydlu un continwwm dysgu'r Gymraeg, peth addysg cyfrwng Cymraeg i bawb, a gosod targedau statudol eraill er mwyn gwella'r ddarpariaeth.
- (ii) Ymrwymo i barhad y Coleg Cymraeg yn y tymor hir ac ymestyn ei gyfrifoldebau i addysg bellach, gan gynnwys mesurau i annog myfyrwyr i barhau â'u hastudiaethau drwy'r Gymraeg, megis sefydlu amod ariannol drwy Gyngor Cyllido Addysg Uwch Cymru i sicrhau cynnal a chynyddu nifer y neuaddau Cymraeg eu hiaith, boed hynny drwy brifysgolion neu'r Coleg Cymraeg.
- (iii) Cyflwyno Bil Cynllunio'r Gweithlu a fyddai'n sefydlu targedau a chyfrifoldebau clir er mwyn sicrhau cyflenwad cynyddol o weithwyr Cymraeg, gan adeiladu ar y farchnad lafur Gymraeg a arweinir gan Fentrau Iaith Cymru
- (iv) Dylai unrhyw ad-drefnu llywodraeth leol gynyddu nifer yr awdurdodau sy'n gweithio'n fewnol drwy'r Gymraeg, gan osod cymalau mewn deddfwriaeth er mwyn sicrhau hynny.
- (v) Sefydlu Cronfa Ariannu Cynnal Gwasanaethau ac Adnoddau Cymunedol i ddiogelu asedau cymunedol allweddol a fyddai'n cynnig symiau cymharol fach o arian i grwpiau cymunedol er mwyn cynnal gwasanaethau a gofodau lle mae'r Gymraeg yn brif iaith y lleoliad neu'r grŵp.

- (vi) Diwygio Mesur y Gymraeg (Cymru) 2011 er mwyn ymestyn ei sgôp i gynnwys rhagor o'r sector breifat megis archfarchnadoedd a banciau, sefydlu hawl cyffredinol i dderbyn gwasanaethau yn Gymraeg a gwella'r broses o osod Safonau ar gyrrff.
- (vii) Cyflwyno Bil Cartrefi Fforddiadwy i Bawb a fyddai'n cynnwys nifer o fesurau i wneud y stoc tai presennol yn fforddiadwy i bobl leol, ynghyd â gwreiddio'r gyfundrefn mewn anghenion lleol, gan gynnwys sefydlu'r hawl i rentu, rhoi'r cyfle cyntaf i bobl leol brynu tai a sefydlu'r rhagdybiaeth mai seilio datblygiadau ar anghenion lleol ddylai fod y brif egwyddor sy'n arwain ein polisiau tai ac eiddo.
- (viii) Dylid sefydlu darlledwr aml-lwyfan Cymraeg newydd a fyddai'n creu cynnwys, er mwyn cynyddu defnydd o'r Gymraeg yn enwedig ymysg pobl ifanc, gan weithredu ar-lein yn bennaf, ond ar radio a theledu yn ogystal, gan gynorthwyo gwasanaethau S4C a Radio Cymru a rhyddhau'r darlledwyr presennol o'r baich o geisio gwasanaethu'r gynulleidfa gyfan.

1.3. Yn dilyn ymrwymiad ym maniffesto'r Blaid Lafur yn etholiadau'r Cynulliad, cyhoeddodd Llywodraeth Cymru ym mis Awst 2016 ei bod am anelu at greu miliwn o siaradwyr Cymraeg a'i bod am greu strategaeth er mwyn cyrraedd y nod dros y degawdau nesaf. Mae "Ymgynghoriad ar strategaeth ddrafft Llywodraeth Cymru: miliwn o siaradwyr Cymraeg" yn nod'r canlynol:

*"Tra bo ein gweledigaeth yn un hirdymor, a bod nifer y siaradwyr yn rhywbeth y gellir ei fesur yn ystyrllon fesul cenhedlaeth, rhaid i ni weithredu a gosod y seiliau nawr. A rhaid i'r gweithredoedd hynny adlewyrchu maint ein huchelgais."*

Teg dweud felly mai cynigion cyllideb y Llywodraeth ar gyfer 2017-18 fydd y cyfle cyntaf iddynt ddangos eu bod, a benthg geiriau Gweinidog y Gymraeg, 'o ddifrif' am eu huchelgais.

## 2. Buddsoddi – Un o gonglfeini strategaeth i greu'r miliwn

Os yw'r Llywodraeth o ddifrif am ei huchelgais o gynyddu defnydd a nifer siaradwyr y Gymraeg yn sylweddol, mae'n rhaid iddynt ymrwymo i fuddsoddi'n sylweddol, a hynny dros y tymor hir.

2.2. Mae Cymru yn tanfuddsoddi'n ddifrifol yn y Gymraeg ar hyn o bryd ac felly nid ydym fel gwlad yn elwa'n llawn o'r manteision addysgol, diwylliannol ac economaidd a allai ddeillio o'n hiaith unigryw genedlaethol.

2.3. Yng Ngwlad y Basg, mae Llywodraeth y rhanbarth ymreolaethol yn gwario tua 1% o'i chyllideb ddatganoledig ar brosiectau i hyrwyddo'r Fasgeg; yng Nghymru mae'r ffigwr oddeutu 0.16%. Yn yr ardal honno, gwelwn fod y buddsoddiad yn dwyn ffrwyth, ac mae'n bosibl cymharu hynny gydag ardaloedd yng Ngwlad y Basg nad ydynt yn rhan o'r gymuned ymreolaethol.

2.4. Mewn adroddiad diweddar, amcangyfrifir bod y Fasgeg yn werth 4.2% o GDP economi Cymuned Ymreolaethol Gwlad y Basg:

*"6.3% of employment generated by the economy of the BAC and 4.5% of Gross Added Value are linked to Basque. As an economic sector, 4.2 % of the Gross Domestic Product of the Autonomous Community corresponds to Basque, the importance approaching that of the tourism sector in the Basque economy (5.8 % of GDP)."*<sup>1</sup>

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<sup>1</sup> Gwerth ac Effaith Economaidd y Fasgeg (Crynodeb Saesneg)

2.5. Ar bapur mae Llywodraeth Cymru yn derbyn y dadleuon hyn. Daeth Cynhadledd Fawr Llywodraeth Cymru, ymgynghoriad a gynhaliwyd yn dilyn canlyniadau Cyfrifiad 2011, i gasgliad clir bod angen llawer iawn mwy o fuddsoddiad er mwyn cyrraedd y nod:

"1.12. *Cyllid ac adnoddau*

*"Un thema gyffredinol, a chwbl allweddol, a fu'n rhedeg drwy'r holl gyfraniadau ym mhob cyfrwng oedd mater adnoddau. Nodwyd droeon, fod angen adnoddau digonol, gan gynnwys adnoddau cyllidol digonol, i weithredu'n effeithiol a dwyn y maen i'r wal.*

*"Cafwyd galwadau cyson gydol y broses ar i'r Llywodraeth gynyddu ei buddsoddiad ariannol yn y Gymraeg er mwyn sicrhau gweithredu effeithiol."* Casgliadau'r Gynhadledd Fawr - Iaith fyw: dweud eich dweud (2013)<sup>2</sup>

2.6. Fodd bynnag, torrwyd y gwariant ar brosiectau penodol y Gymraeg yng nghyllideb 2016/17, a hynny o 5.9%. Dywedasom ar y pryd:

*"Collfarnwn yn llwyr y toriad arfaethedig o 5.9% yn nhermau arian parod i'r gyllideb ar gyfer hyrwyddo'r Gymraeg, sy'n digwydd er gwaetha'r cynnydd o £120miliwn i refeniw Llywodraeth Cymru."*

2.7. Nawr bod y Llywodraeth wedi mabwysiadu targed o greu miliwn o siaradwyr Cymraeg, sef bron i ddwbl y nifer sydd gennym ar hyn o bryd, dyma'r cyfle i fuddsoddi'n allweddol ac yn strategol er mwyn gosod seiliau ar gyfer y twf a ddaw yn yr iaith.

### 2.8. Buddsoddi mewn addysg – un o'r prif ffyrdd i gyrraedd y miliwn

2.9. Mae angen pecyn o bolisiau i gyrraedd y tri phrif nod a amlinellir yn mharagraff 1.1 uchod, ond, heb os, un o'r meysydd allweddol yw addysg. Mae sicrhau gweithlu – o athrawon i weithwyr blynyddoedd cynnar – sy'n gallu addysgu drwy'r Gymraeg fel bod digon o bobl ifanc i greu miliwn o siaradwyr rhugl eu Cymraeg yn gwbl hanfodol. Eto, mae Llywodraeth Cymru wedi cydnabod hyn yn ei dogfen ymgynghorol:

*"Rydym yn glir bod y system addysg am fod yn allweddol o ran creu siaradwyr Cymraeg y dyfodol. Mae ein system addysg, wrth reswm, yn llwyr ddibynnol ar ein hathrawon. Ein blaenoriaeth fwyaf dros y pum mlynedd nesaf felly fydd cynyddu capasiti'r system addysg i ddiwallu'r angen i ehangu addysg cyfrwng Cymraeg, ac i ddiwallu'r angen i wella sut caiff y Gymraeg ei haddysgu yn ein hysgolion cyfrwng Saesneg. Mae hynny'n golygu hyfforddi athrawon newydd a gwella sgiliau'r athrawon presennol. "*

2.10. Mae'n eglur fellybod rhaid mesur effaith y gyllideb hon yn unol â dyhead a ffon fesur glir y Llywodraeth ei hunan uchod. Os nad oes buddsoddiad sylweddol er mwyn cynyddu capasiti'r system addysg a'r gweithlu i ehangu addysg cyfrwng Cymraeg, bydd y Llywodraeth wedi methu ar y cyfle cyntaf.

## 3. Crynodeb o'n cynigion

3.1. Isod rydym yn amlinellu cynigion o ran buddsoddiadau sydd eu hangen er mwyn creu miliwn o siaradwyr Cymraeg, ac sy'n cyfateb i'r blaenoriaethau yn nogfen ymgynghorol Llywodraeth Cymru ar ei strategaeth iaith. Yn gryno, ymysg y camau rydym yn galw am fuddsoddiad a thargedau ychwanegol ar eu cyfer mae'r canlynol:

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[http://www.euskara.euskadi.eus/contenidos/informacion/value\\_economic\\_impact\\_basque/en\\_def/adjuntos/Euskararen%20eragin%20ekonomikoa\\_Laburpena\\_English%20AZKENA%202.p df](http://www.euskara.euskadi.eus/contenidos/informacion/value_economic_impact_basque/en_def/adjuntos/Euskararen%20eragin%20ekonomikoa_Laburpena_English%20AZKENA%202.p df)

<sup>2</sup> <http://llyw.cymru/topics/welshlanguage/publications/a-living-language-have-your-say/?skip=1&lang=cy>

- (i) Gosod nod a dyddiad targed i gynyddu dros amser ganran y gyllideb ar brosiectau penodol i hyrwyddo'r Gymraeg o 0.16% o'r gyllideb i 1%
- (ii) Sefydlu cynlluniau gyda chefnogaeth ariannol sylweddol er mwyn sicrhau cynnydd cyflym yn nifer yr ymarferwyr addysg sy'n gallu dysgu drwy'r Gymraeg a chapasiti'r system i ddysgu Cymraeg, megis:
  - o Cynllun "Dewch 'nôl" i Gymru ar gyfer athrawon sy'n siarad Cymraeg sy'n gweithio mewn gwledydd eraill;
  - o Sefydlu ac ehangu canolfannau i hwyrddyfodiad a throchi ym mhob sir; o Cynllun i annog siaradwyr Cymraeg i ymuno â'r gweithlu addysg; ac o Adnoddau ychwanegol i wella sgiliau rhai sy'n hyfforddi i ymuno â'r gweithlu addysg
- (iii) Cronfa i gefnogi sefydliadau ac ymarferwyr addysg i weithredu argymhellion yr Athro Sioned Davies ynghylch dysgu'r Gymraeg fel rhan o gyflwyno'r cwricwlwm newydd
- (iv) Cyfres o fesurau i gynyddu nifer y gweithleoedd Cymraeg a nifer y swyddi cyfrwng Cymraeg, megis:
  - o Parciau busnes cyfrwng Cymraeg
  - o Ariannu rhaglen Marchnad Lafur Gymraeg Mentrau Iaith Cymru
  - o Adnoddau ychwanegol er mwyn gwella sgiliau Cymraeg gweithwyr cyrff sydd am anelu at weinyddiaeth fewnol Gymraeg megis Cyngor Sir Ynys Môn a Chyngor Sir Gaerfyrddin
- (v) Cronfa i sefydlu, ailsefydlu ac ehangu nifer y neuaddau preswyl cyfrwng Cymraeg
- (vi) Sefydlu darlledwr aml-gyfrwng Cymraeg newydd i ehangu defnydd a phresenoldeb y Gymraeg ar-lein, ar radio a theledu
- (vii) Ymestyn cylch gwaith y Coleg Cymraeg i addysg ôl-16 a hyfforddiant athrawon
- (viii) Sefydlu Cronfa Ariannu Cynnal Gwasanaethau ac Adnoddau Cymunedol er mwyn cynnal ac ehangu gwasanaethau a gofodau lle mai'r Gymraeg yw prif iaith y lleoliad neu grŵp
- (ix) Buddsoddiad sylweddol yn y prosiect Cymraeg i Blant er mwyn gwella trosglwyddiad iaith rhwng rhieni a phlant
- (x) Sefydlu Cyngor y Gymraeg fel corff hyrwyddo'r Gymraeg corfforaethol ar wahân i Gomisiynydd y Gymraeg

3.2. Galwn hefyd am nifer o newidiadau i sicrhau bod cyllidebau eraill Llywodraeth Cymru yn cyfrannu at gynyddu nifer y siaradwyr ynghyd â normaleiddio ei defnydd megis:

- (i) Cynyddu canran y prentisiaethau i 20% cyfrwng Cymraeg
- (ii) Amod ar arian cyfalaf Ysgolion yr 21ain Ganrif – ni ddylai'r un ysgol na sefydliad addysg newydd agor gyda chanran is o addysg cyfrwng Cymraeg na 50%, neu drothwy uwch mewn siroedd lle mae mwyafrif yr ysgolion yn rhai cyfrwng Cymraeg neu ddwyieithog.

(iii) Addysg i Oedolion yn y gymuned – 20% o'r cyrsiau yn rhai cyfrwng Cymraeg

(iv) Prif-ffrydio'r Gymraeg yn rhaglenni Dechrau'n Deg a Chymunedau'n Gyntaf

3.3. Fel cyfanswm, credwn fod angen dros £100 miliwn er mwyn rhoi'r cynlluniau hyn ar waith yn iawn. Hyd yn oed gyda'r buddsoddiad hwnnw, byddai'r Llywodraeth yn parhau i fuddsoddi llai na Chymuned Ymreolaethol Gwlad y Basg, ond byddai'n gam mawr ymlaen. Credwn fod y cynlluniau yn gweddu gyda'r hinsawdd newydd yn dilyn yr refferendwm am ein haelodaeth o'r Undeb Ewropeaidd; mae Llywodraeth Prydain wedi datgan eu bod yn ailystyried eu polisi cyfuno cyllidol.

## 5. Cynigion penodol ar gyfer cynyddu buddsoddiad er mwyn cyrraedd nod y Llywodraeth

5.1. Mae'r Llywodraeth yn ei dogfen ymgynghorol yn pwysleisio pwysigrwydd cynllunio strategol hirdymor a gosod seilwaith cadarn ar gyfer y Gymraeg. Credwn fod angen sefydlorwydd a sicrwydd o ran buddsoddiad ariannol hirdymor yn ogystal.

Argymhelliad	Dyfyniadau perthnasol o ddogfen ymgynghorol Strategaeth Iaith Llywodraeth Cymru a gwybodaeth ychwanegol
<b>□ Llywodraeth Cymru i osod allan rhaglen i gynyddu gwariant ar y Gymraeg i 1% o'i chyllideb, gyda disgwyliad hefyd i'r cyrff mae'n eu hariannu glustnodi 1% ar gyfer hyrwyddo'r Gymraeg</b>	<i>"... mae edrych ar y darlun hirdymor yn golygu na all y strategaeth hon ddilyn yr un patrwm â rhai blaenorol. Mae hyn yn adlewyrchu'r awydd i osod cyfeiriad uchelgeisiol a gwirioneddol strategol ar gyfer pob maes sy'n dylanwadu ar yr iaith. Mae hefyd yn adlewyrchu'r ffaith bod angen creadigrwydd os am gyrraedd miliwn. Mae edrych ar y tymor hir yn cyd-fynd â chydabyddiaeth y Llywodraeth bod effaith cynllunio ieithyddol yn rhywbeth y gellir ei fesur fesul cenhedlaeth."</i>
<b>□ Dylid comisiynu Comisiynydd y Gymraeg i wneud asesiad annibynnol o effaith iaith yr holl wariant ar draws holl adrannau'r Llywodraeth.</b>	<i>"Os ydym am gynyddu nifer y siaradwyr Cymraeg ar y raddfa sydd ei hangen, mae angen dechrau gyda chynllunio. Mae hyn yn golygu prif-ffrydio'r Gymraeg fel ei bod yn rhan annatod o gynllunio strategol ar bob lefel."</i>

## 6. Prosiectau penodol i hyrwyddo'r Gymraeg:

### 6.1. Cynllunio'r Gweithlu

Argymhelliad	Dyfyniadau perthnasol o ddogfen ymgynghorol Strategaeth Iaith Llywodraeth Cymru a gwybodaeth ychwanegol
<b>□ Rhoi cyfrifoldeb i'r Coleg Cymraeg am hyfforddiant athrawon</b>	<i>"os am gynyddu'r niferoedd ar y raddfa sydd ei hangen, y cam cyntaf angenrheidiol mewn unrhyw strategaeth fydd creu cyflenwad digonol o athrawon i addysgu plant drwy gyfrwng y Gymraeg."</i>  <i>"Mae angen cynnydd sylweddol yn nifer y bobl sy'n cael addysg Gymraeg ac sydd â sgiliau Cymraeg, am mai ond drwy alluogi rhagor o bobl i ddysgu Cymraeg y bydd modd cyrraedd miliwn o siaradwyr."</i>

<p><input type="checkbox"/> <b>Sefydlu cynllun “Dewch 'nôl” i Gymru ar gyfer athrawon sy’n gweithio mewn gwledydd eraill</b></p>	<p><i>"Ein blaenoriaeth fwyaf dros y pum mlynedd nesaf felly fydd cynyddu capasiti'r system addysg i ddiwallu'r angen i ehangu addysg cyfrwng Cymraeg, ac i ddiwallu'r angen i wella sut caiff y Gymraeg ei haddysgu yn ein hysgolion cyfrwng Saesneg. Mae hynny'n golygu hyfforddi athrawon newydd a gwella sgiliau'r athrawon presennol."</i></p>
	<p><i>"os am gynyddu'r niferoedd ar y raddfa sydd ei hangen, y cam cyntaf angenrheidiol mewn unrhyw strategaeth fydd creu cyflenwad digonol o athrawon i addysgu plant drwy gyfrwng y Gymraeg."</i></p> <p><i>"Cynyddu'n sylweddol nifer yr athrawon a'r ymarferwyr blynyddoedd cynnar sy'n gallu addysgu drwy gyfrwng y Gymraeg, er mwyn ein galluogi i addysgu rhagor o blant a phobl ifanc drwy gyfrwng y Gymraeg."</i></p>
<p><input type="checkbox"/> <b>Sefydlu cynllun gyda manteision ariannol er mwyn annog pobl i symud o'r byd gwaith i ddysgu drwy'r Gymraeg, drwy gynllun sy'n galluogi pobl i weithio'n rhan amser neu bobl sydd wedi ymddeol i addysgu drwy'r Gymraeg</b></p>	<p><i>"Ein blaenoriaeth fwyaf dros y pum mlynedd nesaf felly fydd cynyddu capasiti'r system addysg i ddiwallu'r angen i ehangu addysg cyfrwng Cymraeg, ac i ddiwallu'r angen i wella sut caiff y Gymraeg ei haddysgu yn ein hysgolion cyfrwng Saesneg. Mae hynny'n golygu hyfforddi athrawon newydd a gwella sgiliau'r athrawon presennol."</i></p> <p><i>"os am gynyddu'r niferoedd ar y raddfa sydd ei hangen, y cam cyntaf angenrheidiol mewn unrhyw strategaeth fydd creu cyflenwad digonol o athrawon i addysgu plant drwy gyfrwng y Gymraeg."</i></p> <p><i>"Mae angen cynnydd sylweddol yn nifer y bobl sy'n cael addysg Gymraeg ac sydd â sgiliau Cymraeg, am mai ond drwy alluogi rhagor o bobl i ddysgu Cymraeg y bydd modd cyrraedd miliwn o siaradwyr."</i></p>
<p><input type="checkbox"/> <b>Ariannu'r gwaith o sefydlu marchnad lafur Gymraeg a arweinir gan Fentrau Iaith Cymru</b></p>	<p><i>"Creu gweithlu sydd â'r sgiliau addas i addysgu a darparu gwasanaethau drwy gyfrwng y Gymraeg"</i></p>
<p><input type="checkbox"/> <b>Adeiladu ar lwyddiant Cam wrth Gam – prosiect a gafodd ei redeg gan y Mudiad Meithrin</b></p>	<p><i>"Cynyddu'n sylweddol nifer yr athrawon a'r ymarferwyr blynyddoedd cynnar sy'n gallu addysgu drwy gyfrwng y Gymraeg, er mwyn ein galluogi i addysgu rhagor o blant a phobl ifanc drwy gyfrwng y Gymraeg."</i></p> <p><i>"Cynyddu nifer y bobl sy'n gallu gweithio drwy'r Gymraeg mewn nifer o feysydd arbenigol a gwasanaethau, fel bod gwasanaethau Cymraeg ar gael i'r bobl sy'n eu dewis."</i></p>

## 6.2. Addysg

Argymhelliad	Dyfyniadau perthnasol o ddogfen ymgynghorol Strategaeth Iaith Llywodraeth Cymru a gwybodaeth ychwanegol
<p>☐ Ymestyn cyfrifoldeb y Coleg Cymraeg i holl faes addysg ôl-16</p>	<p><i>"Mae angen cynnydd sylweddol yn nifer y bobl sy'n cael addysg Gymraeg ac sydd â sgiliau Cymraeg, am mai ond drwy alluogi rhagor o bobl i ddysgu Cymraeg y bydd modd cyrraedd miliwn o siaradwyr."</i></p>
<p>☐ Cronfa i gefnogi sefydliadau ac ymarferwyr addysg i weithredu argymhellion yr Athro Sioned Davies ynghylch dysgu'r Gymraeg fel rhan o'r gwaith o gyflwyno'r cwricwlwm newydd</p>	<p><i>"Mae angen cynnydd sylweddol yn nifer y bobl sy'n cael addysg Gymraeg ac sydd â sgiliau Cymraeg, am mai ond drwy alluogi rhagor o bobl i ddysgu Cymraeg y bydd modd cyrraedd miliwn o siaradwyr."</i></p> <p>Dywed y Llywodraeth y bydd y cwricwlwm newydd ar gael i ysgolion yn 2018 ac yn cael ei defnyddio ym hob ysgol erbyn 2021.<sup>3</sup></p> <p>Dywed adroddiad Yr Athro Sioned Davies - Bydd <i>"angen cynnal hyfforddiant i baratoi athrawon a'u hysbysu o'r gofynion newydd. Byddai angen adnoddau addysgu cenedlaethol newydd hefyd i gyd-fynd â'r datblygiadau."</i><sup>4</sup></p>
<p>☐ Sefydlu rhaglen cyfnewid athrawon gyda gwledydd eraill yn enwedig rhai sydd ag ieithoedd lleiafrifol er mwyn: (i) uwchraddio sgiliau ein gweithlu; (ii) manteisio ar sgiliau gwledydd eraill; a (iii) gwneud cynnydd ar wella addysg ieithoedd tramor</p>	<p><i>"Ein blaenoriaeth fwyaf dros y pum mlynedd nesaf felly fydd cynyddu capasiti'r system addysg i ddiwallu'r angen i ehangu addysg cyfrwng Cymraeg, ac i ddiwallu'r angen i wella sut caiff y Gymraeg ei haddysgu yn ein hysgolion cyfrwng Saesneg. Mae hynny'n golygu hyfforddi athrawon newydd a gwella sgiliau'r athrawon presennol."</i></p> <p><i>"os am gynyddu'r niferoedd ar y raddfa sydd ei hangen, y cam cyntaf angenrheidiol mewn unrhyw strategaeth fydd creu cyflenwad digonol o athrawon i addysgu plant drwy gyfrwng y Gymraeg."</i></p> <p><i>"Mae angen cynnydd sylweddol yn nifer y bobl sy'n cael addysg Gymraeg ac sydd â sgiliau Cymraeg, am mai ond drwy alluogi rhagor o bobl i ddysgu Cymraeg y bydd modd cyrraedd miliwn o siaradwyr."</i></p> <p><i>"Cynyddu'n sylweddol nifer yr athrawon a'r ymarferwyr blynyddoedd cynnar sy'n gallu addysgu drwy gyfrwng y Gymraeg, er mwyn ein galluogi i addysgu rhagor o blant a phobl ifanc drwy gyfrwng y Gymraeg."</i></p>

<sup>3</sup> <http://gov.wales/topics/educationandskills/schoolshome/curriculum-for-wales-curriculum-for-life/?lang=cy>

<sup>4</sup> <http://gov.wales/docs/dcells/publications/130926-review-of-welsh-second-lan-cy.pdf>

<p>☐ <b>Sefydlu ac ehangu canolfannau i hwyrddyfodiad a throchi ym mhob sir, gyda'r nod o sicrhau eu bod yn gweithredu ar yr un patrwm â'r gyfundrefn yng Ngwynedd</b></p>	<p><i>"Cysoni ac ehangu'r ddarpariaeth drochi i hwyrddyfodiaid yn seiliedig ar y dystiolaeth ddiweddaraf."</i></p>
<p>☐ <b>Sefydlu rhaglen i godi ymwybyddiaeth o fanteision addysg amlieithog</b></p>	<p><i>"Mae angen cynnydd sylweddol yn nifer y bobl sy'n cael addysg Gymraeg ac sydd â sgiliau Cymraeg, am mai ond drwy alluogi rhagor o bobl i ddysgu Cymraeg y bydd modd cyrraedd miliwn o siaradwyr."</i></p>
<p>☐ <b>Sicrhau bod trafnidiaeth yn rhad ac am ddim i ysgolion Cymraeg</b></p>	<p><i>"Mae angen cynnydd sylweddol yn nifer y bobl sy'n cael addysg Gymraeg ac sydd â sgiliau Cymraeg, am mai ond drwy alluogi rhagor o bobl i ddysgu Cymraeg y bydd modd cyrraedd miliwn o siaradwyr. "</i></p>
<p>☐ <b>Cynnal, sefydlu ac ailsefydlu llety penodedig Cymraeg ar gyfer myfyrwyr ym mhob prifysgol yng Nghymru wedi ei fodelu ar neuadd Pantycelyn gyda'r asedau yn nwylo'r Coleg Cymraeg neu brifysgolion</b></p> <p><i>Gellir ystyried opsiynau ariannol yn cynnwys arian byfalaf, cronfa benthyg ac ysgoloriaethau i fynd i lety syfrwng Cymraeg.</i></p> <p><i>Mae manylion am gostau ailagor Neuadd Pantycelyn ar gael<sup>5</sup> mewn adroddiad diweddar a gyhoeddwyd gan Brifysgol Aberystwyth.</i></p>	<p><i>"Sicrhau bod rhagor o leoedd yn bodoli lle mae'n hollol amlwg mai'r Gymraeg yw'r iaith naturiol, fel ei bod yn teimlo'n ddiogel defnyddio'r Gymraeg fel iaith awtomatig."</i></p> <p><i>"Cefnogi cymunedau neu gymdogaethau lle mae'r Gymraeg yn cael ei defnyddio'n naturiol fel yr iaith gyffredin."</i></p> <p><i>"Datblygu cyfleoedd arloesol er mwyn galluogi dysgwyr i fod yn hyderus i ddefnyddio'r Gymraeg yn y gweithle, yn gymdeithasol ac o fewn y teulu."</i></p> <p><i>"Amcan: Sicrhau bod sefydliadau addysg yn paratoi pobl ifanc i fod yn hyderus i ddefnyddio'u Cymraeg mewn sefyllfaoedd anffurfiol a chymdeithasol."</i></p> <p><i>"Y bwriad yw sicrhau bod y Gymraeg yn rhan berthnasol, ddeniadol o fywyd o'r crud i'r bedd."</i></p>
<p>☐ <b>Cronfa Ychwanegol er mwyn targedu sectorau gwaith allweddol e.e. y gweithlu addysg, gofal a chwaraeon, Addysgu Gweithwyr Allweddol, megis athrawon a staff cynorthwyol addysg, chwaraeon, gofal ac iechyd er mwyn sicrhau twf yn nefnydd yr iaith a sicrhau gwasanaethau Cymraeg digonol</b></p>	<p><i>"Cynnyddu nifer y bobl sy'n gallu gweithio drwy'r Gymraeg mewn nifer o feysydd arbenigol a gwasanaethau, fel bod gwasanaethau Cymraeg ar gael i'r bobl sy'n eu dewis."</i></p>

<sup>5</sup> [https://www.aber.ac.uk/en/media/departmental/theuniversity/pantycelyn/Adroddiad-\(TERFYNNOL---cyfansawdd---elfennau-wedi-eu-dileu\).pdf](https://www.aber.ac.uk/en/media/departmental/theuniversity/pantycelyn/Adroddiad-(TERFYNNOL---cyfansawdd---elfennau-wedi-eu-dileu).pdf) (tudalen 24 a 25)



<p><input type="checkbox"/> <b>Sefydlu rhaglen dysgu Cymraeg yn y gwaith ‘Hyfforddi’r Hyfforddwyr’ er mwyn cynyddu’n sylweddol y nifer sy’n dysgu’r iaith</b></p>	<p><i>"Cynyddu nifer y bobl sy'n gallu gweithio drwy'r Gymraeg mewn nifer o feysydd arbenigol a gwasanaethau, fel bod gwasanaethau Cymraeg ar gael i'r bobl sy'n eu dewis."</i></p>
<p><input type="checkbox"/> <b>Darparu cyrsiau dysgu Cymraeg i oedolion am ddim</b></p>	<p><i>"Cynyddu nifer y bobl sy'n gallu gweithio drwy'r Gymraeg mewn nifer o feysydd arbenigol a gwasanaethau, fel bod gwasanaethau Cymraeg ar gael i'r bobl sy'n eu dewis."</i></p> <p>Mae cyrsiau Saesneg ar gael am ddim i fewnfudwyr, drwy'r rhaglen ESOL (English for Speakers of Other Languages) ond mae'n rhaid talu am gyrsiau Cymraeg.</p>
<p><input type="checkbox"/> <b>Adnoddau ychwanegol ar gyfer symud cyrff at weinyddiaeth fewnol Gymraeg, gan gynorthwyo gyda'r gwaith o ddyodi mwy o swyddi gyda sgiliau Cymraeg hanfodol</b></p>	<p><i>"Cynyddu nifer y bobl sy'n gallu gweithio drwy'r Gymraeg mewn nifer o feysydd arbenigol a gwasanaethau, fel bod gwasanaethau Cymraeg ar gael i'r bobl sy'n eu dewis."</i></p>

3. Pobl

<p><b>Argymhelliad</b></p>	<p><b>Dyfyniadau perthnasol o ddogfen ymgynghorol Strategaeth Iaith Llywodraeth Cymru a gwybodaeth ychwanegol</b></p>
<p><input type="checkbox"/> <b>Buddsoddiad sylweddol yn y prosiect Cymraeg i Blant er mwyn gwella trosglwyddiad yr iaith rhwng rhieni a phlant</b></p> <p>Credwn fod angen oddeutu £500,000 ychwanegol y flwyddyn ar gyfer Cymraeg i Blant (y gyllideb ar gyfer 2016/17 yw £500,000)</p>	<p><i>"Mae'r blynyddoedd cynnar hefyd yn hanfodol, oherwydd y cynharaf y mae plentyn yn cael cyffyrddiad â'r iaith, y mwyaf o gyfle sydd ganddo i ddod yn rhugl."</i></p> <p><i>"Yn ogystal â dysgu, bydd yn hollbwysig cynyddu nifer y bobl sy'n trosglwyddo Cymraeg i'w plant."</i></p> <p><i>"Gweithredu yn y tymor byr: y pum mlynedd cyntaf ... bydd ein rhaglen Cymraeg i Blant yn flaenoriaeth bwysig"</i></p>
<p><input type="checkbox"/> <b>Mentrau iaith - Prosiectau peilot mewn ardaloedd o dwf er mwyn adfer yr iaith mewn ardaloedd daearyddol</b></p>	<p><i>"Cefnogi cymunedau neu gymdogaethau lle mae'r Gymraeg yn cael ei defnyddio'n naturiol fel yr iaith gyffredin."</i></p> <p><i>"Parhau i gefnogi cyrff a chanolfannau sy'n cynnig arlwy Cymraeg yn ddiamod"</i></p>
<p><input type="checkbox"/> <b>Comisiynydd y Gymraeg – Arian ychwanegol i weithredu a chynghori am Nodyn Cyngor Technegol 20 a Deddf Cynllunio Cymru 2015</b></p>	<p><i>"Cefnogi cymunedau neu gymdogaethau lle mae'r Gymraeg yn cael ei defnyddio'n naturiol fel yr iaith gyffredin."</i></p>

#### 6.4. Normaleiddio

Argymhelliad	Dyfyniadau perthnasol o ddogfen ymgynghorol Strategaeth Iaith Llywodraeth Cymru a gwybodaeth ychwanegol
<p>☐ <b>Sefydlu Corff Datblygu Economi - Antur Iaith<sup>6</sup> gan gynnwys:</b></p> <ul style="list-style-type: none"> <li>○ <b>Pedwar parc/clwstwr busnes cyfrwng Cymraeg</b></li> <li>○ <b>Deorfa Wledig Gymraeg</b></li> </ul> <p><i>Credwn y byddai cost o oddeutu £1 miliwn refeniw y flwyddyn ar gyfer y corff datblygu economi a byddai angen oddeutu £1 - £5 miliwn o arian cyfalaf ar gyfer y parciau/clystyrau busnes cyfrwng Cymraeg.</i></p>	<p><i>"Sicrhau bod rhagor o leoedd yn bodoli lle mae'n hollol amlwg mai'r Gymraeg yw'r iaith naturiol, fel ei bod yn teimlo'n ddiogel defnyddio'r Gymraeg fel iaith awtomatig."</i></p> <p><i>"Cefnogi cymunedau neu gymdogaethau lle mae'r Gymraeg yn cael ei defnyddio'n naturiol fel yr iaith gyffredin."</i></p>
<p>☐ <b>Sefydlu Cronfa Ariannu Cynnal Gwasanaethau ac Adnoddau Cymunedol</b> sy'n cynnig symiau cymharol fach o arian i grwpiau cymunedol megis Merched y Wawr er mwyn cynnal ac ehangu gwasanaethau a gofodau lle mae'r Gymraeg yn brif iaith y lleoliad neu'r grŵp</p>	<p><i>"Sicrhau bod rhagor o leoedd yn bodoli lle mae'n hollol amlwg mai'r Gymraeg yw'r iaith naturiol, fel ei bod yn teimlo'n ddiogel defnyddio'r Gymraeg fel iaith awtomatig."</i></p> <p><i>"Cefnogi cymunedau neu gymdogaethau lle mae'r Gymraeg yn cael ei defnyddio'n naturiol fel yr iaith gyffredin."</i></p>

#### 6.5. Cefnogi

Argymhelliad	Dyfyniadau perthnasol o ddogfen ymgynghorol Strategaeth Iaith Llywodraeth Cymru a gwybodaeth ychwanegol

<sup>6</sup> <http://cymdeithas.cymru/sites/default/files/iaith%20gwaith%20DIGIDOL.pdf>

<p>□ <b>Sefydlu darlledwr aml-lwyfan Cymraeg newydd</b></p> <p><i>"Gan gymryd bod costau cynhyrchu ar y we yn rhatach na chostau cynhyrchu teledu traddodiadol, awgrymir cost gychwynnol o £10 miliwn er mwyn sefydlu'r gwasanaeth newydd yn y flwyddyn ariannol gyntaf, gyda £5 miliwn yn flynyddol ar ôl hynny."</i><sup>7</sup></p> <p>Cynnig Cymdeithas yr Iaith am ardoll / treth newydd a fyddai'n codi dros £10 miliwn y flwyddyn:</p> <p><i>"Dylid cyflwyno treth ar hysbysebion ac elw cwmnïau mawrion megis Gwgl, Facebook a Sky er mwyn ariannu gwasanaeth Cymraeg newydd."</i><sup>8</sup></p>	<p><i>"... er mwyn sicrhau bod y Gymraeg yn parhau'n iaith fodern a pherthnasol, a'i bod yn hollbwysig buddsoddi mewn datblygiadau technolegol – maes lle mae'r dirwedd yn newid yn gyson – er mwyn sicrhau bod modd defnyddio'r Gymraeg mewn cymaint o gyd-destunau â phosibl."</i></p> <p><i>"Parhau i ddatblygu'r ddarpariaeth dechnolegol a digidol er mwyn galluogi pawb i fyw eu bywydau drwy'r Gymraeg."</i></p> <p><i>"Bod cyfryngau amrywiol a pherthnasol ar gael yn Gymraeg."</i></p> <p><i>"Sut: Er nad yw darlledu wedi ei ddatganoli, dylanwadu er mwyn sicrhau bod yr arlwy o ran teledu a radio ac ar yr holl wahanol fathau o gyfryngau yn parhau'n gyfoes ac yn berthnasol i siaradwyr Cymraeg o bob oedran."</i></p> <p>Noder mai cyfraniad Llywodraeth yr Alban i MDG Alba yw £13 miliwn tra mai cyfraniad Llywodraeth Cymru i S4C yw £0 miliwn.</p>
<p>5. Hawliau</p> <p>Argymhelliad</p>	<p><b><i>Dyfyniadau perthnasol o ddogfen ymgynghorol Strategaeth Iaith Llywodraeth Cymru a gwybodaeth ychwanegol</i></b></p>

<sup>7</sup> <http://cymdeithas.cymru/dogfen/darlledwr-amlblatfform-cymraeg-newydd>

<sup>8</sup> <http://cymdeithas.cymru/dogfen/ariannu-darlledu-cymraeg-treth-newydd-i-ariannu-darparydd-amlgyfryngol-cymraeg-newydd>

<p><b>☐ Sefydlu Cyngor y Gymraeg fel corff hyrwyddo'r Gymraeg corfforaethol ar wahân i'r Comisiynydd.</b></p> <p>Credwn fod angen eglurder am gyfrifoldeb dros hyrwyddo'r Gymraeg. Mae nifer o broblemau wedi deillio o'r ffaith nad oes eglurder am bwy sy'n gyfrifol am hyrwyddo'r Gymraeg. Mae nifer o benderfyniadau wedi dangos diffyg meddwl strategol, er enghraifft y penderfyniad i dorri prosiect Twf. Hefyd nid oedd eglurder ynglŷn â phwy oedd yn gyfrifol am hyrwyddo bodolaeth y Safonau a'r newidiadau yn y gyfraith.<sup>9</sup></p>	<p><i>"Datblygu cydbwysedd gwell rhwng hyrwyddo, deddfwriaeth a rheoleiddio."</i></p>
<p><b>☐ Comisiynydd y Gymraeg – Dychwelyd y gyllideb i lefelau 2014/15 a rhoi sicrwydd hirdymor er mwyn i'r gyllideb gynyddu yn ôl chwyddiant</b></p>	<p><i>"Nod yr hawliau cyfredol yw gwella arlwy'r sefydliadau sydd yn dod o dan y safonau. Mae angen ysgogi unigolion i fanteisio ar y cyfleoedd y mae'r hawliau hyn yn eu cynnig. Y nod hirdymor yw symud at sefyllfa lle mae'r hawliau hyn wedi eu gwreiddio fel rhan naturiol o wasanaethau."</i></p>
<p><b>☐ Comisiynydd y Gymraeg – Cyllideb ar gyfer rhaglen farchnata'r hawliau newydd i'r Gymraeg a ddaw yn sgil pasio Safonau'r Gymraeg</b></p>	<p><i>"Mae angen ysgogi unigolion i fanteisio ar y cyfleoedd y mae'r hawliau hyn yn eu cynnig."</i></p>

## 7. Amodau ar gyfer cyllidebau prif-ffrwd

7.1. Wrth reswm, mae'n rhaid, wrth ystyried effaith cyllideb ar y Gymraeg, asesu effaith cyllidebau y tu hwnt i'r 0.16% o'r gyllideb a werir ar y Gymraeg ar hyn o bryd. Mae'n hollbwysig bod y cyllidebau prif-ffrwd, sef y 99.84% o'r gyllideb, yn cael effaith gadarnhaol ar y Gymraeg.

7.2. Mae'n amlwg bod tanfuddsoddi difrifol ar weithgareddau cyfrwng Cymraeg yn nifer o gyllidebau prif ffrwd y Llywodraeth – gan gynnwys addysg ac iechyd. Mae'r Llywodraeth yn honni mai 'diffyg galw' sy'n achosi hynny – credwn fod hynny'n amlgu meddylfryd hen-ffasiwn y gwasanaeth sifil, sy'n meddwl bod gwasanaeth Saesneg yn hanfodol ac yn ddiodyn, tra bod gwasanaeth Cymraeg yn rhywbeth atodol ac yn ddewisol.

- O gyllideb sydd bron yn £17 miliwn ar gyfer addysg i oedolion yn y gymuned, mae llai na phedair mil o bunnau wedi eu gwario ar gyrsiau cyfrwng Cymraeg, yn ôl gwybodaeth a ryddhawyd i Gymdeithas yr Iaith gan Lywodraeth Cymru o dan y ddeddf rhyddid gwybodaeth am wariant ym mlynnyddoedd ariannol 2009/10 i

<sup>9</sup> [http://cymdeithas.cymru/sites/default/files/CyIG%20Cryfhau%20Mesur%20A4\(1\).pdf](http://cymdeithas.cymru/sites/default/files/CyIG%20Cryfhau%20Mesur%20A4(1).pdf)

2011/12. Yn wir, mae nifer o brif gyllidebau'r Llywodraeth yn ariannu'r nesaf peth i ddim darpariaeth yn Gymraeg, gyda thros 99% o'r arian yn mynd ar ddarpariaeth Saesneg.

- Yn ôl ein gwybodaeth, dros yr un cyfnod o dair blynedd, o blith 90,477 prentisiaeth a ariannwyd gan Lywodraeth Cymru, dim ond 354 oedd drwy gyfrwng y Gymraeg, sef llai na phedair prentisiaeth ym mhob mil.
- Mae'r ffigyrau hefyd yn dangos mai 0.02% yn unig o'r un deg saith miliwn o bunnoedd a wariwyd ar ddysgu oedolion yn y gymuned dros dair blynedd, neu £2 am bob £10,000, a ddefnyddiwyd ar gyfer cyrsiau cyfrwng Cymraeg. Yn un o'r blynyddoedd, ni wariwyd yr un geiniog o'r gyllideb hon ar addysg drwy gyfrwng y Gymraeg.
- Dros yr un cyfnod, 0.3% yn unig, neu £3 ymhob £1000, o wariant ar Ddysgu yn Seiliedig ar Waith a wariwyd ar hyfforddiant cyfrwng Cymraeg.

7.3. Eleni, gwnaed yr un cais rhyddid gwybodaeth gan Gymdeithas yr Iaith<sup>10</sup> ond gwrthodwyd rhyddhau gwybodaeth ynghylch addysg i oedolion yn y gymuned a Dysgu yn Seiliedig ar Waith. Fodd bynnag, rhyddhawyd gwybodaeth am brentisiaethau<sup>11</sup> a ddangosodd bod 179,515 allan o gyfanswm o 189,695 prentisiaeth a gynhaliwyd yng Nghymru ers 2011 wedi eu cynnal drwy gyfrwng y Saesneg, sef naw deg pump y cant. Yn ôl yr ystadegau, am gyfnod o dair blynedd rhwng 2011 a 2014, roedd 96% o'r prentisiaethau yn Saesneg. Bu cynnydd bach iawn yng nghanran y cyrsiau sy'n cynnwys elfen Gymraeg y llynedd, gyda 95% yn cael eu cynnal yn Saesneg.

#### Argymhellion

- Cynyddu canran y prentisiaethau drwy gyfrwng y Gymraeg i 20%
- Amod ar arian cyfalaf Ysgolion yr 21ain Ganrif – ni ddylai'r un ysgol na sefydliad addysg newydd agor gyda chanran is o addysg cyfrwng Cymraeg na 50%, neu drothwy uwch mewn siroedd lle mae mwyafrif yr ysgolion yn rhai cyfrwng Cymraeg neu ddwyieithog.
- Addysg i Oedolion yn y gymuned – 20% o'r cyrsiau yn rhai cyfrwng Cymraeg
- Sicrhau bod y buddsoddiad mewn Technoleg Gwybodaeth yn sgil adroddiad Donaldson yn cyd-fynd â rhaglen o wella sgiliau iaith y gweithlu addysg er mwyn cyflwyno mwy a mwy o'r pwnc drwy'r Gymraeg
- Sefydlu fformiwla cyllido newydd i addysg uwch, gan glustnodi arian i'r Coleg Cymraeg er mwyn sicrhau cyfran gynyddol o addysg cyfrwng Cymraeg
- Y Llywodraeth ac asiantaethau cyhoeddus i anelu i gomisiynu cyfran gynyddol o'u prosiectau ymchwil drwy'r Coleg Cymraeg
- Sefydlu amod ariannol drwy Gyngor Cyllido Addysg Uwch Cymru i sicrhau cynnal a chynyddu nifer y neuaddau Cymraeg eu hiaith, boed hynny drwy brifysgolion neu'r Coleg Cymraeg
- Gweithredu argymhelliad yr adroddiad ynghylch yr Economi ac Iaith i osod amod iaith ar bob grant a roddir gan y Llywodraeth i fusnesau:  
*"Mae'r Grŵp yn argymhell y dylai fod yn ofynnol i fusnesau sy'n cael grant gan Lywodraeth Cymru ddangos eu bod yn gallu darparu gwasanaeth*

<sup>10</sup> [http://cymdeithas.cymru/sites/default/files/ADP%20-%20LI\(71877\)%20Mr%20Nosworthy\(1\).pdf](http://cymdeithas.cymru/sites/default/files/ADP%20-%20LI(71877)%20Mr%20Nosworthy(1).pdf)

<sup>11</sup> <http://cymdeithas.cymru/newyddion/diffyg-prentisiaethau-cyfrwng-cymraeg-yn-bryder-mawr>

<sup>12</sup> <http://llyw.cymru/topics/businessandconomy/welsh-economy/wled-task-finish-group/?lang=cy>

yn ddwyieithog. Dylai unrhyw arwyddion neu ddeunyddiau hysbysebu sy'n gysylltiedig â phrosiect sy'n derbyn cymorth grant fod yn ddwyieithog." – y Grŵp Gorchwyl a Gorffen ar y Gymraeg a Datblygu Economaidd<sup>12</sup>

- Sefydlu annibyniaeth ariannol i Gomisiynydd y Gymraeg drwy ei hariannu yn yr un modd â'r Archwilydd Cyffredinol gyda'r arian yn dod yn syth fel canran o'r grant bloc
- Sicrhau, dros amser, bod grantiau'r Llywodraeth ar gyfer clybiau ieuenctid a gweithgareddau allgyrsiol i blant dim ond yn cael eu dosrannu i weithgareddau Cymraeg eu hiaith
- Dylai fod gofyniad ar yr holl glybiau ieuenctid i gael staff cyfrwng Cymraeg – bydd hyn yn cyd-fynd â chynorthwyo awdurdodau lleol i gwrdd â'u dyletswyddau o dan y Safonau
- Dylid symud at un darparwydd ar gyfer addysg cyn-ysgol a fydd yn sefydliad Cymraeg a fydd, dros amser, yn symud holl ddarpariaeth cyn-ysgol i fod yn ddarpariaeth uniaith Gymraeg
- Cyfuno Menter a Busnes a Mentrau Iaith er mwyn creu Mentrau Iaith a Gwaith
- Rhoi arian ar gyfer clybiau ieuenctid i fudiadau Cymraeg yn unig
- Prif-ffydio'r Gymraeg yn rhaglenni Dechrau'n Deg a Chymunedau'n Gyntaf

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## 8. Sefydliadau Allweddol – yr Argyfwng Ariannol Presennol

8.1. I gloi, hoffem dynnu sylw at sefyllfa fregus ac argyfyngus nifer o sefydliadau yn dilyn penderfyniadau ariannol dros y blynyddoedd diwethaf.

### 8.1.1. Comisiynydd y Gymraeg

8.1.1.1. Mae Comisiynydd y Gymraeg wedi rhybuddio bod toriadau difrifol i'w chyllideb yn peryglu ei hannibyniaeth a'i gweithgareddau. Mewn llythyr at y pwyllgor cyllid ym mis Ionawr 2016, dywedodd Comisiynydd y Gymraeg:

*"Rwyf wedi derbyn toriadau ariannol i'm cyllideb dros y 2 flynedd diwethaf, gyda thoriad pellach ar gyfer y flwyddyn ariannol nesaf. I'w chymharu â chyllideb o £4,100,000 ar gyfer 2013-14, derbyniwyd toriad o £410,000 (10%) ar gyfer 2014-15 a thoriad o £300,000 (8%) ar gyfer 2015-16.*

*"Er nad yw cyllideb drafft Llywodraeth Cymru yn nodi'n benodol beth fydd y gyllideb ar gyfer 2016-17, derbyniais lythyr gan y Prif Weinidog ar 23 Rhagfyr yn fy hysbysu o doriad arall o 10%. Byddai hyn yn doriad pellach o £339,000, gan adael cyllideb flynyddol o £3,051,000. Golyga hynny bydd y sefydliad wedi derbyn toriadau mewn termau ariannol o 26% mewn 3 blynedd (32% mewn termau real ar ôl ystyried effaith chwyddiant)."*

8.1.1.2. Mewn nodyn briffio cyn etholiadau'r Cynulliad, dywedodd y Comisiynydd:

*"Mae Comisiynydd y Gymraeg yn gorff annibynnol, ond Gweinidogion Cymru sydd yn ariannu a phenodi'r swydd. Bydd angen i lywodraeth nesaf Cymru sicrhau mai i'r Cynulliad Cenedlaethol fydd y Comisiynydd yn atebol yn y dyfodol ac nid i Lywodraeth Cymru. Dyma linell atebolrwydd yr Ombwdsmon Gwasanaethau Cyhoeddus, a chred y Comisiynydd mai dyma'r llinell atebolrwydd mwyaf priodol ar gyfer Comisiynydd y Gymraeg."*

## 8.2. Coleg Cymraeg

8.2.1. Fe dorwyd cyllideb y Coleg yn gwbl anghymesur gan y Cyngor Cyllido Addysg Uwch eleni ac yn groes i fanifesto'r Ysgrifennydd Addysg. Datganodd manifesto etholiadau 2016 y Democratiaid Rhyddfrydol:

*"Hyrwyddwn addysg Gymraeg drwy: ... Ehangu cylch gwaith y Coleg Cymraeg Cenedlaethol i gynnwys y sector Addysg Bellach i gefnogi cydweithredu rhwng colegau Addysg Bellach, a rhwng y sectorau Addysg Bellach ac Addysg Uwch, wrth ddatblygu a darparu deunyddiau addysgu a dysgu drwy'r Gymraeg, a **diogelu'i gyllid**."*<sup>13</sup>

8.2.2. Buodd y Prif Weinidog yn gwbl glir mewn cyfarfod ym mis Tachwedd 2015 gyda Chymdeithas yr Iaith ei fod yn gwbl ymrwymedig i'r Coleg Cymraeg a "moyn gweld [gwaith y Coleg] yn parhau [ac yn] tyfu".

8.2.3. Fodd bynnag, gwnaed toriad o 8.3% i'r Cyngor Cyllido gan Lywodraeth Cymru, ond gwnaed toriad o 34% i'r Coleg Cymraeg gan y Cyngor Cyllido ym mis Mai eleni<sup>14</sup>, i lawr o £8.8 miliwn yn 2015/16 i £5.8 miliwn eleni.

8.2.4. Mae'r Coleg bellach yn defnyddio oddeutu £1 miliwn o ddyraniadau o'u cronfeydd wrth gefn er mwyn cynnal eu gweithgareddau – sefyllfa hollol anghynaliadwy.

8.2.5. Cyhoeddodd yr Ysgrifennydd Addysg adolygiad o waith y Coleg Cymraeg ym mis Awst eleni. Ar Awst 2<sup>nd</sup> 2016, ail-ddatganodd y Democratiaid Rhyddfrydol fel plaid ei ddeddf yn ymgyrchu dros ymestyn cylch gwaith y Coleg i gynnwys addysg ôl-16<sup>15</sup>.

## 8.3. Cymraeg i Oedolion

8.3.1. Gwnaed toriadau difrifol i Gymraeg i Oedolion sydd wedi cyfrannu at gollu nifer o swyddi ac sydd wedi ategu at y pryderon a achosir gan ail-strwythuro'r wasanaethau. Ym mis Ionawr 2014, gwnaed toriad o 8% i gyllidebau yn y maes ar gyfer y flwyddyn academaidd 2014/15. Ym mis Gorffennaf 2014, anfonodd Llywodraeth Cymru lythyr yn dweud y bydd toriad pellach o 7%. Rhwng y Gynhadledd Fawr a gynhaliwyd yn 2012 a 2015, cwtofwyd cyllideb darparwyr yn y maes gan £2.3 miliwn.

## 8.4. Twf / Cymraeg i Blant

8.4.1. Ym mis Ionawr 2016, cyhoeddodd Llywodraeth Cymru y byddai rhaglen Twf, a oedd yn cael ei rhedeg gan Gwmni Iaith, sy'n ymdrech i wella trosglwyddiad y Gymraeg yn y teulu, yn dod i ben ac y byddai rhaglen y Mudiad Meithrin 'Cymraeg i Blant' yn dechrau yn ei le o Ebrill 1<sup>af</sup> 2016 ymlaen. Roedd gan Twf gyllideb o oddeutu £750,000 ar gyfer y flwyddyn 2015/16. Cyllideb o £500,000 sydd gan y Mudiad Meithrin i gynnal prosiect 'Cymraeg i Blant' eleni.

8.4.2. Rhoddir cryn bwyslais yn nogfen ymgynghorol Llywodraeth Cymru ynghylch ei strategaeth iaith ar drosglwyddo'r iaith yn y teulu, felly disgwylir buddsoddiad ychwanegol yn y maes hwn.

## 9. Casgliadau

9.1. Os yw'r Llywodraeth o ddifrif am ei huchelgais i greu miliwn o siaradwyr Cymraeg, bydd rhaid cael buddsoddiad sylweddol ychwanegol. Fel arall, geiriau gwag yn unig yw'r uchelgais. Argymhellwn fuddsoddiad o dros £100 miliwn ychwanegol er mwyn sicrhau bod targedau'r Llywodraeth yn cael eu gwireddu. Daw manteision economaidd ac addysgol yn sgil y buddsoddiad hwn yn ogystal â buddion diwylliannol sylweddol. Heb os, ac fel mae'r Llywodraeth yn ei gydnabod, mae'n rhaid buddsoddi'n sylweddol

<sup>13</sup> [https://d3n8a8pro7vhmx.cloudfront.net/ldwales/pages/1353/attachments/original/1460627344/Manifesto\\_\(Cym\)\\_WLD\\_-\\_web\\_compact.pdf?1460627344](https://d3n8a8pro7vhmx.cloudfront.net/ldwales/pages/1353/attachments/original/1460627344/Manifesto_(Cym)_WLD_-_web_compact.pdf?1460627344)

<sup>14</sup> <http://www.bbc.co.uk/cymrufyw/36347962>

<sup>15</sup> [http://www.demrhyddcymru.cymru/expand\\_coleg\\_cymraeg\\_remit\\_to\\_include\\_further\\_education\\_say\\_welsh\\_lib\\_dems](http://www.demrhyddcymru.cymru/expand_coleg_cymraeg_remit_to_include_further_education_say_welsh_lib_dems)

cyn gynted â phosibl er mwyn creu gweithlu addysg sy'n gallu creu'r miliwn o siaradwyr. Mae Gweinidogion wedi dweud hynny eu hunain. Nawr yw'r amser i fuddsoddi, dyma'r cyfle.

Cymdeithas yr Iaith Gymraeg

Medi 2016



Document is Restricted

## Welsh Government draft Budget 2017-18, Finance Committee Consultation

### Our response

ATL Cymru welcomes the opportunity to respond to this consultation. We note that many of the issues reflected here will be unchanged from our previous comments on the budget. We have chosen to answer the most relevant questions.

1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?

The FE sector needs a fair, long term package in terms of funding.

The FE sector is facing an unprecedented funding crisis. With cuts of up to 10% in recent individual College budgets, the FE sector needs investment to safeguard the future of Wales. With the adult sector decimated by the 2015 budget, the 16-19 sector is 'not immune'<sup>1</sup> from the challenges and is facing an average of 6% cuts.

A huge amount of experienced staff have taken voluntary redundancy, with 865 full time equivalent jobs gone in the FE sector between 2012/13 and 2014/15<sup>2</sup>.

In April last year, Colleges Wales pulled no punches when it talks about the 50% budget cuts to adult learning:

*“With a 50% reduction in funding for part-time adult learning, Wales will have to brace itself for a workforce that has lower skills. Lower skills reap lower wages and affects health and wellbeing. All factors combined, there will be a negative impact on the nation's economy.”*

Investment is needed now to ensure we have a skilled workforce for the future and that everyone can access the training they need to fulfil their potential.

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<sup>1</sup> [http://www.collegeswales.ac.uk/en-GB/steep\\_cuts\\_to\\_adult\\_skills\\_will\\_affect\\_wales\\_economy-728.aspx](http://www.collegeswales.ac.uk/en-GB/steep_cuts_to_adult_skills_will_affect_wales_economy-728.aspx)

<sup>2</sup> <https://statswales.wales.gov.uk/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Further-Education-and-Work-Based-Learning/Staff-at-Further-Education-Institutions/fulltimeequivalentstaffnumbersatfurthereducationinstitutions-by-institution>

Welsh Government have released figures which showed that in 2014 /15 part-time learner numbers in FEIs fell by 9.7% and those in local authority adult and community learning have declined by 38%.<sup>3</sup>

In light of the recent developments, particularly the EU Referendum result, Reviews such as Hazelkorn need to be revisited to ensure a stable future for the FE sector in Wales.

2. What expectations do you have of the 2017-18 draft budget proposals?

Fair, long term funding solutions are needed, in order to ensure stability in the sector and enable schools and FEIs to provide the best possible education for Wales' young people.

3. How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?

We have chosen to answer this question in relation to the education sector in Wales today. Ahead of the Assembly election we had a series of manifesto asks. The ask around funding is critical, and detailed below.

Asks:

- Fair funding for schools
- Use of the 'Ever 6' for Pupil Deprivation Grant (PDG) eligibility
- More money for school buildings
- Stop cuts to the Further Education (FE) budget

95% of respondents do not think enough money is invested in education in Wales.

The school funding gap between Wales and England was last reported in 2010 as £604 per pupil.<sup>4</sup> That means the average primary school is underfunded in Wales by nearly £118,000 per year, and the average secondary school by over £540,000.<sup>5</sup>

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<sup>3</sup> <http://gov.wales/docs/statistics/2015/151125-further-education-work-based-learning-community-learning-2014-15-provisional-en.pdf>

<sup>4</sup> [www.bbc.co.uk/news/uk-wales-12280492](http://www.bbc.co.uk/news/uk-wales-12280492) quoting from <http://gov.wales/statistics-and-research/local-authority-budgets-education/?lang=en>

<sup>5</sup> <https://stats.wales.gov.uk/Catalogue/Education-and-Skills/Schools-and-Teachers/Schools-Census/Pupil-Level-Annual-School-Census/Pupils>

Number of pupils divided by number of schools: primary schools = 195, secondary schools = 898 pupils per school.

Whilst the level of the funding gap can be disputed, ATL Cymru members know any funding gap means fewer opportunities for children and young people in Wales to fulfil their potential. This just isn't good enough.

The Pupil Deprivation Grant (PDG) must use the 'Ever 6' to ensure consistent eligibility and better planning. The pupil premium in England uses this tool<sup>6</sup> to aid eligibility, as it means that those pupils who have been eligible for support in the last 6 years receive support, not just those whose parents have returned a form this year.

The FE sector is facing an unprecedented funding crisis, and is increasingly expected to do more for less. With cuts of up to 10% in individual college budgets, the FE sector needs investment to safeguard the future of Wales. FE colleges faced a devastating 6% cut on average in their budgets in 2015/16.<sup>7</sup> The withdrawal of up to 50% of funding from adult provision<sup>7</sup> both in FE and work based learning has had a disproportionate impact on older learners, especially women.

As Colleges Wales said "These cuts are deep. Wales will feel their effects for a long time to come".<sup>7</sup>

4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?

- Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)
- Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population
- Sustainability of public services, innovation and service transformation
- Local health board financial arrangements
- Preparation for the UK to leave the EU
- Low carbon budgeting and preparing for the Future Generations Act

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Actual figures underfunded: Average primary school by £117,780 a year, and the average secondary school by £542,392

<sup>6</sup> [www.gov.uk/government/publications/pupil-premium-2015-to-2016-allocations/pupil-premium-2015-to-2016-conditions-of-grant](http://www.gov.uk/government/publications/pupil-premium-2015-to-2016-allocations/pupil-premium-2015-to-2016-conditions-of-grant)

<sup>7</sup> [www.collegeswales.ac.uk/en-GB/steep\\_cuts\\_to\\_adult\\_skills\\_will\\_affect\\_wales\\_economy-728.aspx](http://www.collegeswales.ac.uk/en-GB/steep_cuts_to_adult_skills_will_affect_wales_economy-728.aspx)

- Preparation for the impact of further devolution included with the Wales Bill
- Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced
- Scrutiny of Welsh language, equalities and sustainability

We strongly believe that education is the biggest single factor affecting life chances for people in Wales today. Without a good level of education for all, Wales will continue to see inequality and will be unable to mitigate any impact of Welfare changes.

In a post Brexit context the FE institutions of Wales face even great challenges which the Welsh Government must take a lead in combatting if Wales is to have a well educated and prosperous future.

5. The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with national indicators for Wales. - What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending? - What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on reduction or eradication of poverty?

There is a national indicator in relation to young people who are not in education, employment or training (NEET) and yet FE institutions are not subject to the Wellbeing of Future Generations Act. It is our view that outcomes for these young people cannot be improved without investment in the FE sector – including a focus on those young people with additional learning needs (ALN). Disabled young people remain the amongst the highest group of NEETs.

6. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?

Again, spending on education is clearly preventative spending.

7. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?

Education requires more funding. Not least a long term commitment to the PDG, more funding for the FE sector and a commitment to fully funded CPD across the education system for all staff.

9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?

In light of the recent referendum result, we believe clear and decisive support for the FE sector is needed, and that any groups set up should include representation from the education unions.

If you would like to read about our Put Education First campaign, in which one of our five key asks is for the WG to Invest in education, please see our website: [www.atl.org.uk/PutEducationFirst](http://www.atl.org.uk/PutEducationFirst)

Mary van den Heuvel  
Policy Officer  
ATL Cymru – the education union

1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?

The £15.9bn Welsh Government (WG) budget was allocated as follows:

Health and Social Services	£7.1bn – up 4.1%
Local Government (incl. schools)	£4.4bn – down 2%
Education & Skills	£2.1bn – up 1.1%
Economy, Science & Transport	£977m – up 5.9%
Communities	£677m – up 10.7%
Natural Resources	£369m – up 2.6%
Central Services/Administration	£315m – up 3%

The Local Government budget was the only expenditure group that had a decrease from its previous year's budget. This has resulted in Local Government authorities in Wales having to make significant efficiency savings / cuts to their own services. The LG settlement stipulated that schools budgets had to be protected by 1.85% which meant that even bigger reductions had to be made to other services' budgets such as Social Care, Environment, Housing and Leisure.

2. What expectations do you have of the 2017-18 draft budget proposals?

That Local Government pressures are prioritised to the same degree as Health and Social Services and other expenditure groups' pressures. The budget allows for the following pressures:

- a) the new living wage and impact of social care providers
- b) apprenticeship levy
- c) increase in demand for social care
- d) the Local Government allocation reflects the true cost of WG's aspirations in terms of protecting schools from any cuts.

3. How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?

It is proving very difficult to produce robust plans when we are only given one year settlement figures. The Council is able to make assumptions in terms of inflationary, service pressures and council tax levels in respect of 2017/18 and beyond but government support (which represents approx. 80% of funding) is difficult to predict for the 2017/18 due to uncertainty of the WG Budget. Three year settlement figures would give local authorities greater certainty to plan for the medium term. This has been emphasised in the Auditor General for Wales' Financial Resilience of Local Authorities in Wales 2015-16 report where it is stated that longer term certainty when setting local authority budgets would improve medium term financial planning and better support local transformation.

4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?

- Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)
- Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population
- Sustainability of public services, innovation and service transformation

- Local health board financial arrangements
- Preparation for the UK to leave the EU
- Low carbon budgeting and preparing for the Future Generations Act
- Preparation for the impact of further devolution included with the Wales Bill
- Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced
- Scrutiny of Welsh language, equalities and sustainability

No further comment.

5. The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with **national indicators** for Wales.

- What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?

- What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on reduction or eradication of poverty?

No further comment

6. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?

No further comment.

7. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?

Housing and social care. This links in with the pressures facing local authorities following the introduction of the new living wage directly and indirectly (social care providers).

8. Do you feel that allocations made by the Welsh Government are sufficiently evidence based?

There is very little information which is transparently published to enable a response to this question.

9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?

Too much uncertainty to be specific at this stage, however an increase in General Capital funding would help with infrastructure projects.

10. What long term planning is carried out to fully deliver on preventative spending strategies and how do you plan for this within short term budget periods?



Welsh Government would assist local authorities if it shared medium term budget plans.

11. What baseline evidence is used to measure preventative outcomes?

No comment.

12. How can good examples of service transformation and innovation be encouraged and shared nationally across key agencies and what is the role for the Welsh Government here?

No comment.

## **Oxfam Cymru: Submission to the Finance Committee to inform the scrutiny of the Welsh Government draft budget proposals for 2017-18**

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### **Introduction**

Oxfam works with others to overcome poverty in three ways:

- by developing projects with people living in poverty that improve their lives and show others how things can change
- by raising public awareness of poverty to create pressure for change
- by working with policymakers to tackle the causes of poverty.

For further details about Oxfam’s work, see [www.oxfam.org.uk/](http://www.oxfam.org.uk/) .

Oxfam Cymru welcomes the opportunity to contribute to the Finance Committee’s thinking on the scrutiny of the Welsh Government draft budget. The budget is one of the key mechanisms by which the Welsh Government can show leadership in driving through the major changes required by the Well-being of Future Generations (Wales) Act 2015. As such, it is essential that this budget reflects the start of a process that will fundamentally change the way finances are allocated to effectively implement the Act. Answers to specific consultation questions are given below.

### **Q4: Comments on specific areas of the budget**

#### **4.1 Approach to preventative spending and how is this represented in resource allocation**

As a member of the Sustainable Development Alliance, Oxfam Cymru expects to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Well-being of Future Generations (Wales) Act 2015. The Act requires all Welsh public bodies, including the Welsh Government, to act in accordance with the sustainable development principle. Given that the budget underpins the actions that Welsh Government will take in the next twelve months it is clear that the budget must also work in accord with the principles. In general terms this means we would expect to see:

- A clear shift in expenditure towards programmes aimed at preventing problems occurring

- Financial arrangements, such as pooled budgets, that encourage and require collaboration among Welsh Government departments or among public bodies and facilitate the achievement of multiple well-being goals
- An emphasis on addressing long term problems such as tackling poverty and climate change

It is essential that such shifts in monetary allocations, and the reasons for them, are clearly explained in the narrative accompanying the budget, so that public bodies in receipt of funding are fully aware of how they will also need to change their approach to budget setting.

#### 4.1.1 Tackling Poverty

Oxfam Cymru believes that there is a clear moral and economic case for prioritising preventative spending resource allocation to eradicate poverty and inequality. The Bevan Foundation has estimated that poverty costs the Welsh economy £5 billion a year, wasting people's potential, whilst hampering economic growth.<sup>1</sup>

Furthermore, economic inequality and poverty in Wales can lead to a variety of devastating outcomes. For example, the death rate among children living in the most deprived fifth of Wales is 70% higher than those living in the least deprived fifth.<sup>2</sup> The Welsh Health Survey demonstrates significant correlations between mental illness and deprivation; in the most deprived areas 18% of people report mental illness, while only 9% did so in the least deprived areas.<sup>3</sup>

Similarly, children from deprived backgrounds will be over a year behind in their vocabulary by the time they are five-years-old, are more likely to fail to achieve expected levels by the end of primary school and are over five times more likely to become NEET (not in education, employment or training) when compared with children from less deprived backgrounds.<sup>4</sup>

For all these reasons, tackling economic inequality and poverty must be a top priority for Wales and needs a whole government approach. It is our understanding that tackling poverty is a priority for all members of the Cabinet Office. If this is the case, then we need to see clear evidence within the budget of resource allocation to tackle poverty across all departments. The Finance Committee needs to play a key role in assessing and

<sup>1</sup> Bevan Foundation <http://www.bevanfoundation.org/what-we-do/poverty/> Accessed September 2015

<sup>2</sup> Public Health Wales (2015) "Child Death Review Programme Annual Report 2015" [http://www2.nphs.wales.nhs.uk:8080/ChildDeathReviewDocs.nsf/85c50756737f79ac80256f2700534ea3/dfc42877da71d3b380257e7e002e0a71/\\$FILE/CDR%20Annual%20Report%202015%20\(Eng\).pdf](http://www2.nphs.wales.nhs.uk:8080/ChildDeathReviewDocs.nsf/85c50756737f79ac80256f2700534ea3/dfc42877da71d3b380257e7e002e0a71/$FILE/CDR%20Annual%20Report%202015%20(Eng).pdf)

<sup>3</sup> Welsh Health Survey data cited in Oxfam Cymru (2015) "The Welsh Doughnut: A Framework for environmental sustainability and social justice" <http://policy-practice.oxfam.org.uk/publications/the-welsh-doughnut-a-framework-for-environmental-sustainability-and-social-justice-346207>

<sup>4</sup> Welsh Government figures cited in Wales Centre for Equity in Education (2014) "Good news...What schools in Wales are doing to reduce the impact of poverty on pupil's achievement" <http://www.cscjes.org.uk/getattachment/Knowledge-Bank/Closing-the-Gap/Good-News-What-schools-in-Wales-are-doing-to-reduce-the-effect-of-poverty-on-pupils-achievement.pdf.aspx>

scrutinising work to tackle poverty, reduce inequality and raise the living standards of those households with the lowest budgets.

#### **4.1.2 Climate Change**

Unless governments across the world, including the Welsh Government, prioritise action to tackle climate change, future generations will continue to pay the price through greater hunger, greater health risks and climate-related disasters that will result in mass displacement of people. The Environment (Wales) Act 2016 requires that, for each five year budgetary period, the Welsh Government should set a maximum total amount for net Welsh emissions (a carbon budget). Oxfam Cymru wants the Welsh Government to undertake a carbon impact assessment of the annual fiscal budget, major strategies and infrastructure projects. The infrastructure budget needs to include a commitment to undertake a whole-house refit of existing Welsh housing stock, encompassing energy efficiency and micro-generation (where appropriate) to reduce emissions by 60% per property.<sup>5</sup>

#### **4.2 Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population**

Traditionally, many Welsh Government funded schemes designed to tackle poverty focus only on one factor (e.g. income or skills), treating a group of people in the same area as needing the same outcome. A 'one size fits all' approach to tackling poverty will not bring about lasting change. We need dynamic and adaptable interventions for each stage and circumstance of a person's life.

Oxfam believes that people experiencing poverty have strengths and capabilities that enable them to 'get by' and can be empowered to address their own poverty from a holistic perspective by actively building on their asset base<sup>6</sup> in order to create a more sustainable livelihood. An asset-based approach takes each person as an individual, and works with them to understand what assets they do have (looking at health, social, physical, public and financial) and works to help the individual build on what they already have to take more control over their own lives.<sup>7</sup>

This approach has been used across Wales through Oxfam's Building Livelihoods and Strengthening Communities in Wales project. Not only does evidence from this project

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<sup>5</sup> Stop Climate Chaos Cymru (2011) 'Cutting Carbon: Creating Jobs' <http://stopclimatechaoscymru.org/wp-content/uploads/2013/07/SCC+-+Cutting+Carbon+Report+final1.pdf>

<sup>6</sup> According to the Sustainable Livelihoods Approach (SLA) assets are divided into five categories: Human (e.g. skills, knowledge), social (e.g. friends, family), physical (e.g. housing, transport), public (e.g. local services, participation in community) and financial assets (e.g. income, benefits).

<sup>7</sup> Further information on the different assets and the approach in general can be found in Oxfam Cymru's Sustainable Livelihoods Approach toolkit <http://policy-practice.oxfam.org.uk/publications/the-sustainable-livelihoods-approach-toolkit-for-wales-297233>

show that individuals have been able to affect transformational changes in their livelihoods, there was also a significant (£4.43:£1) social return on investment.<sup>8</sup>

Oxfam Cymru wants the Welsh Government to embed an assets-based approach in all Welsh Government policy and service delivery aimed at helping people break out of poverty.

Low pay remains a significant issue in Wales, with one in four workers earning less than the Living Wage.<sup>9</sup> Steps to ensure provision of decent work and payment of a Living Wage based on the cost of living should be an important element of action to tackle poverty rates in Wales.<sup>10</sup> We believe the Welsh Government should take strong action on low pay, and commit to paying the Living Wage to all staff, either employed directly or indirectly, ensure all public bodies in Wales become Living Wage employers, and use other levers (such as procurement) to encourage more Welsh businesses to pay the Living Wage.

### **4.3 Low carbon budgeting and preparing for the Future Generations Act**

In addition to those issues covered in Section 4.1 above, it is essential that the Wales for Africa budget is protected within the overall budget. This will show Welsh Government's ongoing commitment to international development and also support delivery of a Wales as a globally responsible nation under the Well-being of Future Generations (Wales) Act 2015.

The Well-being of Future Generations (Wales) Act 2015 puts a clear obligation on all public bodies to ensure that Wales is a globally responsible nation. In Oxfam's view, procurement is a key lever for achieving this. Higher expectations need to be placed on businesses to be responsible employers, particularly in return for the array of state support that they receive, and in the delivery of public contracts. The budget needs to drive sustainable and ethical action by businesses that are supported by public bodies in relation to their activities domestically and internationally.

### **4.4 Scrutiny of Welsh language, equalities and sustainability**

Oxfam welcomes the leadership the Welsh Government has shown in ensuring Equality Impact Assessments (EIAs) are a statutory requirement of all policies, process and the budget. We welcome the publication of the EIA alongside the draft budget but believe the evidence base can be improved by further research. In terms of tackling poverty for example further evidence is needed on the relevance of anti poverty programmes for those

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<sup>8</sup> Oxfam (2016) Building Livelihoods and Strengthening Communities in Wales: Value Analysis Report <http://policy-practice.oxfam.org.uk/publications/final-evaluation-building-livelihoods-and-strengthening-communities-in-wales-pr-615933>

<sup>9</sup> Living Wage Commission (2014), "Working for Poverty: The Scale of the Problem of Low Pay and Working Poverty in the UK" <https://www.nuj.org.uk/documents/working-for-poverty-living-wage-commission-report/>

<sup>10</sup> Throughout "Living Wage" refers to that set by The Living Wage Foundation, calculated based on the cost of living, currently £7.85 an hour (£9.15 in London) <http://www.livingwage.org.uk/what-living-wage>

at a higher risk of poverty such as women<sup>11</sup> and Black and Minority Ethnic (BME) communities. All programmes and policies aimed at tackling poverty need to be based on robust evidence and data, and must also reflect the reality of life below the poverty line.

The Well-being of Future Generations (Wales) Act 2015 brings additional requirements to the scrutiny of the sustainability of the budget. The Welsh Government needs to provide clarity and transparency on what kind of sustainability appraisal will be undertaken of the draft budget and how this will be integrated with other impact assessments such as the EIA.

**Q5. The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with national indicators for Wales.**

**5.1 What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?**

It is crucial that the seven well-being goals within the Well-being of Future Generations (Wales) Act 2015 are financed on a scale that matches their ambition. For example, since business and poverty reduction objectives do not automatically align, the public sector will need to ensure that partnerships with the private sector prioritise poverty reduction and are subject to robust environmental and social safeguards reflecting international best practice. Currently an indicator reflecting how the well-being goals will be financed is missing. This is a serious omission. There are measures that could be used to reflect finance towards specific goals, for example Research & Development spending on environmentally sound technologies, fossil fuel subsidies, per unit of GDP.

We were also extremely disappointed that the ‘active global citizens’ indicator proposed during the consultation on national indicators did not make it into the final indicator set. Education is key to ensuring that future generations have the knowledge, understanding and values needed to be global citizens. This is important to secure a globally responsible outlook, for our economic wellbeing and to ensure we develop a future workforce that fully understands sustainable development and its practice. An active global citizens indicator would help to ensure that our education system is developing young people as ‘ethical, informed citizens of Wales and the world.’

**Q7. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?**

The Welsh Government needs to set up a destitution fund so that no person is left destitute in Wales, regardless of their nationality or immigration status. This is already in place in Northern Ireland and could be resourced through the Discretionary Assistance Fund.

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<sup>11</sup> For women, this is in terms of hidden poverty. There is no difference in the poverty rate for men and women in Wales, but this is because income poverty is measured at household level and does not reflect, for example, the distribution of resources within households. See JRF (2015) “Monitoring Poverty and Social Exclusion in Wales” <https://www.jrf.org.uk/report/monitoring-poverty-and-social-exclusion-wales-2015>

Referrals could be made through social services and voluntary organisations. The small destitution fund which the British Red Cross (and Welsh Refugee Council) administers is a crisis fund for those without a short to medium-term prospect of securing Home Office support and is already insufficient to meet the need. The provision for all fresh asylum claims and further evidence on asylum cases to be submitted in person in Liverpool further exacerbates the limited funds that these organisations can commit to supporting those who are destitute. There is clear evidence that the lack of institutional, social and economic resources faced by people living in destitution or with No Recourse to Public Funds [NRPF] denies them a sustainable livelihood, and results in a life that is robbed of dignity and unacceptable by human rights standards.<sup>12</sup> This is not acceptable in Welsh society – a destitution fund would help provide support for some of the most vulnerable people living in Wales.

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<sup>12</sup> <http://policy-practice.oxfam.org.uk/publications/coping-with-destitution-survival-and-livelihood-strategies-of-refused-asylum-se-121667>



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# A call for information – Welsh Government draft budget proposals for 2017-18

13TH SEPTEMBER 2016

## ANNEX 2 -CONSULTATION QUESTIONS

### SUMMARY

WWF Cymru believes it is crucial that the Programme for Government and budget demonstrate Welsh Government's determination to drive through the major changes required by the Wellbeing of Future Generations and Environment Acts.

The budget should be signalling the key changes in approach legally required. For example:

- Addressing long term problems and shifting expenditure to prevention of these problems
- Expenditure should clearly reflect key programmes essential to achieving each goal
- Evidence of integration of action across departments ( and organisations) to deliver the goals, reflected in pooled budgets
- Resources, particularly in the business and enterprise portfolio, shifting to prioritising the protection of natural resources for future generations and tackling climate change.

This budget must therefore be the start of the transformational change that a sustainable Wales requires. We don't expect this budget to demonstrate all of our expectations on the delivery of the WFGA but this budget must not be business as usual and should be supported at the very least by a narrative that explains the change process and the overall vision to which it strives.



It is worth noting that assessment on natural capital and climate is not unique to Wales e.g. Natural Capital Committee provides independent advice at UK Government level. We can therefore work with other organisations to develop processes in this complex area.

## **2. What expectations do you have of the 2017-18 draft budget proposals?**

As members of the Sustainable Development Alliance, WWF Cymru expects to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Wellbeing of Future Generations Act. The Act requires all Welsh public bodies, including the Welsh Government, to act in accordance with the sustainable development principle. Given that the budget underpins the actions that Welsh Government will take in the next twelve months it is clear that the budget must work in accord with the principles. In general terms this means we would expect to see:

- A clear shift in expenditure towards programmes aimed at preventing problems occurring
- Financial arrangements, such as pooled budgets, that encourage and require collaboration amongst public bodies and facilitate the achievement of multiple goals
- An emphasis on addressing long term problems (such as climate change and the decline of biodiversity)

This will be the first budget to be delivered since the Wellbeing of Future Generations Act (WFGA) came into force. The requirements of the WFGA change the financial landscape for Government as well as 43 other public bodies: Welsh Government are now expected to publish a statement on their wellbeing objectives which also explains how resources are being allocated to meet the those objectives.

It is unclear whether Welsh Government intends the Programme to be its Wellbeing Objectives and whether this will be done alongside the budget. This makes assessment of Welsh Government's fulfilment of its duties hard to predict. WWF Cymru believes transparency is necessary for the proper application of the principle of stakeholder engagement. Stakeholders, such as SD Alliance members must be able to understand and analyse the Government proposals in order to contribute effectively to decision making. Currently we feel there is little transparency.

We would expect to see evidence in the budget and Programme for Government, that:

- A. Government are resourcing key programmes of delivery under *each* goal
  - B. Resources are beginning to shift towards *maximising* the delivery of all seven goals in the WFGA. ( i.e. Some integration and pooling of resources)
  - C. Evidence that the SD principles have been applied to decision-making
  - D. Evidence that protection of natural resources for future generations is being given more priority
- A. Government are resourcing key programmes of delivery under *each* goal.**

Subject committees are perhaps best placed to enquire into the detail of changes in budgets and their efficacy in delivering individual goals. For example, the Prosperous Wales goal aims for a low carbon economy, recognising environmental limits, using resources more efficiently and proportionately. This is a considerable change to the previous focus of Government economic development strategy, which should be reflected in a shift in the focus of the spending on economic development and infrastructure. Not only would we expect investment which will leverage private sector investment in these areas but also the removal of environmentally harmful support or subsidies which will not encourage the transition to such a low carbon economy and may counteract progress towards tackling climate change. This will be a challenge for the Enterprise and Business committee and it may require input from CCERA to assist in assessing progress on such a complex goal. Such cross – committee expertise is likely to be required for effective scrutiny of implementation.

### **B. Maximising the contribution to all the goals**

It would seem more difficult for any single committee, except perhaps the Finance Committee, to take an overview of whether the budget is being applied as best it can be to *maximise* contribution to the goals.

However, initial scrutiny could focus on investment in major cornerstone programmes which can contribute significantly to several goals. We consider increased investment in energy efficiency retrofit for houses in Wales - would be such a programme.

### **C. Evidence that the SD principle has been applied to decision-making**

WWF Cymru believes it is important that the following key aspects of the principle are addressed in the budget statement.

- Balancing short term needs with safeguarding the ability of future generations to meet their own needs;

The National Audit Office (NAO) in England has highlighted how longer-term budgetary planning leads to better outcomes, reduced public spending, and greater value for money. It creates the conditions for promoting ‘spend to save’ investment in, for example, preventative and restorative action, the benefits of which may only pay off over the medium to long term.

We would expect to see evidence of long term value for money and returns being used in budget decisions i.e. not cutting spending where it will lead to increased costs in longer term. For example, the cutting of many low carbon energy incentives by the UK government last year has been heavily criticised, as they appeared to be short-term cost-cutting measures that will result in much higher costs to achieve the necessary transition to a low carbon economy in the longer term, particularly as they undermined investor confidence, which could have a persistent effect of dampening investment and mean additional (costly) incentives will be required to catalyse private sector investment in future.

Giving enhanced priority to the longer term needs should also lead to clear statements of long term and increased investment in services which increase ecological and therefore

economic resilience for Wales, as required in the Environment Act—e.g. in soils, biodiversity, water quality and marine and fisheries management

- Taking an integrated, collaborative cross-governmental approach.

WWF has long argued that breaking down departmental silos is crucial for tackling complex, long-term issues at the lowest cost. There's a need to make more use of pooled funding approaches which enable greater cross-departmental collaboration to permit spending by one department that reduces costs for another. Setting aside a specific tranche of budget that is available only for these kinds of proposals would be one way to achieve this.

In order to ensure that departments consider their impacts across the goals, we would like to see an action plan developed for each goal that considers how the actions of all relevant government departments can contribute, and which therefore allocates responsibilities between departments so as to achieve the goal in the most cost-effective way possible, and allocates budget accordingly.

However, for this initial budget, we would expect evidence of change in prioritisation of budget spend, as well as some pooling. For example, will the health budget recognise value of spending on urban trees or energy efficiency to improve health and reduce longer term costs?

We might also expect to see funding to increase collaboration and research between economic and environmental sectors including agriculture and coastal and marine management

- Deploying resources to prevent problems – tackling their root causes

We have supplied further detail on this in Question 4. However, it would be a good step to see some acknowledgement of the need to investigate where WG funding actually creates problems which the public purse subsequently has to resolve e.g. agricultural subsidies which may encourage the pollution of rivers, which NRW then must pay to clear up, or regional economic subsidy which creates waste which needs managing. This is about having an eye on the 'whole system' budget and whole life cost of budgetary decisions.

#### **D. Evidence that protection of natural resources for future generations is being given more priority**

WWF Cymru is concerned that this core underpinning objective of the SD principle is properly addressed. Recent evidence on the state of the Welsh environment shows the continued loss of biodiversity within Wales. The need to address this loss and take action on the causes of such loss to ensure future benefits *must* be given higher priority if the Wellbeing duty 'to carry out sustainable development' is to be achieved.

Therefore, we feel that this budget must start to demonstrate an increased investment across government departments in action that will maximise their contribution to the Resilient Wales goal.

WWF's forthcoming Living Planet Report (published 27<sup>th</sup> October) will highlight the global decline of nature and the impact this has on its services to humanity and species. We rely on these global resources for our wellbeing in Wales and therefore need to take account of the limitations when developing our policies. This issue is represented in Goals 1 and 7 of the WFGA and we therefore expect the PfG and budget to take these into account.

WWF Cymru thinks there are 3 key areas for action which would help transform the way the Welsh public sector protects our natural resources. These are :

- Drive investment in our natural resources
- Incorporate information on natural capital into the annual Budget reporting.
- Develop new tools and approaches for assessing the economic risks associated with natural capital depletion.
- **Drive investment in maintaining and restoring natural capital assets (i.e. our natural resources) .**

We believe that targeted public investment in natural capital, would provide significant benefits to the economy, businesses and communities. The Budget therefore also needs to mobilise private finance at a greater scale, to minimise the burden on the public purse.

Therefore we would expect WG to consider and start to increase its level of investment in natural capital (Sustainable management of natural resources) – and not just through NRW's budget. As stated previously, we would expect to see investment in this green infrastructure included within the budget for national infrastructure.

We believe the Government should develop a natural capital investment strategy that explores potential financing mechanisms for investment in our natural capital (or resources), from either redirected public sources or private sources leveraged through appropriate fiscal or regulatory policy measures. This could include mechanisms such as use of newly devolved taxes, compensation schemes or biodiversity offsetting, or the use of innovative financing mechanisms such as Environmental Impact Bonds, through which finance can be generated for investment in natural capital in the expectation of future public sector savings e.g. from healthcare costs etc. This can represent a cost-effective way to manage the costs of natural capital depletion and raise upfront finance for investment in natural capital.

- **Incorporate information on natural capital into the annual Budget reporting.**

WWF believe that WG must recognise the contribution of natural capital to the Welsh economy and its dependence on both domestic and international natural capital. It is important that the trends in the overall asset base and the extent to which they are affecting service/benefit provision are considered when making budget allocations

We would expect WG to summarise how natural capital information was used to inform development of the Budget. Indeed they should also assess the impacts of the Budget (i.e. the policies and budgetary allocations it contains) on Wales's natural capital and any associated benefits and risks.

If this is not provided then WG should commit to incorporating natural capital information in future budgets, and develop principles setting out how it will be used to inform budgetary decision-making. Indeed, any reports issued from Government in regard to 'state of the economy' based on Gross Domestic Product (GDP) or GVA should be accompanied by information on, for example, the status of natural capital stocks, as well as associated risks, liabilities and maintenance investment requirements. This would give a more rounded picture of progress towards the Prosperous Wales and Resilient Wales goals.

The basis of this information may be provided, in part, by NRW's State of Natural resources report due out in September 2016. However, this will take no account of the resilience of the international resources we rely upon. The resilience of supply chains for Welsh businesses and consumers must become a key consideration. This is essential for the wellbeing of future generations but also to fulfil our 'Globally responsible Wales goal.

- **Develop new tools and approaches for assessing the economic risks associated with natural capital depletion.**

In order to assess whether natural resources are being protected for future generations, WWF Cymru believes WG must develop new tools and approaches for assessing the economic risks associated with natural capital depletion. For example, WWF has proposed conducting natural capital stress tests which look at the economic impact (on different sectors of the economy) of future scenarios relating to natural capital depletion trends, thus better assessing the risks and informing policy to manage those risks.

#### **4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

**- Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)**

Preventative spend has not yet been applied effectively in regards to Wales stock of natural capital i.e. its natural resources. As Dieter Helm (chair of England's Natural Capital Committee (NCC)) states, sustainability requires maintaining our stock of natural capital for future generations. The Resilient Wales goal, taken alongside Goal 1's environmental limits, clearly recognises this issue and its importance. Indeed the Environment Act clearly lays this out as an objective for Welsh Government and NRW.

Applying this principle, would ensure more priority for the protection and restoration of Wales biodiversity. We therefore need to see natural capital included in preventative spending. This is recognised by New Economic Foundations work on prevention

[http://b.3cdn.net/nefoundation/b8278023a5b025649f\\_5zm6i2btg.pdf](http://b.3cdn.net/nefoundation/b8278023a5b025649f_5zm6i2btg.pdf)

A common perception is that protecting the environment is too costly. However, there is growing evidence that allowing nature's capital to be lost will be much more expensive in the long run. The NCC warned UK Government that many of the services provided by our natural capital are at high or very high risk. This is already imposing significant costs to UK taxpayers, businesses and landowners .

#### EXAMPLES OF THE ECONOMIC IMPLICATIONS OF NATURE'S DECLINE

**Flooding:** it is widely accepted that poor land-use practices in river catchments are a major contributing factor to flooding, and that we need to work more with natural processes than we have in the past (such as by improving soil condition to enhance water infiltration, restoring upstream wetlands to store flood water at source, and planting of trees and re-naturalising water courses to slow water conveyance). The role that the UK's coastal wetlands play in mitigating flooding and storm damage has been valued at £1.5bn per year. Investing in natural capital solutions can be more cost effective in reducing flooding than building man-made structures, as well as producing a wide range of other economic benefits. The potential cost of the winter 2015/16 floods has been estimated to be at least £5bn; costs that will be borne by the UK's insurance sector, businesses, individuals, communities and government. Extreme weather events are also predicted to become more frequent under climate change scenarios, exacerbating future flood risks.

**Soil degradation:** the total annual costs of soil degradation in England and Wales (through loss of organic matter, compaction, and wind and water erosion) have been estimated at £1.2bn a year, including the costs of reduced productivity and carbon emissions from degraded soils.

**Overfishing:** overharvesting of many wild fish stocks has dramatically reduced yields, leading to lower economic returns to coastal communities. The NCC estimated that the UK fishing industry could generate an additional £1.4bn in annual revenues if UK fish stocks were recovered to the average levels seen before the 1970s.

**Air quality:** some 50,000 people a year are dying prematurely in the UK because of air pollution. The annual health, environmental and CO<sub>2</sub> costs of air pollution from UK industry alone have been estimated at £9.5-£15.5bn. Here in Wales there have already been some trials of payments for ecosystem services, for example by Dwr Cymru and NRW, in improving water quality by investing in improving land management in river catchments. There is considerable opportunity to develop this approach further in redesigning payment systems post CAP.

Air pollution must be tackled by much more integration of infrastructure spending, particularly with environmental and health benefits. Such improvements will prevent future high costs to the health service. Similarly with our earlier example on energy efficiency measures which can produce warmer homes and improve health outcomes.

Over recent years, there has been a considerable under investment in marine capacity within Wales. The Wales marine plan is now considerably overdue. These plans were intended to provide integrated and sustainable approaches to protecting and utilising our seas. The delay will not provide the certainty that investors, such as in marine renewables, require.

This lack of capacity in marine planning makes preventative spending more difficult. Furthermore, for the environment a precautionary approach – not just a preventative one is required. There is often reluctance when making development and investment decisions to recognise the need to take this approach to avoiding serious harm. There was much discussion on this in the development of the Environment Act and government felt it was not necessary to reiterate this principle. Given that it was already required under environmental legislation. While the latter is true, it is rarely accepted as a form of cost saving. I.e. it is intended to prevent future harm to the environment which might have unforeseen consequences for ecosystem services and is also likely to be very costly to correct.

Finance can be raised through a preventative approach as well. An **Environmental Impact Bond (EIB)** is a financial vehicle that monetises the future savings that will be generated from a particular natural capital investment, by allowing the managers of that natural capital to borrow the money upfront in order to undertake the required investment, and to repay the money later when the savings have been realised. This is a fairly new and innovative concept, and one which is modelled on Social Impact Bonds (SIBs), which are structured in a similar way, but involve investments in socially beneficial outcomes.

This kind of approach is being developed in the USA, through a project which it is hoped will enable the US Forest Service to ‘borrow’ from their own future wildfire fighting funds in order to pay for current wildfire prevention, thus reducing future costs by more than the amount borrowed, which means they will be able to pay back the loan and have some money left over, creating a virtuous cycle in wildfire-prevention financing<sup>1</sup>.

#### **- Sustainability of public services, innovation and service transformation**

Much of the £15 Billion public expenditure in Wales is spent through other parts of the public sector, including local government, (who deliver services on behalf of their communities), regional health bodies and bodies with a ‘whole Wales’ remit. WG influences policy, governance and performance frameworks for these bodies. This means that WG have a clear role in creating the conditions for others to respond to the WFGA. This is a major opportunity to drive the WFGA framework across public service through the budgeting process ensuring innovation and service transformation. The budget should be giving **clear signals that from now on this will be the case.**

WG should also be looking at what budgeting or financial requirements are posing barriers to delivery of the WFGA and committing to work with public bodies to remove these. These may include short term budget allocations, and cost benefit analysis processes which overly discount future benefits and so prevent ‘spend to save’ approaches.

#### **- Preparation for the UK to leave the EU**

There is a clear opportunity afforded by the replacement of European funding to design public spending in Wales to better deliver the goals of the WFGA. This, and the Environment

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[https://static1.squarespace.com/static/536569a7e4b0d9a600e01117/t/54cbca0fe4b063bf2a96a996/1422641679629/2-pager\\_jan15.pdf](https://static1.squarespace.com/static/536569a7e4b0d9a600e01117/t/54cbca0fe4b063bf2a96a996/1422641679629/2-pager_jan15.pdf)

Act, should be the clear frame for the plans to replace EC funding in Wales. In particular, the budget should resource work on the replacement of the Common agricultural policy with a more integrated system which reduces the harmful impacts of agriculture and encourages the sustainable management of natural resources and resilient ecosystems (as required by the Environment Act. As has been proposed in earlier sections, there are many budgetary approaches that should be being developed in the next two years to enable this transition.

### **- Low carbon budgeting and preparing for the Future Generations Act**

WWF Cymru's framing of all our responses is aimed at the effective implementation of the WFGA and Environment Acts. Please therefore refer to all of our response for expectations under the WFGA. Low carbon budgeting is one important aspect of this which we discuss further in this section.

This is the first time a budget has to be developed subject to the new duties in the WFGA so it is extremely important that it clearly shows a change in approach is in motion and WG recognises the challenges and opportunities this provides. Tackling climate change is a key aspect to sustainable development and is identified within three goals of WFGA (1, 2 and 7). The budget should therefore clearly identify how it is addressing this issue.

As explained in answers above there are a number of policies and approaches we expect to see as part of a sustainable budget which would tackle climate change – both emission reduction and also preparing for the adaptation required for climate change e.g. Energy efficiency is a key policy for reducing emissions; green infrastructure can support adaptation to climate change in numerous ways.

Another way to assess the impact of budget on emission reduction is via a 'carbon impact assessment.' This tool has been used in a number of countries including Scotland which has a legal requirement for this process through their Climate Act<sup>2</sup>. This makes carbon a variable that needs to be considered and without this it is unlikely it would.

A carbon impact assessment is a similar approach to the use of the Equality Impact Assessment referenced in the letter from Cabinet Secretary to the Chair p.7<sup>3</sup>. Our understanding is this impact assessment is based on equalities evidence only because it's a requirement under the Public Sector Equalities Duties. A similar impact assessment for carbon would demonstrate WG's commitment to tackle climate change and give it a similar status to equalities issues.

Stop Climate Chaos Cymru recommended this was a legal requirement within the Environment Act. This amendment to the Act was not passed by the WG so we recommend that the Committee highlights this as an expectation on WG as part of the WFGA.

The Scottish carbon impact assessment method is not directly transferable as we have a different legal framework and carbon budgeting system (e.g. they have yearly targets we have

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<sup>2</sup> Carbon Assessment of budget <http://www.gov.scot/Resource/0049/00491254.pdf>

<sup>3</sup> [FIN\(5\)-05-16 PTN2 Letter from the Presiding Officer to the Chair – 16 September 2016, item 3.2](#)  PDF 378 KB



5 year budgets). We also do not have the data available in Wales to undertake the same assessment due to no economic Input / Output tables for Wales. This lack of Input / Output data is a considerable issue for assessments in a number of areas and should be highlighted by the Committee and something that urgently needs to be addressed by WG.

WWF Cymru also recommends that lifecycle assessment is used for major infrastructure projects. Lifecycle assessment is more in line with the SD principle of the WFGA especially long term and preventative approach.

We therefore recommend the Committee suggests that, under the WFGA, WG should specifically identify the carbon impact of the budget –i.e. its contribution to emissions in Wales and globally. It is unlikely WG intend to provide this as it was not something it wanted to incorporate into the Environment Act. At the very least for this 1<sup>st</sup> budget WG should provide an outline of the carbon contribution of the budget (e.g. total emissions contributed by the draft budget and key areas which generate these emissions across the portfolios) with expectations it develops an effective comprehensive methodology for the next budget. This maybe something that links into the natural capital assessments we have recommended. The most effect method for Wales will need to be developed with stakeholders.

#### **- Impact of the Welsh Government’s legislative programme and whether its implementation is sufficiently resourced**

See earlier comments on Env Act and WFGA

#### **- Scrutiny of Welsh language, equalities and sustainability**

We have commented on achieving sustainability through the delivery of the changes required by the WFGA throughout our response.

#### **5. The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with national indicators for Wales.**

WWF Cymru is unsure why this might be being proposed. As Welsh Government have stated repeatedly, the National indicators are population level indicators of progress and Welsh government alone cannot hope to improve them.

Following previous rationale, we would expect that Welsh government sets its own objectives to meet the Goals( Programme for government) and then sets performance measures for those. Then we would expect the budget to be set to achieve this. There may therefore be some disunity between these two approaches. The indicator approach might also mitigate against a cross departmental and integrated approach.

However, our biggest concern is that the outcome of such an approach will be an indicator-led public sector, developing a whole industry of reporting and compliance around resource use. WWF Cymru believes it would be far better to align the budget around the goals and demonstrate how the SD principle is being applied to allocation and financial reporting

It should also be obvious that there will be outcomes from WG funding that aren't covered by the indicators. The indicators are limited set and do not represent everything budget expenditure wishes to achieve.

**- What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?**

To properly assess the resilience of ecosystems in Wales will require a suite of indicators and will have to look at the quality of different habitats. The current national indicator only includes terrestrial habitats. Therefore if budget were focussed on this there is a danger that work on the marine environment would lose out. Although we support the initial indicators of species and habitat health, focussing spending and assessing its impact will require more detailed evidence.

Indicators or other measures which capture rate of return on upfront preventative spending (in terms of future outcomes and expenditure requirements) would be important to make a credible case to scale up preventative spending, and facilitate access to Environmental impact bonds.

**8. Do you feel that allocations made by the Welsh Government are sufficiently evidence based?**

No, unless previous methodology has been changed it is unlikely that sufficient assessment will have been made of the impact of alternative investments. For England, the Natural Capital Committee,(NCC) propose the assessment of alternative investments to see which would yield the biggest social, environmental and economic gains. In assessing the most cost effective budget allocations, to deliver on the WFGA, one would also expect the negative consequences and consequential costs to other departments or public bodies to have been assessed before budgets are finalised.

The NCC also propose the construction of an asset risk register, which will capture the state of ecosystem health and resilience, highlight those types of natural capital at greatest risk of depletion and their associated negative economic and social impacts. This would help inform the prioritisation of investment in natural capital assets.

We would also recommend the development of a register of environmentally harmful subsidies, for which internationally recognised methodologies exist.

Another tool to help improve the evidence base and transparency of the budget process would be to set up an advisory group for the embedding WFGA into budget setting. This would be in a similar form to the Budget Advisory Group for Equality (BAGE).

**9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?**

In Marine terms, much of the data collection to assess health of seas is European driven and funded. Hm Treasury has guaranteed the maintenance of scientific funding ( which provides

for much of the academic research essential to this field) until 2020, but WG must bear in mind the need for this in future.

WWF, like many other organisations has used EC funding to develop knowledge and good practice in management. Our own EC funded Celtic Seas Partnership is soon ending. It has engaged Stakeholders in planning the future of Celtic Seas. Welsh Government engagement on marine has been unsatisfactory. The likely loss of some of the European site officers will not help meet the need for staff capacity and funding to deliver a sustainable future for our seas.

**10. What long term planning is carried out to fully deliver on preventative spending strategies and how do you plan for this within short term budget periods?**

WG need to develop a long term impact assessment framework and multi-year planning periods to make this effective.

**11. What baseline evidence is used to measure preventative outcomes?**

There is some baseline data provided on the Welsh environment through SoNaRR and some marine monitoring. However, some future trends assessments are necessary alongside this and some analysis of most cost effective mitigation and restoration measures. This is better provided for in regard to GHG emission data, which is calculated annually to a 1990 baseline and there have been numerous studies on the future trends from different scenarios. The Committee on Climate Change continues this work for the UK. UK Government undertook some analysis of the most cost effective mitigation measures against these trends. This approach needs replicated to measure preventative outcomes.

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**The Open University in Wales  
Response to the Finance Committee's call for information:  
Welsh Government draft budget proposals 2017-18**

**About The Open University in Wales**

1. The Open University (OU) was established in 1969, with its first students enrolling in 1971. It is a world-leader in providing innovative and flexible distance learning opportunities at higher education (HE) level. It is open to people, places, methods and ideas. It promotes educational opportunity and social justice by providing high-quality university education to all who wish to realise their ambitions and fulfil their potential.
2. Over 7,000 students across Wales are currently studying with The Open University, enrolled on around 10,000 modules. There are OU students in every National Assembly for Wales constituency and we are the nation's leading provider of undergraduate part-time higher education. Almost three out of four Open University students are in employment while they study and with an open admissions policy, no qualifications are necessary to study at degree level. Over a third of our undergraduate students in Wales join us without standard university entry level qualifications.
3. As a world leader in educational technology, our vast 'open content' portfolio includes free study units on the free online learning platform [OpenLearn](#) (including many Wales-related materials and our Welsh Language platform [OpenLearn Cymru](#)) and substantial content on YouTube and on iTunes U where we have recorded over 70 million downloads.
4. There are currently over 30,000 part-time students in Wales and The Open University is the largest provider of part-time undergraduate higher education provision. Our learners in Wales, and the Welsh economy, benefit from the significant added value that accrues from the UK-wide and global reach of the University<sup>1</sup>. The OU is unique in offering part-time flexible learning that benefits both learners and employers. The average age of our students is around 30 years of age and the vast majority are in employment or seeking to return to the labour market. All students with the OU in Wales are resident in Wales, and the OU is one of the few institutions that exceeds HEFCW targets for widening access to higher education. The OU is particularly successful in attracting disabled students, who make up around 17 per cent of our undergraduate student body in Wales, and carers. OU study is often the only or best option for individuals from both of these groups.

**The Welsh Government draft budget proposals 2017-18**

5. Professor Sir Ian Diamond is currently conducting an independent review of higher education funding and student support which is due to report imminently. The findings of the review, and the Welsh Government's response, will be crucial in establishing a fair and sustainable funding system for higher education, something that The Open University in Wales has been calling for.

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<sup>1</sup> A study by London Economics estimated that the total economic impact associated with the activities of the OU within Wales was approximately £137million in 2012/13 after the cost to the exchequer is taken into account. The HEFCW grant to the OU in that year was £11million.

6. When the current full-time fee grant was introduced in 2012, elements of HEFCW funding for part-time provision were removed in order to underwrite the full-time settlement. The full-time undergraduate fee grant policy has therefore led to a net transfer of resource from undergraduate part-time to undergraduate full-time study, facilitated in part by the removal of HEFCW strategy funding streams. This was noted by the Wales Audit Office in its report in 2013 into higher education finances<sup>2</sup>. This funding underpinned targeted work in widening access and in skills development via links with employers. In respect of institutions that also provide full-time undergraduate provision the increased fee income from the higher fee levels and fee grants compensated for the removal of their strategy funding. However, this funding was also removed for part-time undergraduate provision where no equivalent to higher fees or fee grants exist to provide replacement or additional income. These policy decisions contributed to a decrease in the number of undergraduate part-time students across the sector as there is less financial incentive for institutions to offer provide part-time provision at undergraduate level. The Wales Audit Office report also concluded that “a longer-term solution needs to be reached to provide greater certainty across the part-time market<sup>3</sup>.”
  
7. The Open University in Wales and others raised concerns about the sustainability of part-time higher education funding in submissions to the previous finance committee’s inquiry on higher education funding<sup>4</sup>. We were pleased to see these concerns recognised by the committee and subsequent recommendations that the Welsh Government and HEFCW should monitor the number of part-time students; that they should set a clear strategic direction for part-time higher education; and that they should implement a holistic, strategic funding package for The Open University as an interim strategy until the work of the Diamond Review is complete<sup>5</sup>. We were disappointed that the Welsh Government did not fully accept these recommendations<sup>6</sup>.
  
8. The forthcoming final report of the Diamond Review and the subsequent Welsh Government response may result in a change in Welsh Government HE funding policy but we cannot know the exact timescale for this change. While we hope that in the longer term part-time HE funding will be put on a more sustainable foundation we remain concerned about shorter term implications of the next budget round for 2017/18.
  
9. In response to the draft 2016/17 budget The Open University in Wales expressed deep concern about a proposed cut in the *Higher Education* budget line within the Education and Skills Main Expenditure Group. This budget line represented the monies allocated to the Higher Education Funding Council for Wales (HEFCW) which are used to fund part-time higher education and other priority areas. The draft budget for 2016-17 indicated a cut of £41 million in this budget line, this represented a decrease of 32 per cent on the 2015-16 allocation of £129 million.

<sup>2</sup> Wales Audit Office, *Higher Education Finances* (2013), p.12. Available at [http://www.wao.gov.uk/system/files/publications/HE\\_Finances\\_English\\_2013.pdf](http://www.wao.gov.uk/system/files/publications/HE_Finances_English_2013.pdf)

<sup>3</sup> Ibid, p.11

<sup>4</sup>The Open University in Wales evidence to the Finance Committee inquiry into Higher Education Funding 2014, available at <http://www.senedd.assembly.wales/mglIssueHistoryHome.aspx?lId=5931>

<sup>5</sup> National Assembly for Wales Finance Committee, *Higher Education Funding* (2014), p.32. Available at <http://www.assembly.wales/laid%20documents/cr-ld9755-r%20-%20report%20of%20the%20finance%20committee%20-%20higher%20education%20funding-03062014-256437/cr-ld9755-r-e-english.pdf>

<sup>6</sup> Written response by the Welsh Government to the report of the National Assembly for Wales Finance Committee on Higher Education Funding (2014). Available at <http://www.assembly.wales/laid%20documents/gen-ld9809%20-%20written%20response%20by%20the%20welsh%20government%20to%20the%20report%20of%20the%20national%20assembly%20for%20wales%20finance%20committee%20on/gen-ld9809-e.pdf>

10. The proposals in the draft budget would have placed considerable pressure upon the institutional learning and teaching grant distributed by HEFCW in respect of part-time undergraduate students. This means that part-time undergraduate provision and the students that study part-time (which as things stand receive less public financial support than full-time) will be *disproportionately affected*. The OU in Wales provides part-time provision only, so the consequences for the OU would have been especially severe as it does not have income from full-time provision with which to cross-subsidise.
11. Following the discussions around the draft budget we were very pleased when the Welsh Government announced that an extra £10 million would be available in 2016/17 specifically for part-time HE in order to ensure that part-time study opportunities could still be made available to those who want to benefit from them. This decision went some way to ensuring that those who wish to study part-time were not disadvantaged at the expense of their full-time counterparts. While we await the final outcome of the Diamond Review and the implementation of any policy changes (which may take some time) we need to continue to protect and support part-time students and the ability of institutions to offer part-time courses.
12. The Open University in Wales asks the Finance Committee to consider the very serious implications that the next budget could have for the future of part-time higher education in Wales if further cuts are proposed within the Higher Education budget line for 2017/18. The Finance committee's own report in 2014 stated "The Committee was concerned that funding for part-time study may be squeezed as a result of pressures on other budgets<sup>7</sup>." There is a danger that this could happen if that budget line comes under threat once again, thus closing off opportunities for adult learners, disabled people, and carers. While a longer term solution may be on the horizon following the Diamond Review we are keen to ensure that the short-term position of part-time HE also remains stable.
13. The Open University is fully cognisant of the pressures on public finance, and that higher education is not immune from those pressures. However public policy should be designed and implemented in such a way as to ensure that the effects are borne equally across full and part-time modes of provision and their respective learners.
14. We hope this submission is useful ahead of the committee's consideration of the forthcoming draft budget for 2017/18. We would be pleased to provide any further information to the committee as required as part of this important scrutiny exercise.

19 September 2016

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<sup>7</sup> National Assembly for Wales Finance Committee, Higher Education Funding (2014), p.32. Available at <http://www.assembly.wales/laid%20documents/cr-ld9755-r-%20-%20report%20of%20the%20finance%20committee%20-%20higher%20education%20funding-03062014-256437/cr-ld9755-r-e-english.pdf>



## *Promoting and developing high quality school governance*

### **Welsh Government Draft Budget Proposals 2017-2018**

1. Governors Wales promotes the effective governance of schools in Wales and provides support to individual governors, local governors associations, fora and other groupings. Governors Wales is committed to the promotion and effective management of quality provision in schools in Wales.
2. Governors Wales welcomes the opportunity to provide information to help the committee general of the National Assembly for Wales scrutinise the Welsh Government's 2017-2018 draft budget proposals and offers the following general comments for consideration.
3. The Welsh Government has previously indicated a standing commitment to ensure that the funding allocation to schools each year is at a level 1% above any change in the overall level of block grant made to the Welsh Government. Governors Wales would like to see that this commitment continued in the 2017-2018 budget.
4. Sufficient funding must be allocated to deliver high quality support services via regional consortia /LAs etc., as they seek to help schools drive up standards.
5. It is essential that the level of the Pupil Deprivation Grant (PDG) made to schools is also maintained in real terms. We welcome the latest statement about the increase in PDG funds.
6. Governors Wales urges that sufficient financial resources are set aside for continuing professional development of the teaching profession and support staff to respond to the new curriculum in Wales etc and the new deal etc.
7. Governing bodies play a crucial role in raising standards within schools. To ensure, however, that governing bodies are effective in fulfilling all their responsibilities, and with the forthcoming consultation on governance, they need continuing access to high quality expertise and advice. Governors Wales hopes that the level of funding for governance activities and support, including funding for Governors Wales, will continue to be recognised to ensure and sustain strong educational outcomes.
8. Lastly, Governors Wales recognises the importance of school to school support, collaboration and partnership working at all levels, and the sharing of best practice. Building on the good work already undertaken at local and regional levels, working more closely together will understandably be developed further as the new curriculum is established.

**Response to NAFW Finance Committee:**

**Call for information – Welsh Government draft budget proposals for 2017-18**

**September 2016**

**Introduction**

Chwarae Teg exists to deliver our vision of a Wales where women achieve and prosper. We do this by working with women to broaden horizons and build confidence and skills; working with employers to create modern workplaces that are successful by harnessing everyone's contribution; and working with influencers, educators and decision makers to build a society that values, supports and benefits women and men equally.

We are pleased to provide a response to the above call for information. Gender shapes how spending decisions affect people. It's crucial that budgets are developed with this in mind to ensure that no group is disadvantaged as a result of their gender and that spending plans deliver fairly for everyone.

**Key messages:**

1. The continued commitment of the Welsh Government (WG) to assess the impact of their budget on those with protected characteristics is welcome and should be further strengthened .
2. The Strategic Integrated Impact Assessment should be improved to include a more comprehensive assessment of impact from a gender perspective to aid more effective scrutiny.
3. Steps should be taken to ensure that the impact assessment process is not negatively affected by tight timescales resulting from the timing of the UK Government's Autumn Statement.

In our detailed response below we have provided answers to relevant questions set out in the terms of reference.

**Detailed response**

**1. What expectations do you have of the 2017-18 draft budget proposals**

- 1.1. A number of the pledges for the first 100 days of government will need to be included in budget proposals including increasing free childcare to 30 hours



per week for 3 and 4 years olds and delivering 100,000 all-age apprenticeships.

- 1.2. The detail on how additional childcare provision will be delivered is yet to be announced but it is crucial that sufficient funds are provided to local authorities to enable them to deliver the elements they may have responsibility for.
- 1.3. Childcare is a sector where pay tends to be low. Women's dominance in this, and others like it, contributes to the gender pay gap which is one of the national indicators for measuring progress towards the goals set out in the Well-being of Future Generations (Wales) Act (WFG). The budget proposals must ensure that sufficient funds are allocated so that local authorities can commission providers who pay a decent wage and offer good working conditions. Without this there is a risk that the principles of the WFG Act could be undermined.
- 1.4. 100,000 new apprenticeships will likely see significant investment and it's important that this delivers benefits to both men and women. While take-up of apprenticeships is generally gender balanced, analysis of the sectors in which men and women are more likely to undertake apprenticeships shows significant differences.
- 1.5. If the drive is towards higher level apprenticeships in sectors prioritised for growth, such as manufacturing, this spend must be accompanied by action to widen participation to a more diverse group of people.

**2. The committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

**2.1. Approach to preventative spend and how this is represented in resource allocation**

- 2.1.1. In the last WG draft budget narrative it was stated that the government were working with the third sector to develop a common definition of preventative spend. We would expect this definition to be included in the forthcoming draft budget narrative to ensure clarity about what is being considered preventative spend.
- 2.1.2. As with all other aspects of the budget preventative spending plans should be subject to gender analysis. Failure to include gender considerations in the scrutiny of preventative spending will result in women being subjected to more negative outcomes.<sup>1</sup> An example used to demonstrate this by the Scottish Women's Convention is investment in early years to improve outcomes for children. They argue that as women's well-being and economic conditions are critical to the welfare of children, failure to consider how investment in early years should also

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<sup>1</sup> Scottish Women's Convention submission to Finance Committee Draft Budget 2012-13

address pay and working conditions in this sector, where women dominate, could actually undermine the wider aims of the investment.<sup>2</sup> Similar analysis can be applied to the Welsh Government's investment in social services.

- 2.1.3. Preventative spending is most effective when based on evidence about the user or community of people who will benefit from the policy.<sup>3</sup> This highlights the need for robust, gender disaggregated data to ensure that preventative spending plans will deliver fairly for people of all genders.
- 2.1.4. Women continue to face economic disadvantage as a result of their position in the home and labour market. Women's economic participation rates still lag behind that of men and the gender pay gap is, in part, a product of the occupational segregation still evident in our labour market.
- 2.1.5. As a result of this disadvantage women face different risks of falling into poverty and a greater likelihood of experiencing pensioner poverty and Wales' economic growth and sustainability is hindered.
- 2.1.6. We believe there is scope to consider how preventative spending could be directed to address factors that lead to this economic disadvantage. One example is early intervention to address gender stereotypes, which shape the career choices of young people, through the provision of gender inclusive education and careers advice.
- 2.1.7. This could help to ensure that women play a more active role in the Welsh economy, help tackle poverty in the long-term, drive economic growth and deliver on a number of the well-being goals set out by the Well-being of Future Generations (Wales) Act. .

## **2.2. Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population**

- 2.2.1. While tackling poverty is still regarded as the responsibility of all members of the cabinet, a notable change from the previous government is the decision to not have a cabinet member responsible for driving this agenda.
- 2.2.2. In this context, we feel there is an even more important role for Assembly Committees, including the Finance Committee, to scrutinise activity aimed at tackling poverty and ensure it is delivering for all members of Welsh society.
- 2.2.3. A gender analysis of the budget would ensure that spend on tackling poverty programmes is likely to address the causes of poverty for all genders.
- 2.2.4. Investment in social care is seen as important preparation for an aging population. The social care sector is characterised by low wages and insecure employment and the workforce is predominantly female. As with

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<sup>2</sup> Ibid

<sup>3</sup> EHRC Scotland response to *Finance Committee Inquiry into Preventative Spending* 2010

investment in childcare, it's important to ensure that funding provided to local authorities for the provision of social care is sufficient to support a commissioning process that looks beyond the cheapest option and considers the working conditions and pay of those delivering the service.

### **2.3. Preparation for the UK to leave the EU**

- 2.3.1. Details and timescales for the UK's exit from Europe remain vague but it is assumed that Wales will face a significant shortfall in funds as a result of the loss of structural funding. This funding has supported important programmes, such as our own Agile Nation and Agile Nation 2 projects, that align with Wales' economic priorities and deliver on a variety of the well-being goals.
- 2.3.2. With a likely exit from Europe on the horizon we would urge the Welsh Government and National Assembly to consider how work currently funded by EU funds can be continued post-Brexit. This could be through alternative funding streams or by mainstreaming the approaches used into Welsh Government activity.

### **2.4. Scrutiny of equalities and sustainability**

- 2.4.1. The WG budget continues to be impact assessed through the Strategic Integrated Impact Assessment (SIIA). The move from a basic equality impact assessment aimed to prepare for the Well-being of Future Generations (Wales) Act to include an assessment of wider well-being as well as any impact on those with protected characteristics.
- 2.4.2. An unintended consequence of this move has been a less comprehensive analysis of the gender implications of the draft budget in the SIIA document. While more detailed figures may sit behind the SIIA, to have limited analysis in the document itself risks limiting the ability of the Assembly and other stakeholders to effectively scrutinise the budget proposals from a gender perspective.
- 2.4.3. Last years' SIIA was particularly limited as a result of the late Autumn Statement by the UK Government. While we understand that timescales are incredibly tight it's important that this doesn't negatively affect the impact assessment process.
- 2.4.4. We believe that a full gender analysis of the draft budget would enable more gender sensitive spending decisions to be made and support government departments to better consider how their own spending plans can deliver fairly for people of different genders.
- 2.4.5. In the long-term we support the use of gender responsive budgeting (GRB) tools by all government departments. GRB is "a process for analysing public expenditure and tax revenue with a view to deciding their part in promoting gender equality".<sup>4</sup> It involves asking key questions

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<sup>4</sup> WENWales *Women's Equality Now: Gender Responsive Budgeting* 2016

such as: Who benefits from state expenditure and how is the spending distributed between men and women? Is the spending meeting both women's and men's needs? and What impact are budget decisions having on work, be it full-time, part-time, paid or unpaid?<sup>5</sup>

2.4.6. Adopting this approach would help to deliver a gender sensitive budget, highlight any gaps between policy commitments and the resources allocated to achieve them and ultimately help the Welsh Government to deliver the more equal, prosperous and resilient nation they aspire to.

### **3. The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with the national indicators for Wales.**

#### **3.1. What, if any additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?**

3.1.1. As outlined above, women continue to face economic disadvantage as a result of their position in the home and labour market. As a result of this disadvantage women's risk of poverty is different, their lifelong earning potential is limited leaving them at higher risk of experiencing poverty as a pensioner and Wales' potential for economic growth and sustainability is limited.

3.1.2. There is a case to be made for directing preventative spending towards addressing the root causes of this disadvantage. The example we have suggested is by delivering gender inclusive education and careers advice.

3.1.3. If this approach were to be adopted, additional indicators that would help to measure progress would include economic participation rates of men and women, maternal employment rates, the proportion of female led businesses in the Welsh economy and occupational segregation in key growth sectors.

### **4. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an ageing population?**

4.1. As outlined above, we would like to see a gendered approach taken to tackling poverty. This should include actions to deliver affordable childcare, to improve public transport and ensure it's affordable, provide support for part-time study and training opportunities for women returners and demonstrate an awareness of the need for social care to be adequately funded so as to deliver quality, well paid employment for a workforce that is currently largely female.

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<sup>5</sup> Ibid

**5. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?**

5.1. A sizeable chunk of the skills budget in Wales comes from EU funds. As Brexit moves closer we would expect to see steps taken to address the likely shortfall that will be left. Crucially, these changes should consider what can be done to ensure that women do not end up disadvantaged by the loss of training opportunities currently provided through projects such as Agile Nation 2.

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We would be happy to discuss any of the above in more detail. Please contact:

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## Welsh Government draft budget proposals 2017/18

### Cardiff University response to the Welsh Assembly Finance Committee

Contact: Vice-Chancellor, Professor Colin Riordan | Phone: [REDACTED] |  
Email [REDACTED]

Cardiff University is deeply committed to working with the Welsh Government to contribute to social justice and to improve the prosperity of the Welsh economy, tackling barriers to growth.

There are difficult decisions about where to invest public funds. Investment in universities can reap rewards for Wales. The value of the education we offer, as well as our research and development capacity, leverages investment into Wales (an independent report by London Economics (October 2015)<sup>1</sup> found that Cardiff University contributes £2.7bn annually to the UK economy, generating more than £6 for every £1 we spend).

Investment in universities also contributes to the Welsh Government's aim of improving the quality of information available to inform policy with evidence.

#### Q1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?

We are grateful that the committee was able to work with Welsh Government to reduce the 2016/17 budget cuts from originally planned levels. We understand the pressure on public funding and are actively working to grow our income from non-public funding sources whilst controlling our costs. We want to harness our strengths to do well for Wales and financial resilience is a key guiding principle for what we do. Reductions to public funding for Welsh higher education are happening at a time where institutions in England who we compete with for talent have the ability to increase their income in ways not available to us, whilst funding for more expensive subjects - including Medicine and Dentistry and innovation funding have been protected.

Therefore it would be helpful if the Committee could consider working with Welsh Government to reflect on how Welsh universities can be supported to compete on equal terms with other UK universities. This will enable Welsh universities to continue to attract the best qualified students with the ability to succeed, and to continue to deliver internationally excellent research and innovation that has real benefits for Wales.

<sup>1</sup> [Economic and social impact of Cardiff University, London Economics, October 2015](#)

Q2. What expectations do you have of the 2017-18 draft budget proposals?

The 2016/17 budget has enabled us to continue to invest in education and research that will benefit Wales, and have global impact. Sustainable investment into Welsh Universities, whether through direct public funding or a policy environment which enables us to strengthen our financial resilience and compete for talent are key ingredients for us to be able to continue to deliver the public and economic benefits to Wales.

Q4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?

...

- Preparation for the UK to leave the EU

We are committed to working in partnership with the Assembly, with Welsh Government and other partners to navigate the best course for Wales as Britain exits the EU. Though the UK's exit from the EU will bring challenges, we are committed to seeking opportunities in the new world context. We want to continue to form productive collaborations across Europe and across the world. Working with Welsh Government, we would like to identify how investment in research and innovation can continue most effectively.

Uncertainty presents the biggest risk to Universities, because this creates instability in investment. We welcome the UK Chancellor's reassurance on Structural Funds and Horizon 2020 projects and the work WEFO are doing to secure funding. Any further assurances Welsh Government can give would help further strengthen confidence in continued investment.

The other area we would like to work on with the Welsh and UK Governments is securing greater certainty for our staff and students from the EU. The main areas of uncertainty in this context remain clarity on access to financial support and fees for EU students and clarity around immigration rules for both students and staff. A drop in student recruitment from the EU would have a financial impact and would change the diversity of our student body. Many of our high performing research teams are strengthened by an environment which promotes international mobility.



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trais rhywiol a thrais yn erbyn merched  
yng Nghymru

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**Cymorth i Ferched Cymru  
Welsh Women's Aid**

Rhoi Merched a Phlant yn Gyntaf  
Putting Women & Children First

**Welsh Government Finance Committee: Consultation on the Proposals for the Draft Budget 2017-18**

**Consultation Response by Welsh Women's Aid**

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<b>These are the views of:</b>	<i>Welsh Women's Aid (Third Sector) - the national charity in Wales working to end domestic abuse and all forms of violence against women.</i>

**1. About Welsh Women's Aid**

1.1 Welsh Women's Aid is the national charity in Wales working to prevent domestic abuse and all forms of violence against women and ensure high-quality services for survivors that are needs-led, gender-responsive and holistic.

1.2 Established in 1978, we are an umbrella organisation that represents and supports a national federation of 23 local independent charities delivering specialist domestic abuse and violence against women prevention services in Wales, as part of a UK network of provision. These specialist services constitute our core membership, and they provide lifesaving refuges, outreach, and community advocacy and support to survivors of violence and abuse - women, men, children, families - and deliver innovative preventative work in local communities. We also deliver direct services including the Welsh Government funded Live Fear Free Helpline; a National Training Service; refuge and advocacy services in Colwyn Bay and Wrexham; and the national Children Matter project which supports local services to help children and young people affected by abuse and to deliver preventative STAR group-work in every local authority in Wales.

1.3 We have been at the forefront of shaping coordinated community responses and practice in Wales, by campaigning for change and providing advice, consultancy, support and training to deliver policy and service improvements for survivors, families and communities. As a national federation, our policy work, consultancy, training and advocacy is all grounded in the experience of local specialist services and service users. Our success is founded on making sure the experiences and needs of survivors are central to all we do.





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MAE PLANT  
YN BWYSIG  
CHILDREN  
MATTER



Cymorth i Ferched Cymru  
Welsh Women's Aid

Rhoi Merched a Phlant yn Gyntaf  
Putting Women & Children First

1.4 Summary of recommendation for the Finance Committee to inform scrutiny of Government Department budgets and the forthcoming draft 2017-18 Budget

**1.4.1 Welsh Government protects funding for independent (third sector) specialist domestic abuse and sexual violence services in Wales and establishes a model for long term sustainable funding for these specialist services, for the duration of the Government.** Investment should be targeted at prevention and early help, developing needs-led and strengths-based services, and achieving systems change and transformation ('change that lasts').

**1.4.2 Welsh Government ensures budgets support delivery of statutory guidance associated with the Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act, and that budgetary investment targeted at promoting the well-being of future generations, reducing poverty and mitigating welfare reform, proactively addresses violence against women prevention and alleviating adverse childhood experiences.**

**1.4.3 All Government Departments (Finance and Local Government; Health, Well-Being and Sport; Environment and Rural Affairs; Communities and Children; Economy, and Education) prioritise investment into the protection and support of victims and the prevention of violence against women, domestic abuse and sexual violence as a strategic cross-cutting priority, and provide leadership to ensure this is core business for public service boards.**

**1.4.4 Welsh Government promotes the business case for violence against women prevention amongst all providers/contractors in receipt of Government investment, requiring them to:**

- Ensure they demonstrate corporate social responsibility by creating workplace policies, and training and educating employees on domestic and sexual abuse.
- Promote and/or provide access to support for victims, and take action against perpetrators.
- Exert leadership in local communities by supporting specialist services and promoting preventative campaigns and equality between women and men.

## 2. Welsh Women's Aid's response to consultation questions



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Cymorth i Ferched Cymru  
Welsh Women's Aid

Rhoi Merched a Phlant yn Gyntaf  
Putting Women & Children First

Our response to this

consultation builds on our *Submission to the National Assembly for Wales Finance Committee scrutiny of the draft 2016-17 Wales budget* (February 2016) and is also informed by our recent 'state of the sector' survey of the 23 specialist domestic abuse/violence against women services in Wales (who constitute our membership) and our own direct service provision.

## 2.1 What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?

2.1.1 At a strategic level, we appreciate Welsh Government has had some difficult financial decisions to make, and we agree with the focus on prevention and early intervention across priority areas: health and social services; educational attainment; supporting children, families and deprived communities, and growth and jobs. At a national level, we were pleased that the Supporting People Programme was recognised as a key priority and protected for 2016-17, as this is one of the key sources of funding for supporting survivors of abuse accessing refuge-based services in Wales. We support Cymorth Cymru and Community Housing Cymru's Supporting People Campaign and the need for appropriate protection of the Supporting People budget for 2017-18.

2.1.2 In 2015 we called on Welsh Government to make a commitment to ensure funding for vital lifesaving domestic abuse and sexual violence services in Wales would be protected in 2016/17, and that sufficient resources are identified to deliver a sustainable funding solution for specialist services in the longer term. Last year, we highlighted that **284 women in Wales could not be accommodated by refuges in Wales in 2014/15 because there was no space available when they needed help**. These services already exist on shoestring budgets we advised that specialist services cannot afford to face more funding cuts and survivors of abuse cannot continue to be turned away by specialist services, or be held on waiting lists for support, because they are unable to meet demand for help

2.1.3 In 2016/17 Welsh Government national grant for delivering Welsh Women's Aid core service provision to deliver a range of preventative, early intervention, and strategic work across Wales, was maintained. We welcomed Ministerial commitment in 2016 to sustain services in 2016/17 and work with the sector to find a sustainable solution to funding specialist services in Wales from 2017.

2.1.4 However, In 2016/17, 46% local domestic abuse/violence against women services, told us they received cuts to their funding, resulting in reduced capacity or loss of their children's support, counselling and refuge-based support services. **In 2015/16 388 women could not be accommodated by refuges in Wales because there was no space available**



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**when they needed help.** These

cuts have deeply worrying implications for the safety and support available for survivors of abuse, and for the sustainability of services that offer a lifeline to women, children and families across Wales. We remain concerned that local specialist domestic abuse and sexual violence services in Wales in the third sector, and the survivors that rely on them, face a postcode lottery dependent on whether local commissioners prioritise these services in response to local and national need.

2.1.5 The lack of secure funding for specialist domestic abuse support services for children and young people has been raised as a particular concern. For 45% of domestic abuse /violence against women services who had cuts to their 2016-17 funding, these cuts were made to (or included) projects that support children and young people affected by domestic abuse. Continuation funding for domestic abuse support for children and young people is also a concern for services that did not receive funding cuts this year.

2.1.6 It is important to note that the impact of previous budgets is still being felt by specialist services in Wales. Our survey revealed that 58% of domestic abuse services had their funding cut in 2015/16. Of these, 50% went on to receive cuts in 2016/17 budgets. This has led to reduced salaries, reduced support hours in refuge services, a reduction in capacity across whole organisations and services being unable to take on new staff.

## **2.2 What expectations do you have of the 2017-18 draft budget proposals?**

2.2.1 Following the enactment of all provisions in the Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015, which includes statutory duties to prevent violence against women and requirements for referral pathways between public authorities and specialist third sector services, we expect that budget proposals will prioritise domestic abuse and sexual violence service provision from 2017/18. This expectation is also founded on previous Ministerial commitments to identify a solution for the sustainable funding of specialist domestic abuse and sexual violence services in Wales from 2017.

2.2.2 Across Wales, uncertainty remains around the provision of services: only 33% of domestic abuse services are confident their funding will continue from March 2017. Two thirds of domestic abuse services reported having little or no confidence that current funding will continue and not knowing what funding levels they will have from March. Of these, six services have less than 35% of their total income secured for 2017/18. This includes two



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services that have nothing

confirmed, one service that has less than 10% confirmed, and two services that have less than 25% confirmed.

2.2.3 Domestic abuse services state that they either fear or face being subject to competitive tendering during the year ahead with a likely loss of their service to a large non-specialist provider, as a possible outcome.

- One service commented: “budget cuts are frequently spoken about, as the internal [council] Supporting People team is largely financed from the Supporting People Grant...the Council continues to absorb much of the grant for its own running purposes.”

### 2.3 How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?

2.3.1 The ability to plan for future years is challenging and limiting, if we rely on successive annual grants. Whereas policy and legislation focusses on long-term approaches to decision-making, this is not supported by a corresponding long-term approach to funding the third sector. At present we do not know what funding we have, if any, from March 2017 to deliver our core services.

2.3.2 Welsh Women’s Aid core service delivery (funded by Welsh Government) is vital for the continuance of support to specialist domestic abuse/violence against women services in Wales. The funding enables us to help specialist services and local partnerships to develop and improve service delivery to survivors in Wales. This is achieved by providing policy and service updates, support on commissioning frameworks and service models, learning and development courses/materials and updates, statistical information and data reporting to inform needs assessments, consultation opportunities, survivor engagement, Children Matter preventative programme, and quality standards and accreditation for specialist services in Wales. We also support Welsh Government and statutory authorities with regards to expert feedback on all aspects of violence against women issues. This includes development of guidance to support legislative delivery; needs assessments and commissioning models for effective early intervention and prevention work; and on needs-led service delivery models, such as the new service model - Change that Lasts - developed and being piloted by Welsh Women’s Aid.

2.3.3 Our highly experienced team have been successful in proactively raising additional funding to support the Welsh Government strategy to improve services to survivors through capacity building for specialist services. Together, we aim to maximise financial and social



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value whilst ensuring specialist

services enable survivors to achieve independence and freedom from abuse in Wales. We continue to make every effort to diversify our income but would not be able to continue with the level of support and development work we provide without core funding from Welsh Government.

2.3.4 As outlined above, local domestic abuse services are still uncertain about their funding position from 2017/18 and the majority do not know what their funding will be from March. Despite awaiting publication of national guidance on commissioning of domestic abuse and sexual violence services, some areas are beginning competitive tendering processes before guidance is published, which places the continuation of specialist services at risk. Planning for future years in domestic abuse/sexual violence services that are reliant on annual public authority funding is impossible to achieve for many services. Whereas policy and legislation focusses on long-term approaches to decision-making, this is not supported by a corresponding long-term approach to funding the third sector. The current funding climate for small specialist providers presents significant challenges with regards strategic business planning, service delivery and development and income diversification.

## 2.4 The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?

### 2.4.1 Approach to preventative spending and how is this represented in resource allocation

2.4.1.1 The short-term false economy of cutting funding to specialist services at a local level fails to recognise that the cost of dealing with just one domestic violence homicide exceeds most of these services' annual budgets. Each domestic abuse homicide is estimated to cost public services in the region of £1.1million. The cost of domestic abuse alone in Wales is £826.4m annually (in service costs, lost economic output and human and emotional costs).

2.4.1.2 This short-term false economy also fails to acknowledge that these specialist services collectively have expertise in protection, provision and prevention, built up over four decades. It is these services that the public sector are reliant on to refer survivors to when they identify violence and abuse; to support and advocate for survivors to help them navigate the myriad of statutory systems that fail to meet their needs; to advise public services on how prevention can be achieved and to deliver community engagement work to promote prevention.

2.4.1.3 Investing in tackling violence against women prevention, therefore, is a cost effective approach and resources to do this should be protected nationally. Even a small increase in the



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cost of providing specialist services is outweighed by the decrease in the costs to public services, lost economic output and the decrease in the human and emotional costs<sup>1</sup>.

### 2.4.2 Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an ageing population

2.4.2.1 We support a vision for a more equal Wales, and action to tackle the causes and effects of poverty, the creation of cohesive communities where everyone has the support they need to live healthy, prosperous and independent lives.

2.4.2.2 However we recommend that Welsh Government should ensure budgetary investment targeted at reducing poverty and mitigating welfare reform proactively addresses violence against women prevention and the negative impacts these have on women and children. Evidence shows that female lone parents and single pensioner households will experience the biggest drop in living standards as a result of cuts to public services compared to other households Analysis by the House of Commons library which shows that of the £16bn in savings announced since the 2015 general election, three quarters will come directly from women.<sup>2</sup>

### 2.4.3 Sustainability of public services, innovation and service transformation

2.4.3.1 We are concerned that investment in core budgets rather than through ring-fenced grants has the potential to have a detrimental impact on public authority grants to violence against women third sector services. Several specialist services in Wales have told us that local authority cuts to their grant funding are made in order to prop up statutory provision. They have also said that the value of partnerships with specialist independent providers like domestic abuse services is not recognised in many local authorities, where they are either quick to cut services and deliver similar provision in-house, or reduce specialist provision in order to contract with one large generic provider. Funding for domestic abuse and sexual violence services needs to be protected in the current financial climate.

2.4.3.2 We strongly recommend that the budget prioritises the sustainability of the independent third sector (as well as the public sector), especially small specialist providers like domestic abuse/violence against women services. Women supported by specialist services

<sup>1</sup> Walby, S. (2009) The Cost of Domestic Violence: Update 2009. Lancaster: Lancaster University.

<sup>2</sup> Women's Budget Group response to spending review, 2015.



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often face multiple

discrimination and disadvantages based on their identities and life experience, including unemployment, low pay, housing problems, poverty or mental health issues. Women with severe and multiple disadvantage value women-only services to help them build resilience and recover from abuse or other adverse childhood experiences.

2.4.3.3 We recommend investment should be targeted at systems change and transformation (as well as public service innovation). Systems-change is being advocated by voluntary sector services like Welsh Women's Aid and others, because at present, government-led systems across public services have developed to only be able to respond to one 'need' at a time, which in turn generate perverse situations where some of those in greatest need receive the least help.

2.4.3.4 In many cases, survivors of abuse are being failed by systems that are created to serve agencies, and not improve the lives of survivors of abuse; a focus on risk has been accompanied by a reduction in needs-led responses, and a growing crisis of unmet need. If inter-related systems were changed to meet survivors' needs from the outset, then resources would be saved and survivors of abuse would achieve a much greater positive benefit from their interaction with public authorities. To support a systems-change approach that transforms services we recommend Welsh Government should ensure cross-departmental budgets support delivery of multi-agency statutory guidance that delivers systems-change and 'change that lasts'; prioritising needs-led strengths-based delivery that places survivors of abuse at the centre of any intervention.

#### 2.4.4 Local health board financial arrangements

2.4.4.1 We would like to see greater join up between health, social care and housing budgets, and how violence against women prevention is addressed strategically across these sectors. We recommend that Ministers ensure NHS and social care investment enables these agencies to play a greater role in the prevention of domestic abuse, sexual violence and other forms of violence against women.

2.4.4.2 Domestic and sexual violence and abuse has major public health implications, and represents an enormous cost to the NHS. The close link between such abuse and mental and physical ill-health, children's safety and wellbeing, plus the positive results of working in partnership, make it even more important that the NHS recognises and acts upon its responsibilities in this area. The NHS spends more time and money dealing with the impact of violence against women and children than any other agency, so action to tackle the causes



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and consequences of such

violence is therefore not only cost-effective but contributes to the health and well-being of the population.

2.4.4.3 Therefore, in order to effectively achieve a healthier Wales, to reduce health inequalities, to close the gap in health outcomes and achieve a more equal Wales, it is vital that health and social care budgets prioritise early intervention and prevention of domestic abuse, sexual violence and other forms of violence against women.

2.4.5 Low carbon budgeting and preparing for the Future Generations Act

2.4.5.1 Investment in specialist services across Wales would help ensure many of the 'Wellbeing Goals' set out in The Wellbeing of Future Generations (Wales) Act 2015, which aim to improve the social, economic, environmental and cultural well-being of Wales:

- **A more prosperous Wales.** Domestic violence costs Wales £303.5m annually: £202.6m in service costs and £100.9m to lost economic output.<sup>3</sup> These figures do not include any element of human and emotional costs, which the research estimates costs Wales an additional £522.9m. In addition, women who experience violence will be adversely affected in both education and work. Each year, one in ten victims of partner abuse takes time off work as a result of the abuse. By incorporating approaches to prevent violence against women, Wales will be more prosperous both with regard to public spending, and also in terms of personal ability to earn, learn and succeed.
- **A Wales of cohesive communities.** Violence against women and cohesive communities are interlinked. Tackling violence against women will lead to safer communities. In addition, violence against women can result in the further social exclusion of already marginalised groups, for example Black and minority communities, refugees, and lesbian, gay, bisexual and transgender (LGBT+) communities. Tackling violence against women will challenge social stigma, which will promote inclusiveness and better community ties.
- **A healthier, more equal Wales.** This includes a society that enables people to fulfil their potential no matter what their background or circumstances. Gender inequality is a root cause of violence against women.<sup>4</sup> As such tackling violence against women, through funding specialist services that help prevent violence and abuse, will lead to greater equality between men and women in Wales. The Act also sets out the goal for

<sup>3</sup> Walby, S., The Cost of Domestic Violence: Update 2009

<sup>4</sup> UN Women: virtual knowledge centre to end violence against women and girls: <http://www.endvawnow.org/en/articles/300-causes-protective-and-risk-factors-.html>





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a healthy Wales; a

society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood. The World Health Organisation has stated that violence against women is a 'global health problem of epidemic proportions'.<sup>5</sup> By funding services that prevent violence against women, Wales will see a positive increase to the nations' physical and mental health, reduction in problematic substance use, as well as improved resilience and recovery from trauma associated with violence against women and adverse childhood experiences.

#### 2.4.6 Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced

2.4.6.1 A long-term funding model is essential if services across Wales are to be sustainable and grow to meet demand. Without this, women and children across Wales are at risk of not getting the support they need to achieve independence and live free from violence. Following the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015, it is anticipated that improvements to identifying violence against women by public services will lead to increased demand on specialist services in Wales. It is deeply worrying that this might happen at a time when lifesaving services may be left without funding to protect and support the most vulnerable women and children in Wales.

2.4.6.2 We urgently need consistent national and local commitment by funders, and sustainable long-term funding to sustain specialist services that work to prevent domestic abuse and other forms of violence against women in Wales.

#### 2.4.7 Scrutiny of Welsh language, equalities and sustainability

2.4.7.1 Violence against women and girls is a human rights violation. One in every three women worldwide experiences physical and/or sexual violence at least once in their lives, usually by an intimate partner. United Nations (UN) Secretary-General Ban Ki-moon has proclaimed the elimination of violence against women as a top priority of the UN's work and achieving "gender equality and empowering women and girls" is one of the Goals of Agenda 2030 for Sustainable Development, adopted by the 193 member states of the UN during the annual General Assembly (25 September 2015). One of the important targets of the goal is the elimination of all forms of violence against women and girls and the need for specialist women's services to support survivors.

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<sup>5</sup> World Health Organisation Media Centre:  
[http://www.who.int/mediacentre/news/releases/2013/violence\\_against\\_women\\_20130620/en/](http://www.who.int/mediacentre/news/releases/2013/violence_against_women_20130620/en/)



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#### 2.4.7.2 Black and minority

organisations that support survivors of violence and abuse are most vulnerable to cuts and closure across the UK, even though they are well known in the communities they serve and have the highest numbers of women approaching them directly, rather than being referred on by police, social workers or others. Bigger, more generic services are rarely able to achieve this profile or these 'self-referrals'. In work to eliminate violence against women, particular attention should be given to the rights and needs of women and girls facing multiple forms of discrimination, including women from minority ethnic communities and asylum seekers and those with refugee status, survivors of trafficking, women living in poverty, disabled women, and LGBT+ women. In every case the inclusion of women's voices is imperative in efforts to prevent or mitigate such violence.

2.4.7.3 We urge Welsh Government, through its budgetary processes and associated legislative and policy frameworks, to commit to contributing to the realization of equality between women and men and to the elimination of all forms of violence against women, which will transform the lives of women and girls in Wales. To achieve this, we recommend Welsh Government should ensure budgets deliver sufficient specialist women's refuge spaces in Wales to meet the needs of women and children and a national network of independent specialist women's services to support women and children to achieve independence and freedom from abuse.

### **2.5 What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?**

2.5.1 Welsh Government commits to protecting the funding for independent (third sector) specialist domestic abuse and sexual violence services in Wales in 2017/18; and identifies sufficient resources to establish a model for long term sustainable funding for these specialist services for the duration of the government and National Violence Against Women Strategy. Investment should be targeted at prevention and early help, developing needs-led and strengths-based services, and achieving systems change and transformation ('change that lasts').

2.5.2 Welsh Government ensures budgets support delivery of statutory guidance associated with the Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act, and that budgetary investment targeted at promoting the well-being of future generations, reducing poverty and mitigating welfare reform, proactively addresses violence against women prevention and alleviating adverse childhood experiences.



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### 2.5.3 All Government

Departments (Finance and Local Government; Health, Well-Being and Sport; Environment and Rural Affairs; Communities and Children; Economy, and Education) prioritise investment into the protection and support of victims and the prevention of violence against women, domestic abuse and sexual violence as a strategic cross-cutting priority, and provide leadership to ensure this is core business for public service boards.

2.5.4 Ministers should ensure NHS and social care investment enables these agencies to play a greater role in the prevention of domestic abuse, sexual violence and other forms of violence against women, in partnership with specialist services and Welsh Women's Aid. This should include funding arrangements which support Public Health Wales and the Health Boards and Trusts in Wales to:

- a. Commit to delivering a public health approach to preventing domestic abuse, sexual violence and other forms of violence against women.
- b. Commission the IRIS programme for health services and independent (third sector) specialist services, to ensure national delivery.
- c. Implement violence against women guidance and NICE Domestic Violence and Abuse Guidelines (PH50 2014).

2.5.5 Welsh Government should promote the business case for violence against women prevention amongst all providers/contractors in receipt of Government investment, requiring them to:

- a. Ensure they demonstrate corporate social responsibility by creating workplace policies, and training and educating employees on domestic and sexual abuse.
- b. Promote and/or provide access to support for victims, and take action against perpetrators.
- c. Exert leadership in local communities by supporting specialist services and promoting preventative campaigns and equality between women and men.

2.5.6 Welsh Government should ensure the Supporting People budget for 2017-18 and cross-departmental budgets prioritise the sustainability of the third sector specialist domestic abuse sector.

**Any comments or questions regarding our response can be directed to:**

**Alice Moore – Campaigns and Communications Officer, 02920 541 551, [AliceMoore@welshwomensaid.org.uk](mailto:AliceMoore@welshwomensaid.org.uk)**



# Welsh Government Draft Budget Proposals

## 2017-18

*A consultation response from Cymorth Cymru*

21 September 2016

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### Introduction

Cymorth Cymru is the umbrella body for organisations working with marginalised and excluded people in Wales.

Our **vision** is that all people in Wales have the right to live safely and independently, managing their own lives in their own homes

Our **mission** is to connect, strengthen and influence service providers, policy makers and partners to:

- Prevent homelessness
- Improve the quality of life and choices for the people our members support.

Our **objectives** are to:

1. Use evidence-based research to effectively influence policy formulation and implementation
2. Strengthen the capacity of member organizations to increase their impact by connecting them with wider issues and debates within the UK, Europe and elsewhere, convening events that contextualise and share learning
3. Provide high quality and tailored membership and consultancy services, identifying risks for the membership
4. Challenge public attitudes by campaigning with others on key issues that affect the people our members support.

Our main **policy areas** are

- Homelessness, housing related support
- Social value care provision
- Emerging themes from our two core areas
- Joining up across related policy areas

Our **120+ members** support people who are marginalised, isolated or experiencing housing crisis, including:

- people who are homeless, or at risk of homelessness
- families fleeing domestic abuse
- people dealing with mental or physical health problems, or learning disabilities
- people with alcohol or substance misuse problems
- refugees and people seeking asylum
- care leavers and other vulnerable young people, and
- older people in need of support
- offenders and those at risk of offending.

This list is not exhaustive, and individuals may often face a range of challenges that make it difficult for them to find or maintain a stable home and take control of their lives.

Cymorth Cymru's members help people address these issues, supporting them to find and maintain safe accommodation, fulfil their personal potential and feel confident making choices about their future. Our members work across policy areas to assist marginalised and excluded people and to promote a shared understanding of the key role that housing and homelessness services play in promoting well-being.

## Consultation response

Cymorth Cymru welcomes the opportunity to respond to this consultation regarding the Welsh Government Draft Budget Proposals. We have kept our consultation focused on the members we support (providers of housing-related support services), the challenges they currently face, and some of the positive impacts they have on other services across Wales.

### **Q1: What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?**

We were delighted that the Supporting People Programme was protected in the 2016-17 budget. This was very welcome for support providers working with 60,000 of the most disadvantaged individuals across Wales. Of course, despite this positive news, it did mean that excellent projects running could not be extended, and in some areas there were still cuts to services.

We were particularly concerned, last year, that the Homelessness Prevention Grant saw a reduction of £500,000 – a cut of more than 7%. This grant, working alongside the Supporting People Programme, enables the preventative work established by the Welsh Government's Housing (Wales) Act to be effective. We would be concerned about the impact of any further reduction to this Grant, which saw funding removed from some of our member services last year, particularly education-based, primary prevention services.

In 2016-17 there were other pressures that were not directly addressed in the budget, but local authorities were able to take action to reduce their impact. These were chiefly the rise in the National Living Wage, combined with additional pressures as a result of court judgements on sleep-ins, travel times and overtime. They created a 'perfect storm' of rising costs for providers. Whilst the immediate crisis has settled for 2016/17, there is a very real concern amongst providers that this issue will continue to keep their services on the brink of collapse for the foreseeable future. Local authorities were able to avert the immediate crisis, but this threat remains for 2017-18 and beyond.

The financial pressures of the previous years, along with renewed uncertainty surrounding the impact of the Local Housing Allowance Cap, and the challenge of the Living Wage, have meant the sector has already made significant savings. Providers have adapted services and taken further action to reduce back office costs, and there is a very

real sense that after the previous years of budget cuts, they have reached their limit. The 2016-17 budget settlement alleviated the immediate sense of crisis in housing support services for a year, but already there is significant concern around the coming budget.

**Q2: What expectations do you have of the 2017-18 draft budget proposals?**

### ***Homelessness Prevention***

We strongly urge the Welsh Government to use the 2017/18 budget to continue funding the Supporting People (SP) programme. We hope that this funding can increase to ensure much wider prevention across Wales, delivering even greater value for money.

The Supporting People budget is an initiative that has been successful in helping vulnerable people in Wales for 13 years and it would be counterproductive to reduce funding for a programme that offers certainty and proven success. All the more importantly, amidst increased uncertainty following Brexit as well as the continued squeeze of austerity measures – plus of course the impact of the Local Housing Allowance Cap – there is a very real concern amongst providers that certainty in their funding is needed to avoid a significant reduction in capacity.

In March 2016, the Welsh Government published a report which explored the feasibility of using linked administrative data to demonstrate the impact of the Supporting People programme on the use of health services. From the next phase of this study which is due to roll out across all local authorities in Wales, it will be possible to draw out the *actual* cost benefits of the Supporting People programme on a historical basis, founded on real events, rather than on hypothetical cost savings. The feasibility study report showed that the monthly rate of a person's interaction with GPs and A&E increased up to and around the point in time when people began receiving support from Supporting People, followed by a decline which, by 12 months (and in some cases by 6 or even 3 months) after the Supporting People intervention, came to below the pre-support level.<sup>1</sup> This is just one specific example of how Supporting People alleviates pressure on public services.

<sup>1</sup>Supporting People Data Linking Feasibility Study: Emerging Findings Report  
<http://gov.wales/docs/caecd/research/2016/160310-supporting-people-data-linking-feasibility-study-final-en.pdf>

Overlaying this data with the data from homelessness returns will therefore allow local authorities and Local Health Boards to target their resources much more effectively, so it is essential that Supporting People, as a preventative fund, is increased.

As illustrated in the Institute for Fiscal Studies' report on the options available for the Welsh Government budget<sup>1</sup> we are very aware of difficult choices to be made. However, in terms of Supporting People, there is a growing body of evidence that this is a highly effective preventative programme that meets the agenda of the Government's Housing Act *and* the Social Services & Wellbeing Act, as well as helping provide a healthier and happier Wales as envisioned by the Wellbeing of Future Generations Act.

An increase in funding for the Supporting People programme would mean that we could go even further in tackling homelessness in Wales, by providing essential up-stream preventative services that would mean that people don't need to present to local authorities at risk of homelessness because they are being supported that much earlier.

As the Welsh Government's annual homelessness report of August 2016 made clear, the Housing (Wales) Act has been successful, so far. These early successes have led policy makers across England to consider the Wales model in terms of best practice and one of our newest members, Crisis, is working actively to promote this among the policy community in England. Again, protecting budgets that address homelessness at an early point in time is vital if this Act is to be a success.

### ***National Living Wage and the true cost of care***

Care and support providers are at a turning point. With the pressures mentioned above (National Living Wage, sleep-ins, travel judgement, overtime) there was a very real risk that providers would collapse, particularly in the learning disability sector, by April 2016. This did not happen last in 2016-17, as local authorities took action to address the short-term funding cap. However, we have very real concerns that over the long-term, resources are lacking to address this. We would hope to see a budget that takes action to address this shortfall, estimated to be a further 5% by 2019/20 from what staff salary budgets were required to rise to last April 2016.

Our learning disability provider members reflected to us that the 'market' is very different in Wales, and is predominantly third sector led. As such, they are more vulnerable to these cost pressures, as they cannot squeeze their profit – they have had to draw down



substantial reserves. They have huge concerns as third sector organisations that this cost pressure faced by providers could lead them to collapse – and could then lead to a return to institutionalisation. They are on a perpetual knife edge balancing between their legal commitments as charities, and their mission to provide effective services. If the cost of these services is not fully met, their financial model becomes unsustainable.

**Q3: How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?**

Our members are clear there would be serious implications were the Supporting People budget to be cut for 2017/18. They report that the vital work of many local services would be heavily jeopardised. With pressures such as the implementation of national living wage extending to cover sleep-ins, a cut to SP funding would further reduce these services' flexibility. Many of the services which are transformative and impactful for vulnerable people in Wales would be decommissioned leaving many with nowhere to turn.

The short-term approach of a one year budget poses challenges in itself, perpetuating the constant administrative churn – and associated additional transactional costs – of applying for, reviewing and reporting on one year funding. A three year funding cycle would enable our members to think ahead much more strategically, innovate and transform their services in partnership with others.

**For queries please contact:**

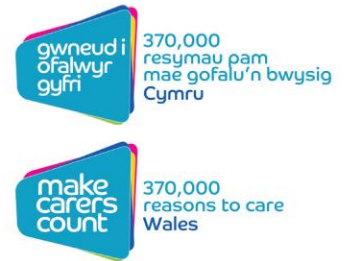
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21/09/2016

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<sup>i</sup> <https://www.ifs.org.uk/publications/8471>



## Carers Trust Wales response to the Finance Committee call for information – Welsh Government draft budget proposals for 2017-18

### About Carers Trust Wales

Carers Trust Wales is part of Carers Trust, a major charity for, with and about carers. We work to improve support, services and recognition for the 370,000 people in Wales living with the challenges of caring, **unpaid**, for a family member or friend who is ill, frail, disabled or has mental health or addiction problems.

**Our Mission** is to identify, support and involve Wales' unpaid carers through the provision of action, help and advice.

Together with our locally-based network partners, we provide access to desperately-needed breaks, information and advice, education, training and employment opportunities – working with 20,000 carers a year in Wales. Our network partners benefit from the provision of grants, advice documents and reports to improve carers' services. We give carers and young carers opportunities to speak to someone and make their voices heard, offline via our carers' services and young carers' schemes, and via our online communities.

### Our Strategic aims are

1. Championing carers – ensuring their voices heard and carers have a high profile across Wales including in the media, government
2. Delivering services for carers in Wales – researching and promoting solutions for carers across Wales
3. Building partnerships and delivering change – working meaningfully across sectors to reach more carers in all spheres of life

Carers Trust is a registered charity in England and Wales (1145181) and in Scotland (SC042870). Registered as a company limited by guarantee in England and Wales No. 7697170. Registered office: 32-36 Loman Street, London SE1 0EH.

Mae Ymddiriedolaeth y Gofalwyr yn elusennu gofrestrddig yng Nghymru a Lloegr (1145181) ag yn yr Alban (SC042870). Cwmni cyfyngedig trwy warant, cofrestrwyd yng Nghymru a Lloegr rhif 7697170. Swyddfa Gofrestredig: 32-36 Stryd Loman, Llundain SE1 0EH.

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4. A strong Carers Trust Wales network – working closely with our network partners to increase sustainability and impact across Wales

**Our Vision** is a Caring Wales – where unpaid carers are recognised and able to get the support they need

### Overview

1. A carer is anyone caring, unpaid, for a friend or family member who without their support would not be able to cope.
2. Wales is a uniquely caring country with the highest proportion of carers in the UK. Carers in Wales are also, on average, caring for more hours a week than carers elsewhere in the UK.
3. Carers Trust Wales recognises the Welsh Government is operating within a finite budget and the difficult decisions that this environment engenders.
4. There is a large evidence base, some of it detailed in this response, that shows the positive impact that support for carers has on reducing hospital admissions, speeding up transfers in care, maintaining the health and well-being of both carer and those they are caring for.
5. There has been ongoing significant pressure on services for carers across Wales for a number of years. The downwards trajectory of local authority budgets has meant that many local carers' services have had to deliver more for less and, as a result, their long term sustainability is at risk.
6. Replacement care and short breaks are two of the most frequently raised issues by carers. Carers Trust Wales is calling for the introduction of a Carers Well-being Fund – a national fund to provide breaks and replacement care to carers in Wales. There is a clear moral and economic case for providing such a fund.
7. This fund could be modelled on the Scottish Short Breaks Fund, which has been in place since 2010, but take into account the lessons learned from it.
8. There is at least one young or young adult carer in every class in Wales. Young and young adult carers face significant challenges in accessing and succeeding in education. Putting in place support for these vulnerable groups, for example through

## Carers Trust

the Pupil Deprivation Grant, would help reduce poverty in Wales and support the health and well-being of these children and young people

9. **Carers Trust Wales would welcome the opportunity to expand upon this response in an oral evidence session with the Finance Committee.**

## Response

- 1.1. A carer is anyone who cares, unpaid, for a friend or family member who would not cope without their support.
- 1.2. Wales is a uniquely caring country, according to the 2011 census we have the highest proportion of carers in the UK. The 2011 census also found that carers in Wales care for longer on average than carers anywhere else in the UK<sup>1</sup>.
- 1.3. Officially, 370,000 people in Wales, or 12% of the population, provide unpaid care to a friend or family member who would not cope without their support. In reality, this figure is likely to be much higher.
- 1.4. Among young carers alone, of which there are officially around 12,000 in Wales, research suggests the true figure may be four times higher<sup>2</sup>.
- 1.5. Carers contribute £8.1 billion worth of care in Wales every year, more than the entire Welsh NHS budget and the equivalent of £21,892 per carer every year<sup>3</sup>.

### **1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budgets**

- 1.1 The services carers receive and require are diverse and include a wide range of local and national services. Services include information, advice and support,

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<http://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthcaresystem/articles/2011censusanalysisunpaidcareinenglandandwales2011andcomparisonwith2001/2013-02-15>

<sup>2</sup> <http://www.bbc.co.uk/news/education-11757907>

<sup>3</sup> <http://www.sociology.leeds.ac.uk/assets/files/research/cuk-valuing-carers-2015-web.pdf>

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short breaks, replacement care, palliative care, employment support, training and benefit support.

- 1.2 The preventative value of these services, both in securing the well-being of individuals, and in avoiding additional costs to local authorities and local health boards, is well-established. For example:
- A longitudinal study of 100 people with dementia found a 20-fold protective effect of having a co-resident carer when it comes to preventing or delaying residential care admissions<sup>4</sup>
  - Carers providing more than 50 hours of care per week are twice as likely to report ill health as those not providing care<sup>5</sup>. Wales has the highest proportion of carers providing more than 50 hours of care per week in the UK
  - One study found that problems associated with the carer contributed to readmission in 62% of cases<sup>6</sup>
- 1.3 In our responses to draft budget proposals in previous years, we have consistently flagged up our concerns about the impact that continuing pressure on local authority budgets would have on services for carers. Unfortunately, the situation has worsened. Many local authorities are reducing the rate they are funding regulated care to a point where the provision of quality, third-sector, care is no longer sustainable. Similarly, other services for carers across Wales including services for young carers have had their funded cut or removed entirely.
- 1.4 Based on a sample collected from local authorities by the UKHCA in September 2014, the average rate paid by councils in Wales for care was £14.05 an hour<sup>7</sup>. The UKHCA calculates that to adequately cover National Living Wage, backend costs, travel time etc. a minimum of £16.70 is required<sup>8</sup>.

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<sup>4</sup> Banerjee, S, Murray, J, Foley, B, Atkins, L, Schneider, J, Mann, A (2003) Predictors of institutionalisation in people with dementia, *Journal of Neurology, Neurosurgery & Psychiatry* 2003, 74,1315–1316.

<sup>5</sup> 19 Census (2011) Office for National Statistics

<sup>6</sup> Williams, E, Fitton, F (1991) Survey of Carers of elderly patients discharged from hospital, *British Journal of General Practice*, 41, 105 –108.

<sup>7</sup> <http://www.ukhca.co.uk/rates/>

<sup>8</sup> [http://www.ukhca.co.uk/pdfs/AMPFHC\\_150719.pdf](http://www.ukhca.co.uk/pdfs/AMPFHC_150719.pdf)

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- 1.5 Given this funding environment, it is likely that a number of dedicated carers services in Wales will have to close in the next year as a result of budgetary pressures.
- 1.6 While this monetary pressure puts support for carers at risk, the Social Services and Well-being (Wales) Act 2014 has introduced new rights for carers and new duties on local authorities to promote the third sector and preventative services. Although too early to evaluate the implementation of this legislation, it appears that the financial pressure on local authorities has made progress in implementing the Act and delivering upon the spirit of the Act slow.
- 1.7 That said, we were pleased to see the Welsh Government provide £2 million transitional funding to local health boards and local authorities across two years as a follow-up to the ending of the funding for Carers Strategies which had provided around £3.3 million between 2013 and 2016. We would welcome further accountability of this funding including publication of what work the transition has funded and evaluation of the impact of this funding.

### **2. What expectations do you have for the 2017-18 draft budget proposals?**

- 2.1 Unfortunately, we anticipate that there will be a further real-terms cut to local authority budgets which will have a knock on effect on services for carers as outlined above. The funding environment for services for carers is rapidly nearing crisis point.
- 2.2 It also seems likely that there will be a reduction in funding for lifelong learning, higher education and adult community learning. We outline below the reasons why flexible education is important for protecting the health and well-being of carers and should be protected.

### **3. How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?**

### **4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

- Approach to preventative spending and how is this represented in resource

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allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)

- Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population
- Sustainability of public services, innovation and service transformation
- Local health board financial arrangements
- Preparation for the UK to leave the EU
- Low carbon budgeting and preparing for the Future Generations Act
- Preparation for the impact of further devolution included with the Wales Bill
- Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced
- Scrutiny of Welsh language, equalities and sustainability

- 4.1 Preventative Spending:** As it currently stands we do not feel the ethos of preventative spending is wholly reflected in funding on the ground when it comes to carers. We know the role that carers play in protecting health and social services from unmeetable demand. We also know that for every £1 invested in carers services, around £4 is saved<sup>9</sup>. But our Network Partners, local charities supporting over 20,000 carers a year, are facing some of the most hostile, difficult and pressured funding circumstances of their decade long history.
- 4.2** There have been reductions both in respite services and day centres offered by local authorities – the Welsh Government's figures show a sizeable decline in individuals accessing both these services since 2012<sup>10</sup>.
- 4.3 Reducing Poverty:** A key part of reducing poverty must be reaching young carers in Wales. Being a young carer impacts on school performance, attendance, and presents increased risk of mental health problems. Yet of the 11,500 carers under the age of 18 in Wales, only 782 young carers are known to social services<sup>11</sup>.
- 4.4** Young carers and young adult carers are twice as likely to not be in education, employment or training and are four times more likely to drop out of college or

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<sup>9</sup> Conochie, G (2011) *Supporting Carers: The Case for Change*; London: The Princess Royal Trust for Carers and Crossroads Care.

<sup>10</sup> <http://gov.wales/docs/statistics/2015/150902-assessments-social-services-adults-2014-15-en.pdf>

<sup>11</sup>

[https://carers.org/sites/files/carerstrust/related\\_documents/timetobeheardcampaign\\_english.pdf](https://carers.org/sites/files/carerstrust/related_documents/timetobeheardcampaign_english.pdf)

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university<sup>12</sup>. One way that this could be supported would be through including funding for young carers in the pupil deprivation grant.

- 4.5 Many carers are unaware of the extra financial support they are entitled to. In 2010, a working paper by the Department for Work and Pensions estimated that uptake of Carer's Allowance across the UK was around 65%. We believe that a small funded campaign by the Welsh Government to encourage uptake of Carer's Allowance, and raise awareness of eligibility for Carer's Allowance, could improve the well-being of many carers across Wales and help reduce poverty.
5. **The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with national indicators for Wales. - What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending? - What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on reduction or eradication of poverty?**
6. **What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?**
  - 6.1 In the past year, Carers Trust Wales has been calling for the introduction of a national Carer Well-being Fund. The purpose of the fund would be to increase the availability of breaks to carers across Wales, easing pressure on health and social services. Welsh Labour made a manifesto commitment to investigate the benefits of such a scheme.
  - 6.2 A Carer Well-being Fund would take into account the lessons of Scotland's Short Breaks Fund which has delivered over £11 million worth of breaks to carers in Scotland since 2010<sup>13</sup>.
  - 6.3 A modest annual investment of £1.4 million in Wales would deliver around 53,000 hours of care at home at the new National Living Wage or provide 31,000 days of care at day centres across Wales. Alternatively, the same fund would secure 2,040 weeks of respite. These calculations include the cost of administering the

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<sup>12</sup>

<sup>13</sup> <http://www.sharedcarescotland.org.uk/publications/short-breaks-fund-round-2-evaluation-report/>



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fund<sup>14</sup>.

- 6.4 Carers Trust Wales believes that there needs to be national investment into breaks for carers. A modest investment in this area would help ensure progress on preventative spending and has a proven impact on the sustainability of health and social services.

### 7. **What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?**

- 7.1 As outlined above, young and young adult carers face multiple barriers and challenging in accessing education and employment. By the time they reach 16, a young carer is more than twice as likely as their peer to be out of education, employment or training<sup>15</sup>.
- 7.2 One way to reduce poverty in Wales would be to put in place support mechanisms for young and young adult carers to ensure that they are able to not only access education and employment, but to succeed in education and employment.
- 7.3 Interventions that would help do this could include extending the pupil deprivation grant to include young and young adult carers and putting in place funding for schools to implement support for carers and training for teachers.
- 7.4 Similarly, we know that for many carers, part-time study is the best option that most effectively meets their needs and provides the flexibility they require<sup>16</sup>. Part-time education can play a vital role in shoring up the well-being of carers, helping alleviate loneliness and isolation, and enabling unpaid carers to pursue both personal and career development.
- 7.5 Previous budgets has seen reductions to funding for part-time learning, including both Adult Community Learning and reductions to the higher education budget that in turn led to reductions in funding for part-time higher education. Carers

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<sup>14</sup> Full proposal is available upon request

<sup>15</sup> Audit Commission (July 2010), *Against the Odds: Re-engaging young people in education, employment and training*. Available online: <http://socialwelfare.bl.uk/subject-areas/services-client-groups/children-young-people/auditcommission/13593720100707-characteristicsofyoungpeopleneetforagainsttheodds.pdf>

<sup>16</sup> NUS Wales & The OU in Wales, 'It's About Time'

<http://www.open.ac.uk/wales/sites/www.open.ac.uk.wales/files/files/ecms/wales-pa/web-content/It's-About-Time-2014-English.pdf>

## Carers Trust

Trust Wales would welcome a commitment to protecting and extending funding for flexible learning in Wales.

- 7.6 Similarly, putting in place increased funding for breaks and other kinds of carers' services, including through a Carer Well-being Fund, would help protect the health and well-being of carers and in doing so prepare Wales for an aging population.
- 8. Do you feel that allocations made by the Welsh Government are sufficiently evidence based?**
- 9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?**
- 10. What long term planning is carried out to fully deliver on preventative spending strategies and how do you plan for this within short term budget periods?**
- 11. What baseline evidence is used to measure preventative outcomes?**
- 12. How can good examples of service transformation and innovation be encouraged and shared nationally across key agencies and what is the role for the Welsh Government?**

## Contact

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21 September 2016



## Consultation response – Call for information on Welsh Government draft budget proposals for 2017-18

Care Forum Wales welcomes the opportunity to respond to this call for information. We are a membership organisation for Health and Social Care Providers in Wales representing over 450 independent providers who include both private and third sector providers. Our response focuses on the budget impacts on the health and social care sector, which faces particular pressures from the ageing population.

The independent care sector underpins the NHS, is a key partner in delivering the ambition of the Welsh Government's Social Services and Wellbeing (Wales) Act, and binds communities together. The sector cares for 150,000 people and provides almost double the number of hospital beds (23,000). The independent sector employs 75,000 staff which is over 5 per cent of the Welsh workforce within Wales.

**We believe that the sector should be treated as a sector of national importance, to protect budgets and encourage recruitment and retention of suitable staff.**

In Wales the overwhelming majority of people receiving care services are funded by local authorities and health boards who are having their budgets cut. This has resulted in chronic underfunding over successive years and the cuts have been passed on to providers who do not have the option of passing them along to the customer. Staffing costs account for some 70% of overall costs and the addition of the national living wage and travel time are a significant extra pressure on providers whose margins are already extremely tight. Domiciliary care providers are under further pressure to reduce zero hour contracts without the appropriate level of commissioning. Quite apart from these added pressures having an effect on financial viability, they also affect the ability to recruit and retain staff, which can in turn affect the quality of care and the ongoing viability of the provision. The impact of Brexit is likely to further destabilise the workforce.

As a result of under expenditure we are already seeing more provisions closing than opening and an increase in delayed transfers of care from hospital settings. The sector is facing imminent crisis: the preventative agenda is vital for long term sustainability, but action is needed now. It is difficult to



see how this situation will be helped by the recent announcement that people will be allowed to keep more than double the current capital limit before being assessed - the care sector will become even more reliant on public funding.

Finally, with regard to the preventative agenda, we are aware that the Regional Partnership Boards established under the Social Services Act have been using monies awarded under the Intermediate Care Fund. As indicated above, we support the preventative agenda but our experience is that the private sector is often overlooked as potential partners in delivery and the focus is primarily upon the third sector. More use could be made of the private sector's facilities and expertise to deliver re-ablement and step down facilities and speed up the flow through NHS.

Melanie Minty

Policy Advisor



## **Welsh Government draft budget proposals for 2017/18 A consultation response by Universities Wales**

### **1. About Universities Wales**

- 1.1. Universities Wales represents the interests of universities in Wales and is a National Council of Universities UK. Universities Wales' Governing Council consists of the ViceChancellors of all the universities in Wales and the Director of the Open University in Wales.

### **2. Introduction**

- 2.1. We offer the following provisional comments in response to the consultation of the National Assembly for Wales Committee's consultation on the Draft Budget 2017/18. The Draft Budget is currently scheduled to be published by the Welsh Government on 18 October 2016, and we note the Committee would be happy to receive further comments once it has been published.
- 2.2. In particular, we are currently awaiting the outcome of the Diamond Review of Higher Education, which we would expect to have a major bearing on the Welsh Government's future investment plans for higher education. As highlighted in our response to the Finance Committee's consultation on the Draft Budget 2016/17 in January 2016, there is a pressing need to address the funding issues for universities in Wales, and for the 2017/18 budget to address immediate funding issues before the Diamond Review is implemented.

### **3. Executive Summary**

- 3.1. The following key points are emphasised in particular in our response below:
  - Despite the welcome reprieve to the cuts initially proposed, higher education received a significant reduction in its budget for 2016/17. If there are further in-year cuts, either as a result of transfer of additional funding to meet tuition fee grant costs, or due to the budget level for 2017/18, this will have a serious impact.
  - It is imperative that a solution is identified in the light of the Diamond Review, and implemented as soon as possible in order to address longer term issues of sustainability and competitiveness.
  - The budget for 2017/18 must ensure that universities are not forced to make decisions that could have detrimental consequences for students and the economy in Wales before the Diamond Review recommendations can be fully implemented.

- Universities in Wales are a major economic driver in Wales, and a catalyst for social mobility. It is essential for the long-term prosperity of Wales that investment in higher education reflects this.

#### 4. Consultation questions

- 4.1. Our comments follow the outline of specific questions asked by the Committee, but focus selectively on issues of particular relevance to higher education.

#### 5. Question 1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?

- 5.1. The cuts to the higher education budget for 2016/17 have undoubtedly presented universities with a considerable challenge, and placed significant reliance on a more favourable budgetary settlement for 2017/18.

##### The cuts to the Budget for HE 2016/17

- 5.2. Despite the welcome reprieve to the cuts initially proposed, higher education received a significant reduction in its budget for 2016/17. As confirmed in the First Supplementary Budget, the HE budget for 2016/17 financial year was £118.9m, including the £21.1m ringfenced for student support (tuition fee grant) and £10m for research and part-time provision which were reinstated to the HE budget following debate on the Draft Budget in January 2016.<sup>1</sup> The effective budget for higher education for 2016/17 lies somewhere between £118.9m (-5%), which appears to be manageable in the short-term, and an estimated £97.8m if there are in-year cuts for 2016/17, which would amount to a reduction of 21% in a single year and have further significant consequences for higher education (discussed further below).
- 5.3. It is crucial to note that this was the sixth successive year of major cuts to the HE budget. The HE budget (before further transfers for tuition fee grant payments) has been cut by £333m or 74% since 2010/11 – a cut of more than three quarters in real terms (see Appendix A, 1.1). If there is an in-year cut, the cut could be around 80% in real terms since 2010/11. Universities in Wales have also had to manage a succession of major changes and further financial constraints. This includes the decision to reallocate full-time undergraduate student numbers across the sector in 2012 which imposed an average fee limit of £7.5k on institutions who received reallocated numbers from 2012/13. In addition to this, universities have cooperated with a policy of substantial reconfiguration.
- 5.4. Because of the shift from grant funding to full-time undergraduate fee income, the cuts to the HEFCW budget have differential impacts across universities, and institutions with certain activities are particularly vulnerable including, for instance, part-time provision, high cost subjects and research (discussed further below).<sup>2</sup>

<sup>1</sup> See [here](#) for the documents.

<sup>2</sup> For further comment on the impact of tuition fee grant, see Appendix B.

- 5.5. It should also be noted that **higher education has been disproportionately targeted for budgetary reductions since 2010/11**. If we look at the departmental expenditure limits for both resource and capital funding, the higher education budget (excluding student fees) has been cut by 74% whereas the rest of the Education and Skills Budget and the Welsh Government's total budget overall fell by only 7%.<sup>2</sup>

#### Impact for HEFCW allocations to universities in 2016/17

- 5.6. HEFCW has taken every reasonable measure possible to mitigate the direct impact for university funding allocations arising from the reduction in budget for 2016/17, on the basis of positive assumptions about the budget for 2017/18.
- 5.7. Even so, its overall allocation for 2016/17 academic year was a cut in funding of 12% for universities.<sup>4</sup> As a result of the changes to the Final Budget, HEFCW preserved funding for research, expensive subjects and part-time provision approximately at their 2015/16 levels or a little below it. There were, nonetheless, significant casualties in 2016/17 in terms of the remaining funding for postgraduate provision, which was all but removed, and strategic funding.
- 5.8. Assuming that there are no in year-cuts, the final budgetary settlement for HE in 2016/17 appears to have been enough to prevent further severe difficulties for universities in managing the immediate grant reduction for 2016/17, pending the outcomes of the Diamond Review<sup>5</sup>.
- 5.9. It is important to note that **there is simply no space for further 'work-arounds' in the sector**. HEFCW has no further capacity to mitigate the impact of cuts to the HE budget. Universities in turn cannot indefinitely maintain the current range of academic activities and opportunities for students without a clear prospect of their future sustainability. Future funding (or assurance of it) is critical to the decisions that universities as financially responsible institutions will need to make over the coming months.

#### Vulnerable activities and subjects

- 5.10. The following points demonstrate the consequences of any further cuts and how universities' contribution cannot be viewed in isolation, with significant impact being felt across government departments through cuts to universities in Wales.
- 5.11. Further cuts will effectively mean that funding for expensive subjects in 2016/17 would be removed and then any remaining reductions applied to research and part-time allocations as set out in HEFCW's funding allocation circular.<sup>6</sup>
- 5.12. As recognised by the Children Young People and Education Committee these are areas which are particularly vulnerable as they rely on grant funding via HEFCW instead of, or in addition to, fee income. In its Report on the Draft Budget 2016/17, for instance, the Committee expressed its concern in particular that: "there are risks that the reduction in funding will disproportionately affect certain organisations who specialise in provision of part-time courses, research and expensive subjects such as medicine, dentistry and

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<sup>2</sup> See Appendix A, 1.2. <sup>4</sup> See Appendix A, 1.4. <sup>5</sup> Independent review of higher education funding and student finance arrangements, Chaired by Professor Sir Ian Diamond, November 2014 – September 2016, (see [here](#)). <sup>6</sup>

HEFCW Circular W16/16HE, see [here](#).

performing arts. Further, it is likely to have a disproportionate detrimental effect on female and older learners, who access the type of part-time provision likely to be reduced.”<sup>3</sup>

5.13. In broad terms, the impact of future cuts would be as follows:

- **Part-time** – A cut in funding to part-time institutional learning and teaching support presents the serious risk of closing off the opportunities that part-time study provides for a wide variety of students, including those that want to upskill or retrain, and businesses who want to grow through continuing professional development. Part-time provision also makes a significant contribution to the widening access agenda and to community development and economic regeneration in disadvantaged communities.

The reduction of funding to part-time provision has serious consequences on both the Government’s skills strategy and vision of social equality. Further cuts in part-time funding would constitute a net transfer of public support from adult learners to younger learners. Without public support, it is inevitable that part-time fees will have to rise. We have seen in England that the market will not sustain fees for part-time provision at the £9k level and this has caused a devastating decline in demand.

- **High-cost subjects** – The cost of teaching exceeds £9k in about half of subject areas, with science, technology and engineering subjects predominantly (but not exclusively) accounting for the higher cost subjects. Without public investment, there is a significant risk that provision in high cost subjects will move into decline.

This creates significant risk of Wales’ higher education system not being able to cater for the diverse needs of the future workforce and economy. A significant example of this would be the potential reduction of places available on courses such as medicine. It is this type of cross-departmental impact that requires serious consideration.

- **Quality Research (QR) Funding** - The consequences of reducing QR funding would have a profound impact as it would remove the foundations from a system that is proven to have a direct transformational effect on society and the economy. Research at Welsh universities is diverse and has a very real and significant impact on peoples’ lives – from improving the detection of abnormal blood clotting to safely disposing of high levels of nuclear waste; from exploring how sport can improve mutual respect and understanding to using computers to reduce preventable deaths in the health service; and from improving the quality of our bathing waters to reducing costs to our health service.

For example, a programme of research by our universities has reduced the number of people being taken to Emergency Departments (ED) by ambulance. In 2012-13 over 360,000 emergency calls were resolved through telephone advice, avoiding ambulance dispatch as a result of this research with **estimated cost savings from avoided ambulance journeys alone of £24 million**. Wales’ universities have the highest percentage of ‘world leading’ research in terms of impact such as this of any part of the UK, and it is this type of research that is at risk as a result of the proposed cuts. QR funding has a multiplier effect in that successive projects build on these foundations, attracting the brightest researchers, winning competitive research funding awards and developing innovations.

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<sup>3</sup> Letter to the Minister for Education and Skills, 19 January 2016.



Further cuts would remove these foundations, with magnified consequences for research as a whole across Wales, damaging the positive impact on Wales that is the result of many years' worth of work and investment that has led to such positive societal results.

#### Impact for long-term sustainability and competitiveness

- 5.14. A key concern for universities is their ability to remain competitive at current funding levels. This should be a major issue for Wales, since the economy is so dependent on the strength of its universities and their ability to compete successfully in a global knowledge economy.
- 5.15. Higher education in Wales requires additional investment to remain sustainable in the long term. Despite the introduction of the new fee and funding regime in 2012, HEFCW's assessment<sup>4</sup> of the financial position of the sector stated, for instance, 'The operating surplus for 2013/14, when adjusted to take account of the **full economic cost adjustments** for the cost of capital and infrastructure, shows that the sector's position is an aggregate deficit of £67m compared with a deficit of £85m in 2012/13. This represents the degree to which the sector is not in a position to provide for a fully sustainable future.'
- 5.16. According to a recent report, one of the main reasons why Welsh universities may not fare well on public facing rankings is that they were significantly underfunded compared with those in England and Scotland over the previous decade<sup>5</sup>.
- 5.17. Based on our most recent analysis (see Appendix A, 1.6) the funding gap between Wales and England in 2016/17 is estimated to be £77m.

#### Economic impact

- 5.18. Welsh universities leverage a large economic impact for Wales and generated £4.6 billion of output in Wales in 2013/14, generated some £2.4bn of Welsh Gross Value Added (GVA) (equivalent to 4.6% of the Welsh total) and created almost 50,000 jobs in Wales (3.4% of the Welsh total). Welsh universities generated a total of £600 million of export earnings and the GVA generated by Welsh universities is more than by the Welsh Government priority sectors of the Creative Industries sectors and Food and Farming combined.
- 5.19. Universities in Wales are national assets – not simply resources to deliver programmes of study but **major generators of investment and income for the wider Welsh economy and society**. The significant economic impact that Welsh universities make to Wales' economy is shown below.
- 5.20. Universities provide an astonishing return on the investment made to them by Welsh Government. A recent independent report shows that a relatively small public funding profile has allowed Welsh universities to leverage a large economic impact for Wales, generating **£4.6 billion of output in Wales in 2013/14**. Higher education is a major economic actor in itself and generates some **£2.4bn of Welsh GVA** (equivalent to 4.6% of the Welsh total) and creates almost **50,000 jobs** in Wales (3.4% of the Welsh total).
- 5.21. Welsh universities generated a total of **£600 million of export earnings** through international revenue together with the estimated off-campus expenditure of international

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<sup>4</sup> HEFCW's [Analysis of the financial position of the HE sector 2013/14](#) with supplementary data from their forthcoming 2014/15 publication of this report.

<sup>5</sup> Learned Society of Wales, 2011.

students and international visitors to Wales associated with the universities. This was **equivalent to 4.6% of all 2014 Welsh export earnings.**

5.22. **All parts of Wales shared in the impact of Welsh universities**, with impact spreading across local authority boundaries and to areas which do not host a university. Around 25% of both the GVA and jobs generated by the universities in Wales, (£597 million and 11,783 jobs) were generated in local authority areas that did not have a university presence. (See Appendix A, 1.9 for a breakdown of jobs generated by the expenditure of universities, their students and visitors across Wales, in each area).

5.23. **It should be noted that these figures exceed those of sectors that are prioritised by Welsh Government.** The £2.4billion of Welsh GVA generated by Welsh universities is more than by the Welsh Government priority sectors of the Creative Industries sectors and Food and Farming combined. Welsh universities directly provided 16,638 full time equivalent jobs across a wide range of occupations, which is **more than the Life Sciences sector.**

5.24. In many ways, universities in Wales can be considered as **high value inward investors**, but they are also far more. The earnings of universities are reinvested in Wales. If thought of as businesses, universities are major exporters and significant tourism assets: in both cases students from outside Wales create hundreds of millions of pounds for the Welsh economy<sup>6</sup>. It is also worth emphasising that the average salary in Welsh universities is £37,500 against an average salary of around £23,000 and GVA/head £17,500 in Wales. As Wales tries to raise GVA per head, high-value university activity is important.

## 6. Question 2. What expectations do you have of the 2017-18 draft budget proposals?

6.1. We would expect the Draft Budget for 2017/18 to reflect the Welsh Government's commitment to securing the long-term sustainability of higher education as a result of the Diamond Review.

6.2. The Welsh Government has given a clear commitment to taking forward the outcomes of the Diamond Review. The agreement reached in June 2016 in appointing Kirsty Williams AM to the government as Cabinet Secretary for Education specifically covered the outcomes of the Diamond Review. The exchange of letters between the First Minister and Cabinet Secretary states that it will be a common priority 'to consider the recommendations of the Diamond Review, with a view to early implementation, where appropriate, but there will be no negative effect on the higher education budget if there any changes'. The letter from the Cabinet Secretary also indicates that 'it was emphasised in discussions that these priorities have significant budget implications and will need to be reflected as the Government's forward budget plans take shape'.<sup>7</sup>

6.3. In addition, the Welsh Labour manifesto highlighted its commitment to a better package of student support, based on the recommendation of the Diamond Review. As part of this we would expect a budget to address postgraduate provision support in Wales as indicated to the National Assembly by the previous Minister for Education and Skills.<sup>12</sup>

6.4. These commitments are further confirmed most recently in the Welsh Government's 5 year programme for government, published on 21 September 2016.<sup>13</sup>

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<sup>6</sup> If students were converted to visitor numbers they would be worth around 13m visitor nights.

<sup>7</sup> See [here](#), for the Press Statement and copies of the letters. <sup>12</sup> See Record of Proceedings, 27 January 2016, (Questions to the Minister for Education and Skills), 14:35. <sup>13</sup> Welsh Government, Taking Wales Forward 2016-2021, 21 September 2016 (see [here](#)).

- 6.5. We do not wish to pre-empt the outcomes of the Diamond Review at this stage. It is possible, however, that the Diamond Review concludes that while continuation of a certain level of grant funding as part of the overall HE funding and student finance package is desirable, there are a number of activities that could be considered to be best supported through grant from a sector level body.
- 6.6. We estimate that around £210m in grant funding would eventually be required to provide an equivalent level of annual funding for Wales and England from henceforward, and to prevent the historical funding gap from widening. HEFCE published its funding allocations for 2016/17 on 17 March 2016 (see here). The total recurrent grant for higher education in England remained the same as in 2015/16, with a shift from teaching (-£21m) to research (+£20m). In addition, HEFCE allocated £498m in capital grants for 2016/17. Based on the proportion used in the Barnett formula to determine the budget allocations for Wales, the equivalent allocations for Wales would be £182m in non-capital grants and £28m in capital funding, i.e. £210m overall.
- 6.7. HEFCW has also highlighted the need for additional funding for Welsh Medium/the Coleg Cymraeg Cenedlaethol on the basis that Wales should have proportionately more funding to account for the fact that there is no equivalent in England.
- 6.8. It is noted that there is significant capital funding in England. A strong case could also be made for additional capital funding to address the historic gaps and comparative underinvestment. This is discussed in more detail in Appendix C.
- 6.9. These estimates, however, do not take into account the further increase in full-time undergraduate fees to be introduced in England as a result of the UK White Paper and Higher Education and Research Bill and Teaching Excellence Framework (TEF). Our initial tentative estimates, for instance, suggest that to match the 2.8% fee increase in England for TEF Year 2<sup>8</sup> would require an additional investment of approximately £9.5m for universities in Wales (around £3.6m in 2017/18, the first year of fee increases). Any additional inflationary increases in later years of TEF would require further funding.
- 6.10. It is also important to stress that this assumes that the existing budget is not used to cover additional major policy initiatives/costs. For instance, the Welsh Government set out plans for new ITT arrangements in March 2016.<sup>15</sup> This included plans for a new four year undergraduate route and a new two year course for postgraduates. Under current proposals by the Department of Health, the NHS in England will gain up to 10,000 additional nursing, midwifery and allied health degree places and there will be increased support for students from 2017. These will have an impact on the student support budget in Wales. It will be important that the increase in student support costs, particularly the tuition fee grant payments, are not taken from the HE budget. Similarly, it is unclear what the arrangements for apprenticeships in Wales will be as yet, and the financial implications for universities.

**7. Question 3. How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?**

- 7.1. The current budget levels and funding arrangements for universities pose significant challenges for Universities both in the short and long term. As is well attested, including in

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<sup>8</sup> See Department of Information, Teaching Excellence Framework factsheet, 2 September 2016 ([here](#)). <sup>15</sup> See: <http://gov.wales/newsroom/educationandskills/2016/minister-launches-new-vision-for-initial-teachereducation/?lang=en> <sup>16</sup> Wales Audit Office, Higher Education Finance, 21 November 2013 (as published in January 2014).

the report of the Wales Audit Office,<sup>16</sup> universities are highly capable in managing their financial affairs, but there are major issues relating to the future sustainability and competitiveness for universities. These are detailed above in response to Question 1.

**8. Question 4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

**- Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)**

8.1. We have previously expressed the view that it is difficult to see how the cuts to higher education funding are consistent with the aims of the Well-being of Future Generations (Wales) Act 2015 that requires consideration of the longer term in order to prevent storing up problems for the future. At the very heart of this legislation is the need to act in a sustainable way and to 'look to the long term as well as focusing on now' and to 'take action to try and stop problems getting worse - or even stop them happening in the first place.' Cuts to the HE budget represent a major cut in preventative spending. It is storing up longer-term problems that will take years to remedy. The potential for longer term damage that would be felt across departments is significant – health, environment, other education and so on.

8.2. Wales has few economic levers at its disposal, as the Welsh Government has previously highlighted in its Programme for Government, and investment in education remains one of the most important ways in which the Welsh Government can promote the economy. The importance of investment in higher education for the skills and economic agenda was recognised by the Enterprise and Business Committee in its Fourth Assembly Legacy Report which identified scrutiny of the Welsh Government's response to the Diamond Review as a priority for its future work programme.<sup>9</sup>

**- Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population**

8.3. Higher education remains a major catalyst for social mobility. Investment in universities has significant consequences for students and access to higher education. As outlined above, further reductions – particularly for part-time provision - are likely to have a detrimental impact on disadvantaged groups.

**- Sustainability of public services, innovation and service transformation**

8.4. Our response highlights significant concerns about the implications of investment in innovation and universities as charitable institutions which serve the public interest.

**- Local health board financial arrangements**

8.5. See our comments above on the difficulty of maintaining provision for high cost subjects, including medicine.

**- Preparation for the UK to leave the EU**

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<sup>9</sup> p.6, see [here](#).

8.6. See our comments below in relation to Question 9. Universities are significantly affected by the decision to leave the EU.

- **Low carbon budgeting and preparing for the Future Generations Act**
- **Preparation for the impact of further devolution included with the Wales Bill**

8.7. In particular, the Welsh Government will need to respond to the further divergence of the Higher education arrangements arising from the Higher Education and Research Bill, which is currently progressing through the House of Commons. This is a major piece of legislation which will result in radical changes between England and Wales in terms of the constitution of the sector and its governing architecture.

8.8. Another issue which could have significant financial impact – both for universities and for the Welsh Government – is the legislation relating to Higher Education Corporations (HECs) and their classification for purposes of national accounting. The Higher Education and Research Bill will make a number of changes to the legislation which in particular ensure that higher education corporations in England are not reclassified as central government by the Office for National Statistics following their current review of HE (last scheduled for June 2016 completion).

8.9. In particular, the changes to legislation for England will ensure that a higher education corporation cannot be dissolved against its will by the government. The power to dissolve institutions was clearly flagged as one of the key issues which led to the reclassification of Further Education institutions as central government in 2010, and the decision was one of the key driving forces behind the Welsh Government's changes to FE arrangements in its FE and HE (Governance and Information) Act 2014. There are no corresponding plans at this stage, however, to address this issue in Wales. In the absence of plans to bring forward its own higher education legislation in Wales, it is imperative that this is addressed through amendment to the UK Act in Parliament.

- **Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced**
- **Scrutiny of Welsh language, equalities and sustainability**

**9. Question 6. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?**

9.1. The key commitment is to ensure that a solution to the long-term funding issues for higher education is implemented in the light of the Diamond Review. In particular, the issues relating to high cost subjects need to be addressed in this context.

**10. Question 7. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?**

10.1. The key commitment is to ensure that a solution to the long-term funding issues for higher education is implemented.

**11. Question 8. Do you feel that allocations made by the Welsh Government are sufficiently evidence based?**

11.1. We welcome the Welsh Government's commitment to the Diamond Review, which should provide a strong evidence base for future decisions on student finance and HE funding. The Interim Report published in December 2015 provided a comprehensive summary of views from stakeholders. We look forward to the Final Report imminently. The Welsh Government has previously described the Review as 'all-important',<sup>10</sup> and we hope that its evidence is fully accepted in taking forward its recommendations.

11.2. As we work towards implement the outcomes of the Diamond Review in full, it will also be important to ensure that the funding of any transitional arrangements is properly assessed. A significant concern that we expressed in our response to the Draft Budget proposals for 2015/16 was that they were an inadequate assessment of the financial impact for universities and the implications of the changes. We were very pleased that the Welsh Government ultimately responded to the evidence and views submitted in response to the Draft Budget 2016/17 consultation and reflected this in their final allocations.

11.3. It will be important for the Welsh Government and HEFCW in particular to work together on their modelling and forecasts. We would expect the Welsh Government to also benefit from HEFCW's recent work including its report on the net impact of the fee and funding changes in the first three years of operation, and updated reports on the financial sustainability of the sector. We have also provided a guide to funding of HE in Wales that may be of assistance to stakeholders in the budgetary process.

**12. Question 9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?**

12.1. Universities in Wales currently benefit significantly from membership of the EU including the free movement of students and staff and structural funding, particularly for research and innovation. The decision to leave the EU will have a major impact on the income streams for universities and could make an already challenging funding position even more difficult to manage.

12.2. At this stage, there are two areas in particular that need to be addressed. The first is funding arrangements for EU students. In 2013/14, there were over 5,600 students from the EU studying in Wales. In particular, the most immediate concern is that EU students will be deterred from applying to Wales even before the UK leaves the UK, because they are uncertain about whether they will receive funding for future years of their study if they come to Wales. Future certainty about the continuation of arrangements for prospective students is clearly needed as soon as possible. Universities UK (UUK) has made representations on the urgency of this for 2017/18 entry. Wales may need to consider future provision in its budget in respect of its student support arrangements.

12.3. In addition, as the third largest recipient of structural funds in the last round, universities are very exposed to the withdrawal of this funding. It is the main source of capital or innovation funding in Wales at present. It will be essential that Welsh Government reserves are increased to a level that at least meets any shortfall of funding from loss of access to EU programmes.

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<sup>10</sup> See for instance, Huw Lewis, Minister for Education and Skills, Record of Proceedings, 2/12/2015, 14:29.

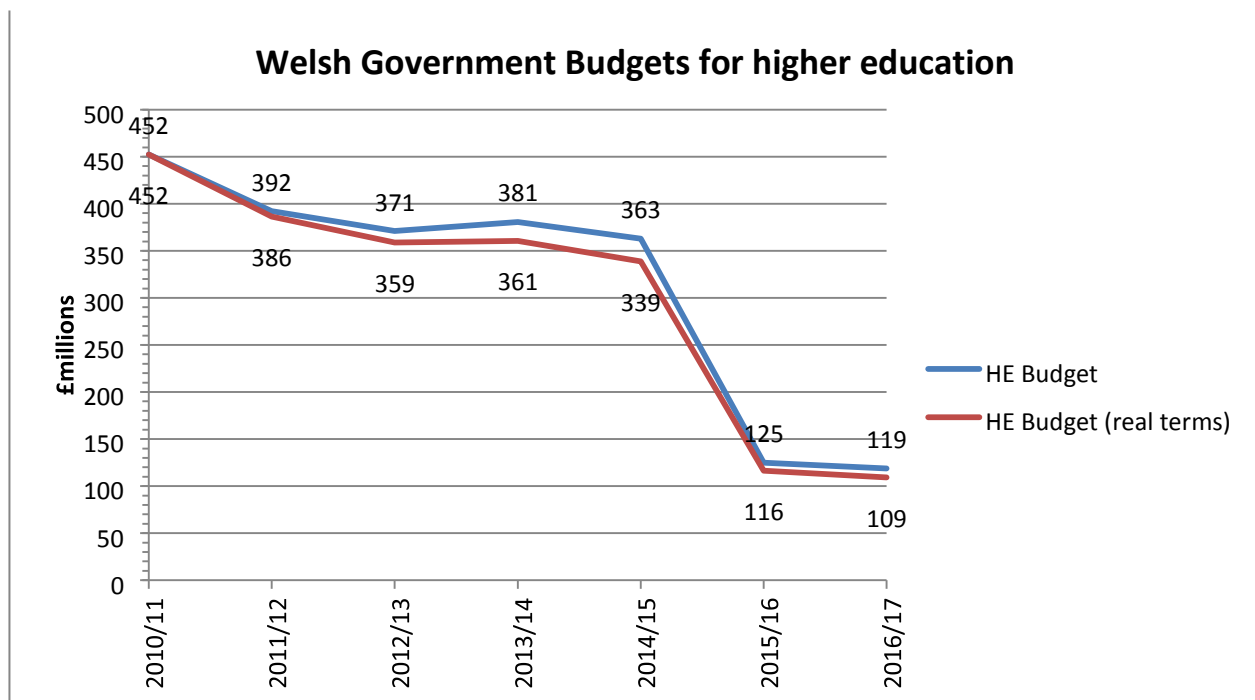
12.4. We very much welcome the Assembly's establishment of the new External Affairs and Additional Legislation Committee to safeguard Welsh interests in the UK's withdrawal from the EU and development of future relationships.

**Universities Wales  
September 2016**

**Appendix A – HE Budget and HEFCW funding allocations 2016/17**

What was the budget for HE for 2016/17?

1.1. The current budget position compared to previous years in both nominal and real terms is summarised in Figure 1:



Source: Universities Wales (from Welsh Government 2nd Supplementary Budgets for 2010/11 to 2015/6, and 1st Supplementary Budget for 2016/17). Real terms stated at 2010/11 market prices (using HM Treasury GDP deflators, March 2016).

1.2. For comparison, the following table summarises the change in the HE budget compared to the Welsh Government's total budget (excluding annually monitored expenditure i.e. expenditure it is not free to allocate). The HE budget has been cut by 74% since 2010/11 whereas the remaining Education and Skills Budget and the Welsh Government's total budget has fallen by 7% only:

<b>Welsh Government Budgets</b>				
<b>Resource and Capital DEL (£millions)</b>	<b>Education &amp; Skills MEG All MEGs</b>			
<b>Financial Year</b>	<b>HE</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
2010/11	452	1,618	2,071	15,583
2011/12	392	1,471	1,863	15,037
2012/13	371	1,554	1,925	14,986

2013/14	381	1,790	2,170	15,766
2014/15	363	1,408	1,771	15,672
2015/16	125	1,673	1,798	14,843
2016/17	119	1,502	1,621	14,546
% change since 2010/11	-74%	-7%	-22%	-7%

Source: WG 2nd Supplementary Budgets, except for 2016/17 (1st Supplementary Budget).

What was the impact on funding for universities?

- 1.3. HEFCW funding is based on academic years, so the amount that it has available to allocate will depend on the budgets for the overlapping financial years as well as any previous balance that it may have carried forward.
- 1.4. The following summaries HEFCW's allocations for 2016/17, as indicated in HEFCW Circular W16/16HE:

<b>HEFCW Funding Allocations (£ million)</b>	<b>2015/16</b>	<b>2016/17</b>	<b>+/-</b>
Research	78.9	<b>79.6</b>	0.8
Teaching	48.4	<b>42.4</b>	-6.0
- Full-time undergraduate: expensive subjects	15.1	<b>15.1</b>	0.0
- Part-time undergraduate	26.7	<b>27.2</b>	0.5
- Postgraduate taught	6.6	<b>0.1</b>	-6.5
T&R except expensive subjects before		<b>122.0</b>	122.0
Strategy and initiatives	23.1	<b>10.0</b>	-13.1
<b>Total allocations</b>	<b>150.6</b>	<b>132.3</b>	<b>-18.3</b>

- 1.5. The following shows HEFCW's total grant allocations to universities, as identified in their annual allocation circulars, and support for students in Wales since 2010/11. The sum of the two has reduced by £113m over the past 6 years:



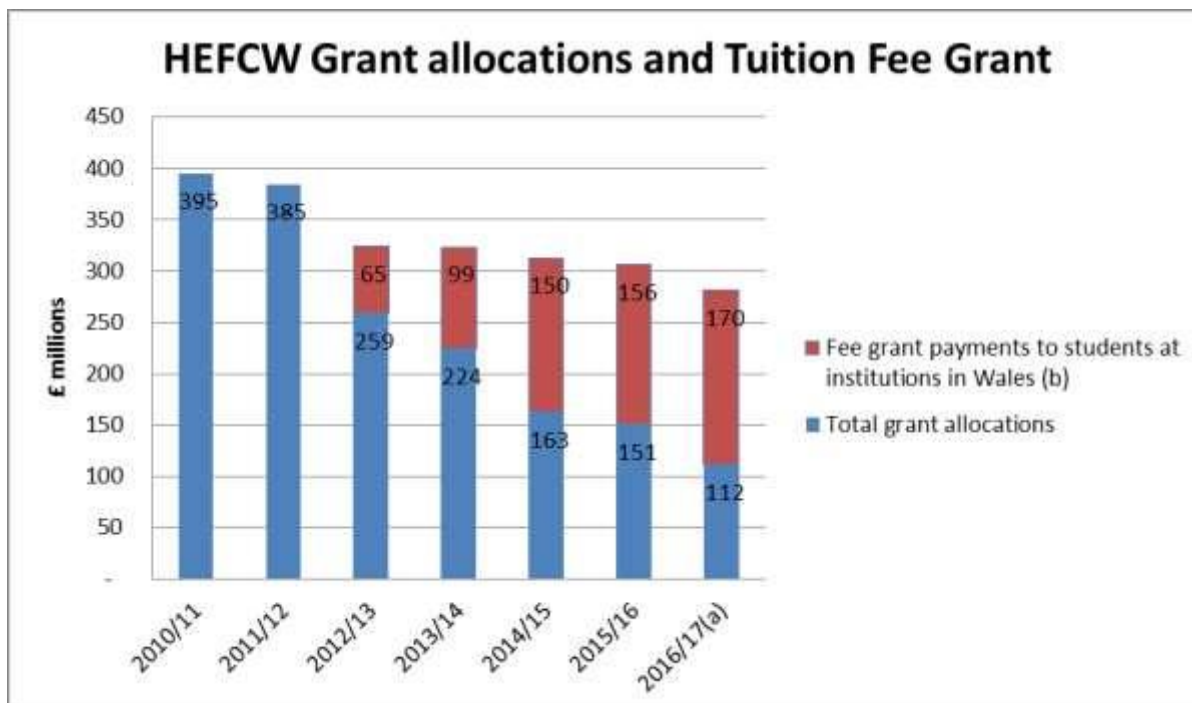


Figure 4. Source: Universities Wales based on the HEFCW Funding Circulars.

Note: (a) & (b) The figures for 2015/16 and 2016/17 are estimated. The forecast for overall TFG for 2015/16 is taken from the HEFCW Circular, but the distribution by country is estimated on the basis of the previous year's proportions. The forecast for overall TFG for 2016/17 is based on HEFCW W16/16HE.

- 1.6. A comparison with England's recent funding circular gives an indication of the size of the current funding gap based on HEFCW's and HEFCE's latest circulars. This is based on the assumption that there will be no further reduction in the HE budget for 2016/17:

Funding Allocations (£ million)	HEFCW		HEFCE (Scaled**)			Funding gap
	2015/16	2016/17	Recurrent	Capital	2016/17 Total	
Research	78.9	<b>79.6</b>	89.8	18.4	<b>108.2</b>	28.6
Teaching	48.4	<b>42.4</b>	77.4	7.2	<b>84.6</b>	42.1
- Full-time undergraduate: expensive subjects	15.1	<b>15.1</b>	38.2	0.0	<b>38.2</b>	23.2
- Part-time undergraduate	26.7	<b>27.2</b>				
- Postgraduate taught	6.6	<b>0.1</b>				
Strategy and initiatives	23.1	<b>10.0</b>	14.7	1.6	<b>16.3</b>	6.3
Total allocations	150.6	<b>132.3</b>	181.9	27.2	<b>209.1</b>	76.8

Sources: HEFCW W16/16HE; HEFCE 2016/09.

\*\* Scaled using the Barnett formula ratio of 5.69% of England to provide an equivalent for Wales.

- 1.7. The following is our current estimate of the impact, based primarily on data published in grant allocation circulars, and our own estimates. These estimates are tentative (and shows the ring-fenced funding for tuition fee grant in 2016/17 as additional fee income rather than grant in this table) but suggest that the level of funding may have reached the point that further cuts to HE funding will make universities worse off in real terms than before the changes to the fee and funding regime in 2012:

Income related to fee/funding changes £millions in nominal terms	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
HEFCW Grant allocations <sup>1</sup>	395	385	259	224	163	151	111
Additional fee income from Welsh/EU students <sup>2</sup>	0	0	65	99	150	156	170

Income related to fee/funding changes £millions in real terms (at 2010/11 prices)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
HEFCW Grant allocations <sup>1</sup>	395	379	250	212	152	140	102
Additional fee income from Welsh/EU students <sup>2</sup>	0	0	63	94	140	145	156
Additional fee income from RUK students <sup>3</sup>	0	0	49	87	121	126	124
<b>Total</b>	<b>395</b>	<b>379</b>	<b>362</b>	<b>393</b>	<b>413</b>	<b>411</b>	<b>382</b>
Additional fee income from RUK students <sup>3</sup>	0	0	51	92	130	135	135
<b>Total</b>	<b>395</b>	<b>385</b>	<b>374</b>	<b>415</b>	<b>442</b>	<b>441</b>	<b>416</b>

Sources: HEFCW Funding Allocation Circulars; Unis Wales estimates; HM Treasury GDP Deflator, March 2016

1.8. UCAS full-time undergraduate acceptances from Welsh-domiciled applicants by country of provider:

Provider country	2011	2012	2013	2014	2015	+/-
England	6,460	7,315	7,360	8,090	8,380	290
Northern Ireland	10	5	5	10	15	5
Scotland	95	115	105	115	120	5
Wales	11,765	11,875	12,190	11,955	11,990	35
<b>All UK providers</b>	<b>18,330</b>	<b>19,310</b>	<b>19,660</b>	<b>20,170</b>	<b>20,505</b>	<b>335</b>

Source: UCAS End of Cycle Report, 2015

1.9. Jobs generated by the expenditure of Universities, their students and visitors across Wales, by relative employment impact in each area:

Numbered by relative importance to employment in that area	Area of Wales	FTE Jobs generated by University activity	% of employment in the area <sup>11</sup>
1	Ceredigion	3027	8.4
2	Cardiff	15047	6.6
3	Swansea	6482	5.6
4	Gwynedd	2851	4.7
5	Rhondda Cynon Taf	3227	4.3
6	Newport	2433	3.4
7	Wrexham	1704	2.6
8	Merthyr Tydfil	534	2.3
9	Caerphilly	1349	2.3
10	Vale of Glamorgan	813	2.1
11	Carmarthenshire	1512	2.0
12	Neath Port Talbot	941	2.0
13	Torfaen	703	1.9
14	Bridgend	1248	1.9
15	Monmouthshire	839	1.9
16	Blaenau Gwent	339	1.7
17	Anglesey	396	1.6

<sup>11</sup> Derived from 2013 Data on Workforce employment by Local Authority (StatsWales)

18	Conwy	679	1.6
19	Flintshire	693	1.2
20	Denbighshire	488	1.1
21	Powys	707	1.1
22	Pembrokeshire	542	1.0
	<b>ALL WALES</b>	<b>46552</b>	<b>3.4</b>

1.10. Further information on the budget and on HE funding in general is available in Universities Wales's recently published guide.<sup>12</sup>

## Appendix B - Note on full-time undergraduate tuition fee grant and university funding

- 2.1. Currently, the level of funding required to meet the Welsh Government's student tuition fee grant policy is directly linked to the funding available for higher education. Until 2015, tuition fee grant payments had to be met from HEFCW's budget, reducing the effective grant budget for higher education providers.
- 2.2. £232m was transferred from the HE budget for in June 2015 for tuition fee grant payments, leaving an HE budget of £129m for 2015/16.
- 2.3. **The consequence of drawing the funding for the tuition fee grant policy from the higher education budget is that it has become increasingly difficult for the Welsh Government to provide the public funding for its priorities including research, parttime and high-cost subjects as well as other priorities** such as the Coleg Cymraeg.
- 2.4. The following outlines why funding through tuition fee grant is not equivalent to direct funding to universities.
- 2.5. Firstly, **there are areas that are crucial to Wales' economy and society that require public investment because a market-led funding mechanism does not provide them with adequate support.** As shown in section 5, several subjects cost more than the student market is currently paying for them, and we have seen part-time provision decline in England when left to market-forces.
- 2.6. Secondly, fee income is subject to a specific agreement as part of fee plan requirements and must be used for sole purposes of promoting equality of opportunity and the promotion of higher education.
- 2.7. In addition to part-time provision, high-cost subjects and QR funding, **there is a limit to the amount that can be transferred from fee income to capital investment.** Capital investment is crucial for universities to be able to provide a student experience that is competitive with universities in the rest of the UK and indeed increasingly, Europe. For example, historic university buildings, that are often central to the cultural identity of many Welsh cities and towns, are also key to attracting students and yet are expensive to maintain. Universities currently use borrowings to support capital investment. They therefore also need to be able to use their income to cover the cost of any borrowing and also provide themselves with a cushion against any variation in income and cash-flow fluctuations (e.g. due to the profile of payments from the Student Loans Company).

<sup>12</sup> Universities Wales, New guide to university funding and student finance in Wales, 21 September 2016 (see the Universities Wales website: [here](#)).

- 2.8. Furthermore, as consumers, **students rightly deserve a fair deal for their tuition fees.** There is serious risk of creating a policy that is unfair to students if the Government expects universities to continue provision in areas that were previously in part publicly funded by increasing cross-funding or subsidising other areas.
- 2.9. Thirdly, tuition fee grants are only available to full-time undergraduates, not part-time. This means **there is no possibility of additional fee income to compensate universities for the loss of grant.** Added to this there are additional costs associated with offering parttime provision, which in the past have been recognised in the funding models by additional per capita funding.
- 2.10. In conclusion, university funding needs to secure strong, high quality, economically valuable universities in Wales that have the ability to deliver for both the people of Wales *and* for the students that study in them.

## Appendix C - Capital Funding

### What does capital funding support?

- 3.1. Capital funds support the development and improvement of higher education infrastructure to create and sustain the conditions for a world leading HE system. Capital funding from Welsh Government has supported the sector to invest in high-quality buildings, equipment and information technology, which are essential to academic excellence in teaching and research.
- 3.2. Capital funding for estate covers both the provision of new buildings as well as the refurbishment of older buildings. Some universities have buildings which are at the end of their life and require significant capital investment in either refurbishment or wholesale replacement.

### Why do universities need it?

- 3.3. Universities see capital investment as vital to being able to attract the best students and staff.
- 3.4. The shift of income from direct government funding to income from student tuition fees means universities are heavily reliant on student recruitment to sustain their income. This means investing in buildings with up-to-date teaching facilities, modern accommodation and the infrastructure to support world-leading research are more important than ever before. As public funding has decreased, overseas recruitment continues to be an important part of most universities' strategies and there is now greater competition between universities across the UK and internationally. In such an environment, it is crucial that universities can invest in their infrastructure to remain competitive.
- 3.5. University investment in estates has increased significantly. In 2004–05, providers spent £2.4 billion on acquiring or improving equipment and buildings, and by 2013–14 this had risen to £3.9 billion, an increase of 60.4%. The increasing need for capital expenditure comes at the same time as increasing uncertainty for many universities about future income and their ability to cover necessary expenditure.<sup>13</sup>

### Why does this matter to Wales?

3.6. Wales' universities make a significant contribution to Wales through:

1. Generating billions for the economy
2. Providing a world-class experience for students
3. Producing impactful research
4. Regenerating communities

3.7. To do this they need to invest in capital in order to continue to:

- a) **Attract students and staff** as their spending generates an economic impact for Wales of £4.6bn<sup>14</sup>. A recent Frontier Economics report<sup>1516</sup> shows the value of capital

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<sup>13</sup> [Patterns and Trends in UK Higher Education](#)

<sup>14</sup> [The Economic Impact of Higher Education in Wales](#)

<sup>15</sup> 'A review of HEFCE Capital expenditure – a report by Frontier Economics' HEFCE 2015 <sup>24</sup> [Higher Education - Business and community Interaction \(HE-BCI\) Survey](#)

<sup>16</sup> Research Excellence Framework (REF)

expenditure in attracting additional student numbers: The quality of a Higher Education Institution's teaching and research facilities is an extremely important component of its offer. It is also seen as being a driving factor for developing collaborations between HEIs and the private sector, which can lead to important innovations and generates further income: Income to Wales through knowledge exchange between universities and other organisations, including the private sector, rose to £201 million in 2013/14<sup>24</sup>.

- b) **Offer a competitive student experience.** The introduction of tuition fees has changed the nature of the relationship between student and provider completely, with student expectations of their experience increasing significantly. Wales performs well overall in student satisfaction; however universities still report that a key objective in the development of capital programmes is because they need to improve the student experience by improving the environment.
- c) **Create the right conditions for world-class research.** Welsh universities have the highest percentage of 'world leading' research in terms of its impact of any part of the UK, with almost half of it considered to be having a transformational effect on society and the economy<sup>25</sup>. This is through investment in the latest research facilities, which in turn attract the brightest and best researchers from across the world.
- d) **Perform a central role in projects that bring benefits to local communities.** All Welsh universities have buildings and facilities that are crucial to their local communities, such as arts, innovation and sports centres. Furthermore, many historic university buildings, that are often central to the cultural identity of many Welsh cities and towns and key to attracting people internationally, are very expensive to maintain.

### How do universities currently fund capital investment?

3.8. Universities have to invest in order to attract students and staff. Until recently Welsh universities have had lower borrowing levels than the UK sector average. However, recent and forecast increases in borrowing to support significant estate development plans are likely to see the Welsh sector borrowings at least match the UK average, if not exceed it. Capital projects are noticeably more ambitious. Backlog maintenance may not be the biggest issue for all universities but for some in the sector, it remains a concern.

3.9. The vast majority of this expenditure has been covered by taking on more debt. Debt has never been so readily available at affordable costs, and interest rates remain low. Furthermore, universities are increasingly looking to more innovative means of raising money, such as bond issues, again which is generating relatively cheap money for universities to invest in their estate.

3.10. However, continuing at current rates of borrowing are not sustainable across all universities. A universities' ability to finance capital expenditure depends on their ability to generate a surplus – both for direct financing but also to enable borrowing. The Frontier Economics study suggests that a surplus of 7% per annum is required in order to sustain this.

3.11. HEFCW's assessment<sup>17</sup> of the financial position of the sector has stated 'The operating surplus for 2013/14, when adjusted to take account of the full economic cost adjustments for the cost of capital and infrastructure, shows that the sector's position is an

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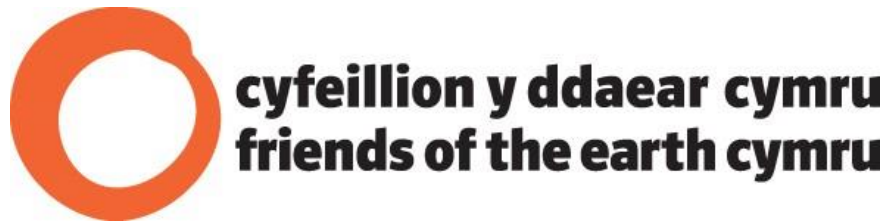
<sup>17</sup> HEFCW's [Analysis of the financial position of the HE sector 2013/14](#) with supplementary data from their forthcoming 2014/15 publication of this report.

aggregate deficit of £67m compared with a deficit of £85m in 2012/13. This represents the degree to which the sector is not in a position to provide for a fully sustainable future.'

- 3.12. Universities have been driving substantial operational efficiencies. This has been particularly driven in the Estates sector where we've seen property costs remain stable for the last five years despite substantial upward cost pressures.

#### **What is the evidence?**

- 3.13. HEFCE has produced (with Frontier Economics) a study reviewing capital expenditure. They found that capital is associated with significant positive changes in a number of outcomes at Higher Education institutions, including student numbers, numbers of researchers and contract and consultancy research income. There is clear evidence of the ongoing need, on the part of Government and the sector itself, for further capital investment in the sector, to continue to attract the best students, lecturers and researchers in the world.
- 3.14. UK universities lag behind some of their international competitors in terms of the amount they invest in capital. The funding gap between Wales and England was estimated to lie between £73m and £115m (before the reductions in the November Comprehensive Spending Review and Draft WG Budget for 2016/17). Whilst the funding environment continues to remain uncertain for the sector it is vital that investment levels are maintained to ensure that buildings and equipment remain fit for purpose and continue to meet the needs of students and staff.



## **Friends of the Earth Cymru: Submission to the National Assembly's Finance Committee regarding the Welsh Government Draft Budget Proposals for 2017-18**

### **Introduction**

Friends of the Earth Cymru is part of Friends of the Earth England, Wales and Northern Ireland, and supports a unique network of local campaigning groups working in communities throughout Wales. Friends of the Earth Cymru inspires the local and national action needed to protect the environment for current and future generations, and believe that the well-being of people and planet go hand in hand.

We welcome the Finance Committee's call for evidence prior to the publication of the 2017-18 draft budget proposals, and hope that this will prepare the Assembly committees for scrutiny when it is published. We will be focusing our response primarily on how the budget relates to the Well-being of Future Generations Act, and cutting our carbon emissions in line with the Environment Act.

### **Q2 - Expectation of 2017-18 draft budget proposals**

As a member of the Sustainable Development Alliance, we expect to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Well-being of Future Generations (WBFG) Act. The Act requires all Welsh public bodies, including the Welsh Government, to act in accordance with the sustainable development principle - long term, prevention, integration, collaboration and involvement. Given that the budget underpins the actions that Welsh Government will take in the next twelve months it is clear that the budget must also work in accord with the principles. In general terms this means we would expect to see:

- A clear shift in expenditure towards programmes aimed at **preventing** problems occurring
- Financial arrangements, such as pooled budgets, that encourage and require **collaboration** amongst public bodies and facilitate the achievement of multiple goals
- An emphasis on addressing **long term** problems such as climate change



It is essential that such shifts in monetary allocations, and the reasons for them, are clearly explained in the narrative accompanying the budget, so that public bodies in receipt of funding are fully aware of how they will also need to change their approach to budget setting.

As well as a shift in spending we also expect to see changes in the process of developing and setting the budget - with greater transparency and engagement.

#### **Q4 - Specific areas of scrutiny**

- **Approach to preventative spending**

As outlined in question 2, the sustainable development principle in the WBFG Act outlines the five ways of working that public bodies are expected to follow as part of their well-being duty. Two of these are the interrelated issues of focussing on the long term, and taking preventative measures. These require a step change in how budgets are formulated.

- **Sustainability of public services**

The Welsh Government's budget has a major impact on public services in Wales and the public bodies who are included in the WBFG Act, including local authorities and health bodies. The budget should send clear messages to public bodies that the resources being provided are in order to deliver sustainable public services and drive progress towards the well-being goals and the meeting of their duties under the WBFG Act.

The budget process should also assess and seek to remove barriers to sustainable public service delivery, such as short term budget allocations.

- **Preparation for the UK to leave the EU**

There is great uncertainty around the structure and consequences of Wales leaving the EU, including changes to funding and funding programmes. But it does need to be considered at this stage, in particular in relation to agriculture, rural development and structural funds. As well as ensuring that funding is in place, it should be viewed as an opportunity to design replacement funding programmes to maximise delivery of the well-being goals.

There are also a range of EU funded partnerships, research, projects and programmes happening throughout Wales on issues such as flood risk management, energy efficiency and renewable energy. The future of these should be part of the Welsh Government's preparations for leaving the EU.

As well as funding, approximately two thirds of environmental legislation derives from the EU and consideration is needed of the resource implications of embedding or otherwise applying those provisions into Welsh law.

- **Low carbon budgeting and preparing for the Future Generations Act**

Climate change and a low carbon future are incorporated in 3 of the well-being goals of the WBFG Act. This is also the first time a budget has been prepared since Wales has had a statutory framework and commitment to cutting our carbon emissions, in the Environment Act 2016 (Part 2). We expect to see significant changes in this budget as a result of the duties under these Acts. We are in the first carbon budget period and we would expect the fiscal budget to be framed in this context.

### **Carbon assessments of budgets**

We have long advocated carbon assessments of the Welsh Government's annual fiscal budget and major strategies and infrastructure. This would be a report describing the direct and indirect impact of its expenditure plans on greenhouse gas emissions. This has also been advocated by Stop Climate Chaos Cymru and other organisations.

As a result of the Environment Act (Part 2) this calculation should be part of the Welsh Government's ongoing assessment to meet the 5-year carbon budget, therefore not much additional work should be necessary. However we would like to see these calculations made public during scrutiny of budget proposals. This would also be in line with the sustainable development principle of transparency, and allow assessment of the proposals' long term impacts on the environment.

Scotland already has a requirement to carry out and publish an impact assessment. As the legislative framework for cutting emissions is different in both countries the provisions in Scotland are not directly transferable to Wales, but could provide a useful starting point to develop the right methodology for Wales in consultation with stakeholders and expert advice.

### **Energy efficiency**

A policy example of low carbon budgeting would be to reconsider how an energy efficiency programme is funded and sits in the budget. A major energy infrastructure programme would create jobs in every town and village in Wales. It could also reduce fuel poverty and cut carbon emissions from housing.

We recommend that home energy efficiency is made the top infrastructure priority for Wales, with a programme to carry out whole-house retrofits to 150,000 low-income homes by 2020 and plans to scale this up to 400,000 homes by 2025.

### **Global responsibility**

September 2016

The Well-being of Future Generations Act requires public bodies to ensure Wales is a globally responsible nation. In terms of finance, procurement is a key part of delivering this, and we would expect the budget to reflect socially and environmentally responsible procurement practices in public contracts, whether that is procuring local high quality food or ensuring goods from abroad are ethically sourced and meet high standards of social and environmental responsibility.

As part of our global responsibility to the environment we would encourage the Welsh Government (and National Assembly) to divest from fossil fuel holdings in pension schemes and any other financial investment or budgetary decisions, and to encourage other public bodies to do so.

#### **Q5 - Alignment with national indicators and additional indicators?**

Although the National Indicators should be taken into account in the framing of the budget they are not performance measures and we would expect the Welsh Government to prepare it's own well-being objectives and performance measures to sit under the National Indicators.

As to the content of the National Indicators, it has been particularly challenging to incorporate the seventh goal of "a globally responsible Wales", and we do not believe that they sufficiently assess Wales' impacts and dependencies upon countries, regions and the global environment beyond its borders as they stand.

We are pleased that this is recognised in relation to carbon with the inclusion of National Indicator 42 - "Emissions of greenhouse gases attributed to the consumption of global goods and services in Wales", or a Carbon Footprint indicator, which would include the climate impact of imported goods. However in others respects, such as impacts related to water, soil, resources and biodiversity, the indicators fail to take account of Wales' international impacts and dependencies.

We believe that indicators for the Four Footprints of carbon, materials, land and water should be developed (not only carbon as is currently included) to give a complete picture of our global resource use, and refer the committee to the [report that we commissioned for the consultation on the draft national indicators](#).

Current Welsh data is insufficient to develop the indicators necessary to meet the well-being goals, for example lack of trade flow data for Wales. We would welcome a commitment by the Welsh Government to developing new data sources. If we are to achieve the well-being goals and want different outcomes we have do things differently and measure different things which are relevant to those goals.

#### **Qs 6 & 7 - Preventative spending, health, reducing poverty and an aging population**

As outlined in question 5, energy efficiency is a key area of spend that is relevant to all of these issues. As an environmental justice organisation, we want to see an end to the scandal of

**September 2016**

people suffering in cold homes because of high energy prices set by energy companies and poor quality housing with low energy efficiency.

Investing in a major home energy efficiency programme as an infrastructure priority would greatly reduce fuel poverty, particularly impacting vulnerable groups such as older people and people with illnesses. Living in fuel poverty can affect people's health, increasing the risk and impact of a range of ailments from respiratory conditions to weakened immune systems. The [cost to the Welsh NHS](#) for treating cold related admissions amounts to just over £100m per year. Investment in home energy efficiency helps prevent this spending, as well as having the benefits of reducing carbon and creating jobs in local communities.

### **Q8 - Evidence base**

As in response to question 5, we believe that further data needs to be developed in order to improve our evidence base.

In terms of climate change, information that will be prepared by the UK Climate Change Commission as the advisory body on climate budgets and targets under the Environment Act will help give us a sounder footing for what scale of emission reduction is necessary in Wales and what needs to be done to achieve it.

ENDS



## Response to the call for information on Welsh Government draft budget proposals for 2017-18

21<sup>st</sup> September 2016

### Our vision

Everyone in Wales should have a decent and affordable home: it is the foundation for the health and well-being of people and communities.

### Mission

Shelter Cymru's mission is to improve people's lives through our advice and support services and through training, education and information work. Through our policy, research, campaigning and lobbying, we will help overcome the barriers that stand in the way of people in Wales having a decent affordable home.

### Values

- Be independent and not compromised in any aspect of our work with people in housing need.
- Work as equals with people in housing need, respect their needs, and help them to take control of their lives.
- Constructively challenge to ensure people are properly assisted and to improve good practice.

## Introduction

Shelter Cymru welcomes the opportunity to respond to this consultation. We welcome that the Committee is focusing on preventative spending. There is considerable evidence that investment in housing and housing-related services reduces reliance on health and social care. For example, we published research with the BRE Trust in 2011 which found that poor quality housing leads to ill health and accidents in the home that cost the NHS around £67 million a year in treatment costs alone<sup>1</sup>. The total cost to society of dealing with the worst hazards in the home was estimated at around £168 million.

The Welsh Government has established an ambitious target for affordable housebuilding over the next Assembly term. Meeting this target is critical for prevention of homelessness, so we would strongly argue that Social Housing Grant should be a priority.

## Preventative spending

Supporting People Grant was protected for 2016-17, which we welcomed, although in the same budget Welsh Government cut homelessness prevention funding by 8.1 per cent. This had an impact on a wide range of services including ours.

A twin concern is the transitional funding that Welsh Government has made available for local authority Housing Solutions services to help them implement Part 2 of the Housing (Wales) Act 2014. This transitional funding has proven to be critical to the success of the legislation, since local authorities use it to fund their individual homelessness prevention budgets. The funding was £5.6 million in 2015-16. It was cut to £3 million for 2016-17, which led some local authorities to reduce their individual prevention budgets. This would be expected to have had an impact on Housing Solutions teams' prevention success rates (a National Indicator).

We understand that the transitional funding was never intended to be a long-term solution but we have asked that the Welsh Government consider retaining it in some form, to assist the success of the legislation.

Funding for homelessness prevention services is modest compared to other parts of the Budget, but the difference it makes to people's lives is considerable. Research by Citizens Advice shows that every £1 spent on housing advice saves the state £2.34<sup>2</sup>. In the last

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<sup>1</sup> Davidson, M., Nicol, S., Roys, M. and Beaumont, A. (2011) The Cost of Poor Housing in Wales. BRE Trust and Shelter Cymru

<sup>2</sup> Citizens Advice (July 2010) Towards a business case for Legal Aid: paper to the Legal Aid Research Centre's eighth international research conference

year Shelter Cymru has helped more people than ever before, preventing homelessness in a record 93 per cent of the cases where it was faced.

Supporting People and other homelessness prevention funding streams are aiming to achieve the same goals and need to be resourced in a strategically consistent way. Particularly at a time when Wales' innovative homelessness legislation is the focus of international interest, we must give Housing Solutions and other prevention services adequate funding to deliver on the Welsh Government's vision and achieve high success rates for the National Indicator.

## Council Tax Reduction Scheme

We strongly welcome the Welsh Government's announcement that the Council Tax Reduction Scheme will continue to be fully funded in 2017/18. This will avoid considerable hardship for thousands of people in Wales, many of whom are vulnerable and already struggling with multiple cuts to welfare benefits. We also welcome the Government's commitment to review Council Tax to make it fairer. We believe the time is right to have a national debate about progressive alternatives to local government taxation, given that Council Tax is regressive by nature and disproportionately burdensome on people in poverty.

## Temporary accommodation

Finally we would like to highlight the question of the management fee for temporary accommodation, which is to be devolved to Welsh Government with a budget increase. From 2017/18 Welsh Government will need to set this budget and, while we have not yet heard at what level this will be set, we would urge Welsh Government to ensure that current levels of spending are maintained and that any surplus is invested in homelessness prevention.

For more information please contact Jennie Bibbings, Campaigns Manager

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## Key challenges summary

### 1. Close attainment gaps in education.

- Close attainment gaps by raising standards of children receiving Free School Meals, children with Special Educational Needs (SEN), looked-after children and Gypsy and Traveller children.
- Reduce exclusions from school and reduce bullying.

### 2. Encourage fair recruitment, development and reward in employment.

- Increase the employment rates of young people, disabled people, ethnic minority people and Muslim people.
- Close pay gaps focusing on young people, ethnic minority people and women.

### 3. Improve living conditions in cohesive communities.

- Reduce poverty especially amongst children, disabled people and ethnic minority people.
- Improve access to care for older people and children.
- Reduce homelessness, especially for people fleeing domestic abuse and people with poor mental health or learning disabilities.

### 4. Increase access to justice and encourage democratic participation.

- Ensure equal and effective access to civil justice for everyone.
- Improve political and civil participation and increase diversity in public life.

### 5. Improve access to mental health services and support to people experiencing poor mental health.

- Improve access to mental health services.

- Reduce the rate of suicide especially amongst men.

#### **6. Prevent abuse, neglect and ill-treatment in care and detention.**

- Prevent abuse, neglect and ill-treatment of children and older people in hospitals and care homes.
- Protect human rights of people held in detention.

#### **7. Eliminate violence, abuse and harassment in the community.**

- Eliminate the incidence of violence, abuse and harassment particularly against women, disabled people, ethnic minority people, Muslim people and lesbian, gay, bisexual and transgender people.

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## **Response to the National Assembly for Wales Finance Committee call for information: Welsh Government draft Budget proposals**

### **A response from Wales Council for Voluntary Action**

Wales Council for Voluntary Action (WCVA) is a registered charity and umbrella body working to support, develop and represent Wales' third sector at UK and national level. We have over 3,350 organisations in direct membership, and are in touch with many more organisations through a wide range of national and local networks, including County Voluntary Councils (CVCs). WCVA's mission is to provide excellent support, leadership and an influential voice for the third sector and volunteering in Wales. We work in partnership with our sister Councils - NCVO, SCVO and NICVA.

We welcome the opportunity to respond to the draft Budget priorities consultation.

We thank Interlink, Powys Association of Voluntary Organisations, Sense, FNF Both Parents Matter, the Wales Alliance for Mental Health and Chwarae Teg for their contributions as this response was compiled.

#### **1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?**

##### **1.1**

WCVA publishes a [Third Sector Statistical Resource](#), which includes analysis of Welsh Government spend on the third sector. We do not yet have the data to analyse the 2016-17 budget, but our 2016 publication shows a picture of decreasing Welsh Government grant funding for the sector - decreased from £350 million in 2010-11 to £208 million in 2014-15. This is a decrease of over 40% in five financial years. Part of this is due to a shift from grants funding to contracts. Contracts worth £44million were won by third sector organisations in 2012-13, rising to £71 million in 2014-15. The decrease in overall funding can also partly be accounted for by Supporting People budgets going via local authorities rather than direct to third sector organisations.

##### **1.2**

WCVA is concerned about the decrease in Welsh Government grant funding. Grant funding represents an investment in organisations, recognising the wider value that they bring.

## 2. What expectations do you have of the 2017-18 draft budget proposals?

### 2.1

WCVA expects to see a decreased Welsh Government budget in real terms in 2017-18 and further reductions in 2018-19 and 2019-2020. The challenges to the Welsh Government budget are set out in a recent Institute for Fiscal Studies report commissioned by [Wales Public Services 2025](#). WCVA is a Wales Public Service 2025 partner. The process of exiting the European Union also brings increased uncertainty and the loss of EU grants will have a significant impact if not replaced.

### 2.2

This is a challenging context and Welsh Government will need to make difficult decisions on prioritising budgets. The Wellbeing of Future Generations Act provides a positive framework to support decisions that can deliver increased wellbeing. The third sector has a vital role to play if Wales is to meet its wellbeing goals. The sector's contribution stretches across society - from more active citizens, to achieving a fair and prosperous economy, through to delivering high quality, not-for-profit services.

### 2.3

WCVA wants to see the role that the third sector will need to play in achieving many Welsh Government goals reflected in budget decisions. We want to see the budget reflect the social, environmental and economic value that the sector brings. In particular, we would expect to see indications of how spend will shift to focus more on preventative activity and budgeting for the longer term.

## 3. How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?

### 3.1

Our organisation is as prepared for 2017-18 as we can be given changing funding streams and pressures on public funding. We are working on scenario planning to deal with future uncertainties but it would be helpful if public sector funding could be for rolling three or five year cycles or at least with indicative budgets for a longer period.

**4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

*Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)*

**4.1**

WCVA welcomes this approach. We are working with partner third sector networks across the Third Sector Partnership Council to identify how the third sector can contribute to a strong evidence base to support preventative spend and understanding of good practice, to inform our approach in Wales.

**4.2**

Examples of the preventative budgeting approach have been provided by the Early Action Taskforce - for example replacing outdated boilers to tackle chronic health issues in deprived areas - and are currently taking shape in Wales through areas such as Social Prescribing.

**4.3**

Much third sector activity already supports prevention, either tackling problems at source or finding innovative approaches to preventing problems from getting worse.

**4.4**

WCVA is concerned about the reduction in recent years of grant provision to third sector organisations and the loss of small scale grant funding to grass roots community projects through programmes such as Communities First and Environment Wales. WCVA believes that investment in such programmes delivers multiple benefits to communities and an enormous return on investment. In the case of Environment Wales, an independent evaluation of its impact on sustainable development in Wales from 1992 to 2014 found that it delivered a 6:1 return on grant investment as well as delivering cost savings across the range of public services.

**4.5**

In line with the principle of preventative budgeting, WCVA would expect to see that the 2017-18 budget reinstate such support for small scale project funding for communities and sees this as an investment in social capital rather than a

subsidy.

#### 4.6

As a member of the Sustainable Development Alliance, WCVA expects to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Well-being of Future Generations (Wales) Act 2015. WCVA would expect to see:

- Shifts in A clear shift in expenditure towards preventative budgeting and programmes aimed at prevention rather than crisis intervention.
- Financial arrangements, such as pooled budgets, that encourage and require collaboration among Welsh Government departments or among public bodies and facilitate the achievement of multiple well-being goals.
- An emphasis on addressing long term problems (such as tackling poverty and climate change).

#### 4.7

Monetary allocations, and the reasons for them, should be explained clearly in the narrative accompanying the budget, so that public bodies in receipt of funding are fully aware of how they will also need to change their approach to budget setting.

### *Sustainability of public services, innovation and service transformation*

#### 4.8

These goals can be supported through focussing on co-produced, people-centred services. To support this, WCVA wants to see continued commitment to the Intermediate Care Fund, which has supported innovative, co-produced services. We also want to see continued Welsh Government support for the Co-production Network Wales.

#### 4.9

Community Asset Transfer can also support sustainability of public services, innovation and service transformation, but this process needs support to be effective. Knowledge of the different funding options available to a community asset transfer is key to the success of the process.

#### 4.10

As well as grant funding to support asset transfer, we would like to see more options around loans and social investment, as well as the potential to raise

funding through community share offers. Funding for the capital and start up phase of any asset transfer is essential, but ongoing revenue is also needed to ensure the long term financial sustainability of any asset transfer. If community asset transfer is to be effective across Wales, government will need to move away from the continued postcode lottery of support.

#### *Preparation for the UK to leave the EU*

##### 4.11

European Structural Funds have been a significant source of funding to support voluntary and community organisations to deliver vital social inclusion projects to regenerate and revitalise communities across Wales. The third sector continues to play a major role in the current EU programmes, delivering a wide range of ESF projects. Projects include providing specialist, innovative approaches to helping the most disadvantaged to overcome barriers to employment, engaging with NEETs and raising the aspirations of young people, supporting the advancement of women in employment, taking forward the digital inclusion agenda and developing the social economy in Wales. WCVA is working in partnership with WEFO to deliver four projects under the 2014- 20 programmes, through which approximately £33m will be distributed directly to third sector organisations that are engaging with the most disadvantaged in the labour market.

##### 4.12

Since the referendum, many third sector organisations are concerned that the loss of direct contact and negotiation of these programmes will see the sector's tangible contribution to Welsh and UK policy development negatively impacted, with many of the current best practices led by structural fund programmes lost. Under the 2007-13 programmes third sector organisations generated a total investment of £176.1m, helped 18,800 of the most disadvantage individuals gain qualifications, supported 7,100 into work and created almost 700 jobs. We are aiming to do the same under the 2014-20 programmes. If Wales is to tackle poverty through employment then the continuation of this work after structural funds cease will be essential.

#### *Low carbon budgeting and preparing for the Future Generations Act*

##### 4.13

The Environment (Wales) Act 2016 sets out a requirement for five-yearly carbon budgets. WCVA would expect the annual fiscal budget to be framed within this context with appropriate messaging and communication to enable wider public

understanding of the impact that government spending is having on accelerating or mitigating against climate change.

4.14

As an active member of the former Climate Change Commission for Wales, we echo the call for carbon assessments of key decisions and infrastructure projects. This would demonstrate leadership by Welsh Government and would provide an incentive for Welsh Government departments, public bodies and the private and third sectors to step up action to the pace that is needed if the worst predicted impacts of climate change are to be avoided.

4.15

We note the publication of the UK Climate Change Risk Assessment Evidence Report (including a National Summary for Wales) on 12 July 2016 and would expect this to also influence Welsh Government programmes and budgeting.

4.16

The Well-Being of Future Generations (Wales) Act provides an enormous opportunity for Wales and, as noted above, we would expect to see the sustainable development principle embedded in future budgets.

4.17

It is clear that Wales' well-being goals cannot be achieved by public bodies alone and that the third sector has a key role to play both in contributing to the goals and in broadening the evidence base on which future public services are developed. We would therefore expect to see provision within the budget for continued engagement of third sector organisations, the private sector and the wider public with this important piece of legislation and appropriate mechanisms by which the enormous potential contribution of the third sector can be maximised.

*Preparation for the impact of further devolution included with the Wales Bill*

4.18

In a healthy democracy, the third sector has a vital role to play in holding government to account. With more powers and responsibilities being devolved, the importance of the third sector being able to play this role effectively in Wales increases. Open and transparent government is key to enabling this to happen, as is a greater emphasis on participation.



#### 4.19

WCVA welcomes opportunities to work with the Assembly Commission to identify how the third sector can support the National Assembly in its role of holding Welsh Government to account.

#### *Scrutiny of Welsh language*

#### 4.20

Wales needs well- and fairly-resourced Welsh language services especially given that one of the seven goals of the Wellbeing of Future Generations (Wales) Act is a thriving Welsh language and culture. Funding needs to reflect the possible additional costs that third sector organisation could face when meeting the new Welsh Language Standards.

#### 4.21

Schools have an increased role to play in securing the future of the language. Children and young people are often supported by voluntary organisations and community groups, such as Mudiad Meithrin, Urdd Gobaith Cymru, and the Mentrau Iaith to use the Welsh language outside the classroom, allowing them to socialise and learn informally through the medium of Welsh.

#### 4.22

There is a need to upskill our people in order to offer bilingual services to our citizens. For this, Welsh language learning for adults needs to be well-resourced and supported. A good example is the More than just words follow-on framework for healthcare workers, launched earlier this year.

#### *Scrutiny of equalities*

#### 4.23

The budget should take into account the protected characteristics in the Equality Act to ensure no-one is unfairly disadvantaged by any budgetary decisions because they come under one of these protected groups.

#### 4.24

WCVA's [third sector statistical resource](#) shows over a quarter of the 33,000 third sector groups in Wales work on issues related to groups included within the Equality Act. The third sector has considerable knowledge and experience that can support the Assembly's scrutiny work on equalities. WCVA facilitates an Equality and Human Rights Coalition for national third sector groups working in

this area.

4.25

In the last government, third sector groups welcomed the opportunity of contributing to the budget process through the Budgetary Advisory Group on Equalities. WCVA wants to see this group continue to contribute to inclusive budgetary decision-making through this government.

4.26

WCVA supports the position of adopting a gender mainstreaming strategy to ensure all policies contribute to improving levels of equality throughout Wales, and would like to see this reflected in the draft Budget.

### *Scrutiny of sustainability*

4.27

The draft budget for 2017-18 will be seen, both nationally and internationally, as a key test of the Welsh Government's commitment to implementing the Wellbeing of Future Generations Act. WCVA would therefore expect close scrutiny of sustainability within the budget and in particular close scrutiny of any areas that may appear to contradict the Act's sustainable development principle.

4.28

WCVA is a member of the Sustainable Development Alliance. The Alliance brings together a range of third sector organisations with a commitment to promoting sustainable development. One of its ambitions is to hold government and public bodies to account on implementation of the Wellbeing of Future Generations Act.

4.29

WCVA is also keen to explore how more open and participatory government can support the Welsh Government to implement the Wellbeing of Future Generations Act (and the Sustainable Development Goals) effectively.

- 5. The previous Welsh Government have highlighted that the Draft budget 2016-17 will be aligned with National Indicators for Wales. What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?**

5.1

In its response to the consultation about the National Indicators, WCVA advocated for the inclusion of several additional indicators including access to green space. The Green Infrastructure report published by Wildlife Trusts Wales highlights the multiple benefits that access to green space provides including increased life expectancy and improved mental and physical health as well as contributing to sustainable urban drainage and improved air quality. There are clear links with long-term issues such as climate change and key health issues including poor mental health, heart disease, obesity and health inequalities. Numerous studies highlighted in this report suggest that increasing availability of, and access to, green space would help tackle some of these key challenges or prevent them from getting worse and therefore an indicator around this would help support the shift towards greater preventative spend.

**6 What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?**

6.1

This has been identified as a key area of work for third sector networks involved in the Third Sector Partnership Council, and particularly third sector networks working across health, wellbeing and sports. These networks are exploring how they can contribute to a stronger evidence base to support the shift in spend from acute interventions to preventative action. Examples range from the role of physical activity in increasing mental health, through to social prescribing and the cost-savings that can be found through person-focussed services.

6.2

Some concerns have been voiced that the lack of firm definitions for the terms 'prevention' and 'early intervention' could be a barrier to mapping any shift in spend from acute services to preventative actions.

**7 What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?**

7.1

Levels of poverty remain entrenched, with almost a quarter of the Welsh population living in households with an income of less than 60 per cent of the median. Whilst child poverty rates have fallen four percentage points nearly, still three in ten children live in low income families, the third highest rate in the UK. With a long history of a place based approach to tackling poverty, through programmes such as Communities First, many third sector organisations are now advocating for a shift towards an asset based approach, which builds upon the assets, networks and skills of individual communities.

7.2

These statistics support the need for the government to maintain its core focus on

job creation and tackling poverty as central pillars of the Programme for Government, linking effectively with other policy areas such as education and skills, health and social care.

7.3

With significant investment from European Structural and Investment Funds in employability and skills interventions, to complement mainstream government provision, the impact of any future withdrawal or regional development aid must be carefully assessed.

**8. Do you feel that allocations made by the Welsh Government are sufficiently evidence based?**

8.1

It is not always clear exactly what (or even whether) evidence is being used effectively in allocating budgets. Open government approaches can again improve the sector's ability to scrutinise budget decisions, and understand the evidence on which they are based.

**9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?**

9.1

Future funding arrangements beyond 2018 for the most vital EU funded interventions must be considered at an early stage to facilitate a smooth transition.

9.2

With reference to Q4, the impact of a potential withdrawal of regional development aid for investment in employment and skills must be carefully assessed to ensure that the added value generated by ESF becomes fully integrated and funded within any new approach.

**10. How can good examples of service transformation and innovation be encouraged and shared nationally across key agencies and what is the role for the Welsh Government here?**

10.1

Shared learning across organisations and sectors is crucial if innovation and service transformation is to be delivered at the pace that the Institute of Fiscal Studies report on [Welsh budgetary trade-offs to 2019-20](#) suggests is needed.

Digital approaches offer new ways of doing this more effectively.

10.2

Welsh Government has a key role to play in setting a clear expectation and framework for this shared learning. We believe WCVA can also play an important role in identifying examples of positive innovation in the third sector and sharing these across third sector, and with other sectors.

David Cook  
Policy Officer  
WCVA  
21.9.16

## **Finance Committee Consultation on Welsh Government Draft Budget Proposals 2017-18: Response by the Bevan Foundation**

1. The Bevan Foundation develops new ideas based on sound evidence to make Wales fair, prosperous and sustainable. It is an independent, non-aligned charity. In the last two years it has made a significant contribution to public policy in Wales on matters such as the outlook for the Welsh economy, employment and skills by 2020, increasing the number of people paid the voluntary Living Wage and the potential for new devolved taxes. We are partners of Joseph Rowntree Foundation and are working closely with them on UK and Welsh strategies to ‘solve poverty’ by 2030.
2. We are grateful for the opportunity to submit our views to the Committee – our answers to the Committee’s questions that we are able to answer are below.

### **What, in your opinion, has been the impact of the Welsh Government’s 2016-17 budget?**

3. In our view the 2016-17 budget was essentially a stopgap budget because of the National Assembly for Wales elections. It made no major changes in budget allocations and arguably did not therefore address some of the major challenges facing the Welsh Government.

### **What expectations do you have of the 2017-18 draft budget proposals?**

4. We would like to see a budget which:
  - addresses the substantial financial pressures facing the Welsh Government by making some key strategic decisions;
  - addresses the ongoing challenge creating an economy and society which is prosperous without poverty;
  - addresses the other major challenges of economic growth (including Brexit), climate change and changing demographics, as outlined in our recent report ‘**The Shape of Wales to Come**’.<sup>1</sup>
5. We hope that the 2017-18 budget will reflect a thorough re-prioritisation of spending, in which areas of spending which have a low / zero impact are cut and those which are proven to make a difference to a fair, prosperous and sustainable society are increased.

### **How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?**

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<sup>1</sup> Bevan Foundation (2015) **The Shape of Wales to Come: Wales’ economy, environment and society in 2020.**  
<https://www.bevanfoundation.org/publications/shape-wales-2020/>

6. The Bevan Foundation's income in 2015/16 was just £156,000, generated from grants from charitable trusts and foundations, donations and commissions – we do not receive Welsh Government funding.

**The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

Preventative Action

7. One of the most important preventative actions that the Welsh Government could undertake is to promote economic growth that benefits everyone and especially the least well-off. This would have multiple benefits, including significantly reducing poverty.
8. Poverty has significant impacts on children's development, mental and physical health, productivity at work and the need for support in later life. As well as blighting lives, the additional needs also cost the public purse. The Joseph Rowntree Foundation<sup>2</sup> estimates that poverty costs the UK public purse £78 billion a year in additional spending on healthcare, school education, justice, children's and adults' social services and housing, and in lost tax revenue.<sup>3</sup> With Wales having 5.26% of the UK's people in poverty, it is likely that poverty adds roughly £4.1 billion each year to Welsh public spending requirements.
9. Reducing poverty is therefore likely to result in significant savings in public spending. A fall in poverty in Wales to the UK rate of 21% would result in a drop in the number of people on low incomes in Wales of 70,000. Assuming public spending on healthcare, school education, justice, children's and adults' social services and housing fell pro-rata, there would be a saving to the Welsh public purse of £0.4 billion.<sup>4</sup> A larger reduction in the number of people in poverty would result in corresponding larger savings – a fall of 200,000 could save £1.1 billion. Savings would also accrue to the Exchequer from fewer social security claimants. While these figures are no more than indicative, they nevertheless demonstrate that poverty is a significant burden on Welsh spending and that there is a sound business case to reduce it.

Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population

<sup>2</sup> Joseph Rowntree Foundation (2016) **UK Poverty: causes, costs and solutions**  
<https://www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions>

<sup>3</sup> A further £70 billion a year is spent on social security related to poverty.

<sup>4</sup> In 2015, 700,000 people out of a population of 3m were in poverty in Wales, a rate of 23%. If the rate fell to 21%, the UK rate, the number would fall to  $3,000,000 \times 21\% = 630,000$ . The Wales share of the UK population in poverty would then be  $630,000 / 13,200,000 \times 100 = 4.7\%$ . The Wales share of the cost to the UK would be  $4.7\% \times £78m = £3.666bn$ . The saving is  $£4.103bn - £3.666bn = £1.139bn$ .

10. We note that the Programme for Government 2016-2021 does not include any references to poverty or welfare reform: it remains to be seen if there will be specific allocations to them in the 2017/18 budget.
11. The Joseph Rowntree Foundation, with the Bevan Foundation, will be publishing an 'action plan' to promote prosperity without poverty in Wales on 8<sup>th</sup> November, drawing on its major review of evidence of 'what works'. That process culminated in the publication of a UK strategy on 6<sup>th</sup> September. The UK strategy identifies the following key actions:
- sufficient, decent jobs
  - an excellent education for children and a skilled workforce of all ages
  - strong family and community relationships
  - reduced costs, including of housing, essential goods and services and 'enabling' goods and services
  - an effective social security system.
12. Delivering these effective approaches requires that mainstream Welsh Government activity be adjusted to focus on ensuring everyone benefits, and in particular ensuring inclusive prosperity. We would therefore like to see significant investment in growing the economy and skills in an inclusive way, rather than in small-scale, anti-poverty initiatives.

*Preparation for the UK to leave the EU*

13. Leaving the EU raises major challenges for the economy in Wales, as well as raising concerns about employment, environmental protection, community relations, public spending and the constitution.<sup>5</sup>
14. We have argued that economic policies should be 'stress tested' against Brexit and suggested that they be re-focused on the so-called foundation economy, on SME development and on promoting exports, with adaptation plans for the most vulnerable sectors.
15. We would hope that the Welsh Government's draft 2017/18 budget would take into account its in-depth assessment of the implications of Brexit and the mitigating actions required.

*Preparation for the impact of further devolution included with the Wales Bill*

16. The 2017/18 budget clearly needs to include provision for any new powers that are devolved via the Wales Bill.

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<sup>5</sup> Bevan Foundation (2016) **Wales After Brexit: an Agenda for a Fair, Prosperous and Sustainable Country.**  
<https://www.bevanfoundation.org/publications/wales-brexit-agenda-fair-prosperous-sustainable-country/>



17. It also needs to take into account the possible devolution of other functions, notably the possibility that responsibility for the care needs of older people previously met through Attendance Allowance could be devolved.<sup>6</sup>

**The previous Welsh Government have highlighted that the draft budget 2017-18 will be aligned with national indicators for Wales. What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending. What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on reduction or eradication of poverty?**

18. We are concerned about the proposal to align expenditure with the national indicators for several reasons.
19. First, the Welsh Government has only a limited impact on a significant number of them, such as the percentage of people moderately or very satisfied with their jobs, the concentration of carbon and organic matter in soil and GVA per head to name but three. It is entirely feasible that performance on an indicator might deteriorate due to actions far outside the control of the Welsh Government – Brexit being an excellent example.
20. Second, there is no neat fit between indicators and expenditure, not least because many of the indicators are measures of outputs. For example, an increase in healthy life expectancy owes at least as much to past economic performance and the distribution of incomes as it does to current public health programmes.
21. Third, many indicators are all-Wales averages and so do not address differences between groups of people or places within Wales. For example the indicator on the percentage of people in employment does not address issues such as youth unemployment; the indicator on the percentage of people satisfied with local area as a place to live does not distinguish between different parts of Wales.
22. If the budget is to be aligned with indicators then we suggest that where appropriate and feasible, indicators be broken down by location and by gender, age, disability, ethnicity and socio-economic group.

**What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?**

<sup>6</sup> HM Government (2015) **The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years - consultation** <https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2016-to-2017-and-an-offer-to-councils-for-future-years>

23. On poverty, please see our answer to question 4. There will be more detail available when the strategy for Wales is published on November 8<sup>th</sup>.
24. On an aging population, we respectfully point out that this is not the only demographic challenge facing Wales - the number of children is also forecast to rise. Nor should it be assumed that aging will inevitably increase demand for health and social care – future cohorts of older people may not have the same morbidities and hence health and care needs as previous cohorts. So while we have argued that demographic change is one of the biggest challenges facing Wales, the issues are more complex than greater care needs.

	The Welsh NHS Confederation response to the Finance Committee call for information – Welsh Government draft budget proposals for 2017-18.
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<b>Date:</b>	20 September 2016

### Introduction

1. The Welsh NHS Confederation, which represents the seven Health Boards and three NHS Trusts in Wales, welcomes the opportunity to respond to the Finance Committee's consultation on the Welsh Government's Draft Budget proposals for 2017-18.
2. The Welsh NHS Confederation supports our members to improve health and well-being by working with them to deliver high standards of care for patients and best value for taxpayers' money. We act as a driving force for positive change through strong representation and our policy, influencing and engagement work.
3. With money extremely tight and demand rising, finance and funding can never be far from NHS leaders' minds. The NHS in Wales, along with other public services, continues to work in an extremely challenging financial climate and it must prioritise and change. Radical transformation of healthcare, and related services, is now the only way in which NHS Wales can hope to be on a sustainable footing for the longer-term. This 'transformation' is not only about reshaping healthcare and doing things very differently, it also involves recalibrating our relationship as patients, and the public, with the NHS.
4. If the NHS in Wales is to remain sustainable in the long term the Welsh NHS Confederation believes large scale system change needs to be planned, resourced and supported, rather than allowed to happen on an ad-hoc basis. At the same time the NHS in Wales has a clear duty to provide high quality and safe healthcare services to the people of Wales within the resources available.

### Summary

5. The Welsh NHS Confederation has previously welcomed the investment that the Welsh Government has made in the NHS in recent years. NHS Wales faces a significant financial challenge during this period of continuing austerity. We are seeing increasing costs as well as relentless advances in medical technology and increased patient and clinical expectations. Furthermore, an ageing population, combined with more people having increasingly complex needs, means that demand for health and social care services is predicted to grow rapidly.
6. While the fact that more of us are living longer is a success story and should be celebrated, this trend brings about fresh challenges for the NHS. The number of people aged 65 and

over is projected to increase by 50% by 2037.<sup>i</sup> While people are living in good health for longer, this health gain is not distributed equally. Wales currently has the highest rates of long-term limiting illness in the UK, which is the most expensive aspect of NHS care. Between 2001-02 and 2010-11 the number of people with a chronic or long-term conditions in Wales increased from 105,000 to 142,000.<sup>ii</sup> This figure is expected to rise for a number of conditions, including cancer, dementia and diabetes.

7. Expenditure on the NHS across the UK as a percentage of Gross Domestic Product (GDP) is lower than other countries and declining in relative terms. The real term UK health expenditure as a percentage of GDP is currently projected by the Office for Budget Responsibility to fall from 7.2% to 6.8% by 2019 – 2020.<sup>iii</sup> This is of real concern and the Welsh NHS Confederation believes that the Welsh Government should commit to provide a settlement for the NHS in Wales that as a minimum keeps pace with GDP growth in the long-term. There is no escaping the fact that the NHS will need more money from Government each and every year if it is to keep pace with inflation and cope with these challenges.
8. The Welsh NHS Confederation recognises that the Welsh Government may not be able to fully fund the pressures facing the NHS in Wales and our members are therefore continually seeking to drive out efficiency savings where they can, but successive years of dealing with financial challenges means the traditional methods of finding savings are unlikely to serve us well in the future. We must recognise that, year on year, the NHS in Wales has to develop more sustainable and sophisticated plans that have got to be delivered within its responsibility to provide high quality care to patients. Ensuring that efficient and safe services are provided within the resources allocated by Welsh Government requires each NHS body, and NHS Wales as a whole, to prioritise spending. This will inevitably mean that difficult choices have to be made on what services are provided.
9. The NHS has made a strong and consistent case for investing in the NHS based on sound economic and social policy. The moral case for transforming how care is delivered to better suit the needs of people today is strong. There is however an equally compelling economic case for investing in the NHS now, so it can better support our society to live healthier lives with less need for medical care in the future. Put bluntly, a strong economy needs a strong NHS. It is increasingly apparent that more of the same is unsustainable. In order to address the continued austerity in NHS Wales and the challenges it brings, our overriding approach now must be for the NHS in Wales to adopt and implement universally a 'prudent healthcare' approach and to have a long-term vision and strategy for health and social care.
10. 'Prudent healthcare' describes the unique way of modelling the Welsh NHS to ensure it is always adding value, contributes to improved patient outcomes and is sustainable. 'Prudent healthcare' also recognises the need to shift to a stronger primary, community and preventative model of care, with closer integrated working with other public services.

11. A strong NHS also needs a strong social care sector. The Welsh NHS Confederation recognises the crucial role of social care as part of a patient's pathway and as a means of helping maintaining people's independence and managing demand on frontline NHS services. Against that background we would support additional investment in social care and other preventative services, such as housing, if the Welsh Government budget allows and we underline our commitment to collaborate with colleagues across sectors; seeking new ways of working to deliver timely services which meet the needs of the people of Wales. The Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015 will help support integration and collaboration across the public sector in Wales.
12. Finally, to cope with the challenges facing the NHS, the NHS and its partners need to be allowed, enabled and supported to change the healthcare system within the resources available. This will inevitably mean that difficult choices have to be made on what services are provided where and when. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, while taking more responsibility for how they use those services. As our briefing, *'The 2016 Challenge: A vision for NHS Wales'*,<sup>iv</sup> produced for the National Assembly for Wales election, highlights politicians should *'Recognise the change in the way we organise care is necessary, and play a leadership role in ensuring debates about change focus constructively on people's outcomes, experiences and well-being'*.

**1) What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?**

13. The Welsh NHS Confederation recognises the continuing pressure on public finances and the difficult choices that Welsh Government had to make in setting the 2016-17 budget. As such we welcome the additional £260 million revenue funding for NHS delivery that has been provided, £200 million to meet cost pressures and £60 million for new investments. This has certainly helped our members to fund a range of inescapable recurrent pay and price pressures across the NHS, estimated to be £238 million (c 4.88% of the total 2015-16 NHS Delivery Budget). While welcomed, the additional funding did not cover the funding gap and the health service continues to work hard to meet the ongoing financial challenges through the delivery of Cost Improvement Programmes and efficiency measures. Integrated Medium Term Plans for the current financial year include efficiency plans amounting to £150 million across the ten organisations, the seven Health Boards and three NHS Trusts.
14. Recruitment and retention of the NHS workforce continues to be the most immediate and significant challenge facing our members and this has created considerable financial pressure in 2016-17, particularly in respect of the costs of agency staffing. Another significant pressure is the cost of new drug therapies, such as the national Hepatitis C programme, and against that background we eagerly await further details around the new treatment fund in 2017-18. In the meantime the need to meet ongoing pressures like

these reduces the ability of our members to meet local pressures or invest in new models of care.

15. The Welsh NHS Confederation recognises the contribution that other public services, especially local government, make to supporting the health and well-being of their population and to helping manage demand on health services. We are supportive of the funding that was given to preventative and social care services in the 2016 – 17 budget and recognise the need for further investment in this area. In particular our members are concerned about the frailty of the social care sector, which is already impacting on NHS demand, performance and finance. There is a real concern that the availability of care services in some parts of Wales is likely to contribute to more delayed discharges and a reduction in unscheduled care performance, particularly as we approach winter (but also beyond).
16. Part of the responsibility of the NHS in Wales, especially in these economically straitened times, is to be open about the difficult choices we face. Of course the NHS can make the current model of care more cost-effective through efficiency by ‘doing the right thing’, reducing the costs of delivering services and workforce redesign. However, there are only so many costs that can be taken out of the existing models. The challenge here is that there is limited flexibility to shift significant investment away from treatment services when the current demands on the health service are so great. Therefore, this is an extremely difficult, yet vital, task and the health service will need support to do this.
17. In parallel, the NHS needs to channel resources into new care pathways, preventative measures and more cost-effective models of care, which can generate efficiency savings from ‘doing the right thing’ in the first place. Moving resources into new models of care won’t be easy and evidence suggests it takes time to see the benefits. That is why the Welsh NHS Confederation is calling for the Welsh Government to develop a long term vision and ten year strategy for sustainable health and care services in Wales.
18. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, while taking more responsibility for how they use those services.

## **2) What expectations do you have of the 2017-18 draft budget proposals?**

19. We recognise that the 2016-17 health and social care budget within Government represents more than 51% of the total Resource DEL and that further allocations will result in trade-offs elsewhere in the Welsh Government Budget. In line with the commitments given in the run up to the election our expectation is that the Welsh Government will continue to provide more per head funding for health and social care in Wales than the UK Government provides in England. Beyond that our members are hopeful that the settlement for the NHS will at least keep pace with GDP growth and be in line with the funding requirements forecast in the Nuffield Report 2014.<sup>v</sup> We would also want to

ensure that the settlement takes account of any recommendations set out in the eagerly anticipated Health Foundation report due to be published in October this year.

20. Alongside the settlement, NHS organisations recognise the need for and are committed to deliver further efficiency savings to balance their budgets. Since 2010-11 the NHS in Wales has delivered more than £1.1 billion in recurrent efficiency savings through service changes including increasing day surgery rates, providing more care closer to people's homes, service reconfiguration, increased productivity, demand management, pay restraint and more effective prescribing. While the efficiency savings made by the NHS are significant, the annual achievement has been gradually diminishing year on year, a reflection that traditional methods of savings are unlikely on their own to deliver what is needed in the future. There will be a continued focus on driving technical efficiencies from areas such as procurement, estates management and shared services as well as looking at new opportunities for service redesign and the use of digital technologies.
21. The key financial pressures that will need to be met in 2017-18 include, but are not limited to:
  - a. The workforce, in respect of capacity to deal with increased demands and the increased cost of the workforce through increments and pension contributions. Currently, around 129,000<sup>vi</sup> people are employed in the health sector in Wales – the equivalent of 8% of the country's employment – while NHS Wales itself directly employs around 85,000 staff.<sup>vii</sup> This makes the health service Wales' biggest employer, with the NHS pay bill standing at around £3 billion (more than 50% of NHS spend);
  - b. Non pay cost increases, also through increasing demands, price increases and the increasing demands for high cost drugs;
  - c. Increased volumes of packages of care for patients in the community meeting the continuing NHS healthcare and funded nursing care criteria as a result of our growing elderly population;
  - d. Increased demand for prescribed drugs within the primary care setting;
  - e. The Apprenticeship Levy (estimated to £14 million across the NHS); and
  - f. The NHS Pension Scheme Administration Charge (anticipated to be around £2.5m across the NHS).
22. The capital settlement for the NHS will also be critical and it is hoped that there will be additional capital resources made available to enable the service to address the maintenance backlog in the NHS estate as well as providing the much needed capital to invest in new facilities, such as integrated primary care centres and regional diagnostic treatment centres. The NHS needs additional capital for NHS equipment, ICT and infrastructure. The shortage of capital funding is a very particular barrier to service change. In order to consolidate services and make them more efficient to release revenue

there will need to be a significant investment now and in the future in buildings, equipment and information and communication technology in the secondary care sector but also in primary and intermediate care.

23. The priority for our members is that the 2017-18 settlement, combined with their efficiency plans, needs to meet their immediate recurrent revenue pressures. But we are also committed to shifting resources to preventative and community services as this is vital for the future health and well-being of the population and therefore we support the continuation of the Intermediate Care Fund. The Intermediate Care Fund has helped keep older and vulnerable people out of hospital and in their own homes and has provided the resources to encourage innovation and develop new models of delivery to ensure sustainable integrated services. With the demands on acute provision in Wales it would be beneficial for the Fund to continue.
24. Beyond that the Welsh NHS Confederation is calling for transformation and transition funding (revenue and capital) to be given to NHS organisations to enable them to invest in new models of healthcare and digital technologies that will help the NHS transform to a system that focuses on prevention and the provision of health and care services as close to home as possible. Upfront investment will be crucial and is needed to get new models up and running and transition funding is needed to meet the double running costs associated with moving from one way of working to another.
25. The Welsh NHS Confederation would also like to see the Welsh Government protect, as far as possible, public services that support health and well-being. We are concerned that reductions to local government, housing and voluntary sector budgets will impact on NHS demand and our collective efforts to invest in preventative services. Social care in particular is under severe pressure and the effects of reductions in previous years are already being felt in some NHS organisations, with increase demand on NHS services.
26. Therefore we want to underline our commitment to collaboration with our partners and integration with social care services in particular. The Welsh NHS Confederation believes that Wales, given its size, structure and close links, has a golden opportunity to achieve so much when it comes to integration. The Welsh NHS Confederation works with ADSS Cymru, Wales Council for Voluntary Action, Care Forum Wales, the Welsh Local Government Association and Community Housing Cymru to support the continued implementation of the Social Services and Well-being (Wales) Act 2014. However, to provide patient centred care, collaborative working and transformational change is vital across all of the public sector.

**3) How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?**

27. While the increase in funding is positive news for 2016-17 we are concerned about the proposed settlements within the UK Government Spending Review for the following two



years. These settlements will place significant and immediate pressures on healthcare services in Wales in future years and therefore it is important that the NHS in Wales quickly moves to transforming our health services to contend with this looming pressure. The 'prudent health' care approach will help us work through this but it will require the commitment of the NHS, all healthcare related partners and the general public, to truly be successful. The NHS will need to be supported to make progress in changing the way care is delivered, with patient outcomes at the heart of the measurement of success.

28. NHS organisations are already planning for the 2017-18 financial year. The NHS works together to understand service pressures, for example by looking at population projections and to model the impact of different financial scenarios and this has helped to develop financial planning and management skills across the sector. Financial resilience varies between organisations depending on a range of factors including population, socio economic factors, levels of deprivation and rurality and the configuration of services.
29. The Integrated Medium Term Planning (IMTP) process requires health organisations to plan three years ahead, but their ability to predict and plan the future has been constrained by the annual nature of the Welsh Government budget planning framework in recent years. While the Welsh NHS Confederation recognises the Welsh Government is itself constrained by the UK Government planning cycles, the absence of three year settlements limits the ability of NHS organisations to plan and their appetite to invest in new models of care that may not provide a return on investment in the short term.
30. Against that background indicative future year settlements aligned to the IMTP timetable would be most welcome. Added to this it would be helpful if Welsh Government could set out in detail any specific funding requirements when the budget is published to give the NHS adequate time to prepare for implementation. Delays in informing health organisations of specific commitments can lead to unforeseen pressures on in year budgets which are difficult to manage.
31. Looking to the future the NHS in Wales remains concerned about the scale of the challenge to manage within their likely resources without a detriment to quality, safety and access. Perhaps the largest financial risk is the unforeseen or unfunded pressure on the pay bill, which could easily derail NHS performance, finance and improvement. Add to that the pressure on the NHS continually to develop and accelerate technological advancements (which usually increase cost, rather than save money) and the financial outlook for the NHS is clearly precarious. Against that background we would urge the Government to consider the medium to long term risks to the sector in setting the budget for 2017-18 and beyond.
32. The NHS must be supported to prioritise and change over the next period if it is to ensure efficient, safe and sustainable services are provided within the resources allocated by the Welsh Government. This will inevitably mean that difficult choices have to be made on what services are provided where and when. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept

and support new and innovative ways of delivering services, while taking more responsibility for how they use those services.

**4) The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

33. We note the specific questions the Committee has raised in respect of this question. While we are not responding to all the specific questions posed, we considered it would be helpful to give an overview, from the NHS perspective, of the areas that are most pertinent to the healthcare system in Wales.

**Approach to preventative spending and how is this represented in resource allocation.**

34. Investment in prevention and early intervention is a priority for our members. However, there is a very real tension between the need to meet the immediate costs of treating those in need of healthcare services and diverting resources into preventative services which may not deliver tangible gains for a number of years. Every NHS organisation is committed to the preventative agenda and is seeking to invest in preventative services, but short term budget cycles reduce their risk appetite and the need to meet inescapable annual pay and price pressures stops them from investing more at the current time. We believe the Welsh Government should support public bodies in Wales to invest where there is firm evidence that investment in preventative services will improve population outcomes and reduce demand on more expensive treatment services in the future. If the Welsh Government was able/prepared to share the financial and performance risk with public sector organisations more could be invested now for the benefit of future generations.

35. All public bodies have a duty when it comes to building a healthier Wales and we should not underestimate the significant opportunities presented to us through the Well-being of Future Generations Act 2015 and the Social Services and Well-being Act 2014. The forthcoming Public Service Boards, introduced as part of the Well-being of Future Generations Act 2015, will enable public services to commission and plan collaboratively, ensuring that services are integrated and that care and support provided improves health and well-being outcomes for the local population now and in the future. Both Acts should help drive collective decision making models within national and regional priorities, especially around service reconfiguration. It is vital for the long term health and well-being of the population that a 'health in all policies' approach is implemented, with all public bodies being required to conduct health impact assessments on future policies. We need to work collaboratively across sectors to help people make healthier choices in life and reduce their risk of developing chronic diseases, many of which are linked to lifestyle.

36. Unless we get serious about prevention, health needs will continue to grow, placing more pressure on our universal healthcare system. Services provided by the NHS in Wales cover both prevention and treatment-based services. Evidence has long been put forward that the amount that the NHS spends on preventative services is too little and that there are significant health and care benefits for investing in preventative services. The NHS in

Wales is very supportive of the Public Health Wales report “*Making A Difference: Investing in Sustainable Health and Well-being for the People of Wales*”<sup>viii</sup> published in July this year which set out research evidence and measures that could be taken to build resilience; address harmful behaviours and protect health; and address wider economic, social and environmental determinants of health.

37. In terms of funding distribution across NHS organisations, relative need in relation to changes in the makeup of the population (for example demonstrated by the Welsh Health Survey) is not used as a driver in determining allocation changes overall or how resources are distributed. The Townsend formula attempted to do this some years ago but it was discontinued. The challenge remains to develop a distribution mechanism which transparently and fairly links need, especially poverty and ageing, to resource.

**Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population.**

38. The Welsh NHS Confederation supports the Welsh Government’s efforts to reduce poverty, mitigate welfare reform and prepare for an ageing population and believes that these challenges need to be tackled holistically through the public service as a whole. The Joseph Rowntree Foundation<sup>ix</sup> estimates that poverty costs the UK health care about £29 billion per year and accounts for the largest portion of additional spending associated with poverty. A crude Wales proportion would be about £1.5 billion per year and the report discusses that there is growing weight of evidence that health care utilisation and costs are strongly related to poverty, both as presently experienced and as a legacy from past experiences of poverty. They compute the cost to all public services in the UK as £78 billion per year.
39. As highlighted in our briefing, “*From Rhetoric to Reality – NHS Wales in 10 years’ time: Socio-economic Deprivation and Health*”,<sup>x</sup> the socio-economic inequalities in life prospects and health are stark. Socio-economic deprivation has a significant impact on child development, on people’s lifestyle choices, on healthy life expectancy, including living with an illness or chronic condition, and life expectancy.
40. Sustainability of public services is dependent upon innovation and transformation as explained above. To ensure a safe, high quality and efficient healthcare system in Wales it is necessary to move to new innovative models of care supported by adequate financial, physical resources, a well-trained, multi-disciplinary workforce, supported by technology.
41. Radical change is needed if the NHS is to meet the level of demand being placed upon it while living within its means. Sustainable plans will have to be developed to enable the NHS to deliver financially as well as provide high quality care to patients. This is a significant and complex challenge which will require the support of the political community and the public.
42. For these strategies to be successful requires a collective ambition and an acceptance that change in the way we deliver services will be inevitable. For any change to be successful

the Welsh Government, the National Assembly and the public must acknowledge that the priorities for health services in Wales will need to be re-assessed and delivery targets set accordingly. The current financial position of the NHS means it is very difficult to transform services at the same time as handling ongoing enormous pressures on existing services, finances and resources.

**Preparation for the UK to leave the EU.**

43. The financial impact for the NHS in Wales will depend on the terms of the agreement and the broader impact on the UK economy, tax revenues and public finances.
44. The influence and impact of EU affairs on the NHS has significantly increased over time, with various aspects of domestic health policy now being intrinsically linked with EU policy. The 'Leave' vote will therefore certainly have far-reaching implications for the NHS despite, at this stage, it being impossible to predict the level of impact, as we do not know which type of new relationship the UK Government would seek, how long negotiations with the EU would last and which outcome there will ultimately be.
45. The key areas that could impact on the health and social care sector are:
  - i. **Staffing:** Thousands of people from across the EU work in the Welsh NHS and also social care workforce. Wales has been able to fill staffing gaps across the NHS by employing doctors and nurses from the EU. The social care sector is particularly reliant on migrants, many from Eastern Europe, who work for relatively low wages. There are concerns around whether the health and care service can retain the ability to recruit staff from the EU. The Leave vote has created uncertainty on the future rights of these employees. If a significant proportion of EU nationals working in health and social care services were to leave as a result of the present uncertainty, the sustainability of some services and the delivery of high quality services would be jeopardised. With this in mind, the Cavendish Coalition has been created, a coalition of 29 health and social care organisations aiming to ensure sustainable workforce supply and thereby maintaining standards of care as Britain withdraws from the EU.
  - ii. **Research:** UK organisations are the largest beneficiary of EU health research funds, bringing well over €300m into the country since 2014. EU collaborative research opportunities help the NHS speed up the translation of medical discoveries into healthcare provision. There is a concern that leaving the EU will impact on the free movement of researchers across Europe and the ability of UK researchers to attract research funding. It is uncertain at the moment how we are going to ensure that the NHS continues to take an active part in EU collaborative research and that the UK remains an attractive place for globally renowned researchers to live and work.
  - iii. **Regulation:** it is unclear whether the UK government will decide to repeal EU regulations and replace them with UK drafted alternatives or continue to abide by them. The key ones are:

- The working time directive;
  - Procurement and competition law;
  - Regulation of medicines and medical devices;
  - Regulation to enable common, professional standards and medical education between EEA countries; and
  - Leaving the EU could have a significant impact on NHS procurement and competition regulation.
- iv. **Funding and finance:** If there is a prolonged decline in the pound it could lead to higher prices for some drugs and other goods and services the NHS purchases.
46. It is imperative that health and social care is not forgotten when negotiating Britain's exit from the EU and if an economic shock materialises the UK and Welsh Government need to be honest about the implications for patients and service users. Further information around the impact of Brexit can be found in Wales Public Services 2025 briefing "*Impact of Brexit on public services in Wales*"<sup>xi</sup> published in July 2016.

#### **Performance management**

47. Targets have a role to play when it comes to prioritising spending. Waiting times are a key priority for those in the NHS and there is extensive work taking place to address this. While targets have a role to play, policy makers must also look at the bigger picture, which is about instigating a whole system change in the way treatment is delivered to patients and providing the best service we can within the resources that we have. Patient-centred care, which is measured in outcomes, should be driven further through the provision of more services in communities and closer to people's homes. Treatment should be provided in hospitals only when it is absolutely necessary to do so.
48. There are numerous examples within Europe, and the rest of the world, which demonstrate that focusing on improving outcomes for patients rather than focusing purely on inputs improves the quality of care delivered. This approach will also reduce the cost of delivering care. There are several examples of good practice happening across NHS Wales. We would welcome the opportunity to do further work with the Welsh Government to reconsider the performance framework for NHS Wales. This would enable performance to be measured and monitored in a way that will promote improvements in clinical quality and outcomes.
49. Specifically in respect of helping to tackle poverty the Welsh NHS Confederation would support the exploration of population level outcome indicators that were relevant to and could be impacted by the whole Welsh public sector and its partners. Socio-economic deprivation and poverty has a significant impact on the NHS in Wales which is often overlooked. The duties within the Well-being of Future Generations Act 2015 could support this work in the future, especially relating to the well-being goal relating to a 'prosperous Wales'.

### **Sharing Good Practice.**

50. We know that the NHS in Wales must do more to involve the public and patients, staff and partner services in explaining and working through the choices that need to be made. We must have honest conversations with the public about what the NHS can and cannot provide and what their role and responsibilities are in terms of using health services in the right way and maintaining their own health and well-being.
51. Health Boards and Trusts are committed to improving arrangements for involving all these groups, explaining priorities and continuing the development of a modern, safe, quality, value-for-money health service. There are positive examples from NHS Wales of engaging with the public for the re-design of local services to make savings, including:
- Through the local development of services that allow patient activity to be brought back to a local area;
  - By developing new service responses to meet increasing demand;
  - By creating patient-focused alternatives;
  - By shifting services and resources more appropriately to the community; and
  - Simply by continuing to focus on more patient activity and efficiency.
52. In addition to the role of Health Boards and Trusts in engaging with the public, politicians must play a leadership role in ensuring that the debate around the NHS is constructive. As our briefing *'The 2016 Challenge: A vision for NHS Wales'*<sup>xii</sup> highlights, all politicians should recognise that change in the way we organise care is necessary, and help to ensure debates about change focus constructively on people's outcomes, experiences and well-being.

### **Conclusion**

53. The Welsh NHS Confederation does not underestimate the massive challenge of public service budget setting in a time of austerity. The Welsh NHS Confederation, and our members, remain committed to doing the very best we can to continue to provide an NHS, in partnership with other public services, which supports the people who need it most, and helps the population generally live healthier lives. But we can only do what we can afford to do. All parts of the NHS in Wales have been making changes to the way services are organised. The fact is that, with funding very tight, the NHS will have to continue to make difficult decisions about the future shape of healthcare services and about priorities. We will also have to strengthen our relationships with others in order to rise to the many shared challenges that public services face. To achieve all of this, the input and support of the public, politicians and staff is vital.

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<sup>i</sup> Welsh Government, StatsWales, July 2013. Population projections by local authority and year.

<sup>ii</sup> Nuffield Trust, June 2014. A Decade of Austerity in Wales?

<sup>iii</sup> Office for Budget Responsibility, September 2016. Fiscal sustainability analytical paper: Fiscal sustainability and public spending on health.

<sup>iv</sup> The Welsh NHS Confederation, October 2015, 'The 2016 Challenge: A vision for NHS Wales'.

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- <sup>v</sup> Nuffield Trust, June 2014. A Decade of Austerity in Wales?
- <sup>vi</sup> NHS Wales Shared Services Partnership, January 2015. NHS Wales Workforce: Key themes and trends.
- <sup>vii</sup> Welsh Government, StatsWales, March 2015. Health and Social Care, NHS staff by staff group and year.
- <sup>viii</sup> Public Health Wales, July 2016. Making A Difference: Investing in Sustainable Health and Well-being for the People of Wales.
- <sup>ix</sup> Joseph Rowntree Foundation, August 2016. Counting the cost of UK poverty.
- <sup>x</sup> Welsh NHS Confederation, June 2015. From Rhetoric to Reality – NHS Wales in 10 years’ time: Socio-economic Deprivation and Health.
- <sup>xi</sup> Wales Public Services 2025, July 2016. Impact of Brexit on public services in Wales.
- <sup>xii</sup> The Welsh NHS Confederation, October 2015, ‘The 2016 Challenge: A vision for NHS Wales’.



The Homes for Wales campaign is a coalition of organisations who believe that everyone has the right to a decent affordable home to call their own. The campaign was led by the following 8 organisations:

- Community Housing Cymru
- Residential Landlords' Association Cymru
- Shelter Cymru
- Home Builders' Federation
- Chartered Institute of Housing Cymru
- Royal Town Planning Institute Cymru
- Welsh Tenants
- Care & Repair Cymru

In the run up to the 2016 Assembly election we brought together a huge range of organisations, including the Royal College of Nursing, the Older People's Commissioner for Wales and CBI Cymru, along with more than 1200 individuals across Wales to call on the new Welsh Government to publish an ambitious plan to tackle the housing crisis in Wales.

The Homes for Wales coalition believes that there is a need for urgent action to tackle the housing crisis in Wales. Since 2008, house prices have risen by 16%, and currently stand at more than six times the average person's income. The supply of housing across the whole housing market is currently around half of the 12,000 homes that the Public Policy Institute for Wales' has shown Wales needs.



We welcome the Welsh Government's announcement of an affordable housing target of 20,000 over the course of this Assembly, but this ambitious target must be met with the required investment to deliver these homes. The first full budget year of this Assembly will set the tone for Welsh Government's ambition to deliver on its 20,000 target, and to encourage building the right homes in the right places. A draft budget that invests in affordable housing will give confidence to lenders and developers, and signal that this is a Government that is serious about tackling the housing crisis.



## *CHC's Response*

### **Finance Committee Consultation – Welsh Government Draft Budget Proposals for 2017/18**

#### **About Us**

**Community Housing Cymru (CHC)** is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members provide over 158,000 homes and related housing services across Wales. In 2014/15, our members directly employed 8,800 people and spent over £2bn (directly and indirectly) in the economy, with 79% of this spend retained in Wales. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

#### **Our objectives are to:**

- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.



- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

**Our vision is to be:**

- A dynamic, action-based advocate for the not-for-profit housing sector.
- A 'member centred' support provider, adding value to our members' activities by delivering the services and advice that they need in order to provide social housing, regeneration and care services.
- A knowledge-based social enterprise.

**Our response**

1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?

Welsh Government's 2016-17 budget saw continued investment in Social Housing Grant as the social housing sector worked towards an affordable housing target of 10,000 homes, and this was essential in helping housing associations build the homes needed to tackle the housing crisis in Wales. Further to this, continued investment in the Welsh Housing Finance Grant



allows the sector to effectively turn a small amount of revenue funding into capital, and has a substantial impact on increasing the supply of affordable housing.

Alongside this, CHC was delighted that Welsh Government chose to protect the Supporting People Programme Grant during this budget round.

However, this decision was made at the expense of other homelessness prevention budgets, which received significant cuts, and we are concerned that Welsh Government could, in effect undermine its own focus on prevention through such decisions.

2. What expectations do you have of the 2017-18 draft budget proposals?

**Affordable Housing**

CHC has welcomed Welsh Government's increased affordable housing target of 20,000 homes across this Assembly term, but this ambition must be matched with investment, both through increased Social Housing Grant and through an extension of the Welsh Housing Finance Grant scheme.

We also welcome Welsh Government's intention to continue investing in a Help to Buy product for those who want to access the property market, and we believe that widening access to home ownership is essential to a functioning housing market which works for everyone.

As part of a strategy to help those who want to access home ownership, we believe there could also be scope for a shared ownership programme as a



further option to help those who are currently unable to access home ownership in the current environment.

### **Supporting People & Homelessness Prevention**

Further to this, we are working in coalition with a number of organisations to call for the protection of the Supporting People Programme Grant (SP) and other homelessness prevention funding.

SP has been helping vulnerable people in Wales since 2004. Since then, around  $\frac{3}{4}$  of a million people have been able to turn their lives around because of SP-funded services. A study into the impact of SP has found that those who access SP services report a decline in their use of GP and A&E services. Any cut in SP funding is likely to result in increased usage of acute services.

It is vital to protect this preventative fund, but also to ensure there is a continued focus on prevention across the board. Welsh legislation on homelessness prevention has been attracting interest as an example of good practice from elsewhere in the UK, and across Europe, and Welsh Government should not jeopardise its important work by reducing other homelessness prevention funds.



### **Temporary Accommodation**

UK Government's Autumn Statement in 2015 announced that the management fee for temporary accommodation will be devolved to English local authorities and to Welsh Government, with an increase in the budget<sup>1</sup>.

Our members, who provide temporary accommodation, have had no indication of what level Welsh Government will set this vital budget at from 2017-18. Welsh Government must ensure that the draft budget offers clarity on this budget, and that funding for temporary accommodation – a vital part of assisting those who become homeless – is maintained at current levels.

### **Rural Housing Enablers**

We welcome Welsh Government's commitment in its Programme for Government to continue its support of Rural Housing Enablers, and we hope this is reflected in maintaining the budget that funds their work.

Rural Housing Enablers are vital to ensuring there are vibrant and sustainable communities throughout Wales, working closely with local communities to understand housing need, break down barriers and navigate the planning system to provide homes that are needed and tackle the housing crisis.

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<sup>1</sup> <http://www.parliament.uk/business/publications/written-questions-answersstatements/written-question/Commons/2015-12-07/18896/>



### **Council Tax Support**

CHC has welcomed Welsh Government's commitment to supporting those in need of financial assistance with their Council Tax by filling the £24m gap that existed in the budget following its devolution. Removal of this funding would have an adverse impact on many vulnerable groups, including those already living in poverty, and with the recent Institute for Fiscal Studies report<sup>2</sup> indicating councils will likely be forced to raise council tax to plug gaps in their own budget, the problem is only going to get worse.

In the short term, there is a clear need for Welsh Government to support those who could be forced into further poverty or face the increased prospect of bailiffs enforcing council tax debt, and continue this funding stream. However, in the longer term, there is an opportunity to look at how council tax operates, and we welcome the Welsh Government's intention – set out in its Programme for Government – to review the tax to make it fairer, so the people with low and moderately valued properties pay less than they do now.

### **Health and Housing**

The important links between health and housing have been widely recognised and well documented over many years, and it is therefore imperative that health and housing are integrated more closely.

The Intermediate Care Fund has sought to break down some of these barriers, helping to keep people living independently in their own homes,

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<sup>2</sup> <https://www.ifs.org.uk/publications/8471>



and we are encouraged by the reference to the continuation of this fund in the Programme for Government. However, CHC believe there is a need for more action on the integration of health and housing, and the delivery of the ICF must now link across other funding pots to allow this closer integration in the long term.

CHC's Healthy Homes, Healthy Lives publication<sup>3</sup> gives some examples of good practice, and we are also working in partnership with Public Health Wales as part of a Memorandum of Understanding to make progress in this area. We would be happy to provide the committee with further evidence in this area.

4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?

- Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)

We support the committee in this aim, and believe there should continue to be a focus on preventative spending in the scrutiny of the budget. With increasing pressures on acute services, there will of course be difficult trade-

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<sup>3</sup>

[http://chcymru.org.uk/uploads/events\\_attachments/2Healthy\\_Homes\\_Healthy\\_Lives\\_Good\\_Practice\\_Guide.pdf](http://chcymru.org.uk/uploads/events_attachments/2Healthy_Homes_Healthy_Lives_Good_Practice_Guide.pdf)





offs for the Welsh Government, but these acute pressures will go sharply and significantly if there is not investment in preventative programmes with well-evidenced outcomes, such as Supporting People and homelessness prevention programmes.

Furthermore, investment in building quality affordable homes is both a key preventative measure and an important economic stimulus. Poor housing has been shown to cost the NHS in Wales at least £67m per year, with the wider societal cost reaching around £168m<sup>4</sup>. Therefore, investment in quality affordable homes is key to continuing preventative agenda.

- Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population

We welcome this focus from the committee. Welfare reform continues to have a severe impact on thousands of housing association tenants across Wales, and it is vital that Welsh Government understands the impact and assists those in need where it can. There are significant changes coming down the line with a reduction in the Overall Benefit Cap in November 2016<sup>5</sup>,

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<sup>4</sup> <http://www.brebookshop.com/samples/326669.pdf>

<sup>5</sup> [http://chcymru.org.uk/uploads/events\\_attachments/Benefit\\_cap\\_briefing\\_FINAL.pdf](http://chcymru.org.uk/uploads/events_attachments/Benefit_cap_briefing_FINAL.pdf)



the capping of Housing Benefit at Local Housing Allowance Rates from April 2018<sup>6 7 8</sup>, and the continued rollout of Universal Credit.

- Sustainability of public services, innovation and service transformation

We agree that this should be at the heart of all the committee's considerations on the impact of the draft budget.

- Preparation for the UK to leave the EU

CHC has prepared both pre and post referendum briefings<sup>9 10</sup> on the potential impact of leaving the EU on the housing sector, but the long term impact remains unclear. The committee needs to consider the financial impact that a number of areas may have, on housing and other public services, including:

- The overall economic impact
- The supply of labour
- The supply of materials

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[http://chcymru.org.uk/uploads/events\\_attachments/Indepth\\_Briefing\\_LHA\\_Cap\\_on\\_Social\\_Housing\\_Rents\\_NEWYDD.pdf](http://chcymru.org.uk/uploads/events_attachments/Indepth_Briefing_LHA_Cap_on_Social_Housing_Rents_NEWYDD.pdf)

7 [http://chcymru.org.uk/uploads/general/Impact\\_of\\_Capping\\_Housing\\_Benefit\\_at\\_LHA\\_rates\\_-\\_In-depth\\_briefing\\_paper\\_April\\_2016.pdf](http://chcymru.org.uk/uploads/general/Impact_of_Capping_Housing_Benefit_at_LHA_rates_-_In-depth_briefing_paper_April_2016.pdf)

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[http://chcymru.org.uk/uploads/events\\_attachments/Supported\\_Housing\\_LHA\\_Briefing\\_Sept\\_2016.pdf](http://chcymru.org.uk/uploads/events_attachments/Supported_Housing_LHA_Briefing_Sept_2016.pdf)

9 [http://chcymru.org.uk/uploads/general/EU\\_Briefing\\_-\\_June\\_2016.pdf](http://chcymru.org.uk/uploads/general/EU_Briefing_-_June_2016.pdf)

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[http://chcymru.org.uk/uploads/events\\_attachments/The\\_EU\\_Referendum\\_and\\_HAs\\_in\\_Wales\\_\\_Post\\_Referendum\\_July\\_2016.docx](http://chcymru.org.uk/uploads/events_attachments/The_EU_Referendum_and_HAs_in_Wales__Post_Referendum_July_2016.docx)



- Access to European funding programmes, including the European Investment Bank
- Low carbon budgeting and preparing for the Future Generations Act

Housing associations have a track record of delivering energy efficiency measures that both reduce carbon emissions and support tenants in fuel poverty. We welcome the committee considering this area.

- Preparation for the impact of further devolution included with the Wales Bill

The committee needs to keep a keen eye on budgets that are being devolved to Wales. As well as those areas that will be devolved by the Wales Bill, the introduction of Universal Credit across the UK and the English localism agenda is regularly resulting in small pots of welfare funding being devolved to Welsh Government. This previously happened with Council Tax Benefit and the Social Fund, and we have seen it once more with Temporary Accommodation. A new mechanism of funding Supported Housing in England will also see a pot devolved to Wales from 2019.

We welcome the opportunity to tailor some of these funds and programmes to better meet Welsh needs, but the Finance Committee has an important role to play in assessing the impact of these devolved budgets and ensuring Welsh Government continues to support those in the most.



5. The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with national indicators for Wales.

- What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?
- What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on reduction or eradication of poverty?

We have previously responded to Welsh Government's consultation<sup>11</sup> on the national indicators for Wales, and we believe there is significant room for improvement in these indicators.

In particular, we believe additional indicators should consider whether people are able to access housing that is adequate to their needs, and whether people feel physically and digitally connected. We also believe there is room for improvement in how some of the indicators are measured, and need for the indicators to be supported by more and better data.

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<sup>11</sup>

[http://chcymru.org.uk/uploads/events\\_attachments/Community\\_Housing\\_Cymru\\_Group\\_response\\_Well-being\\_of\\_Future\\_Generations\\_\(Wales\)\\_Act\\_2015\\_natioanl\\_indicators.docx.pdf](http://chcymru.org.uk/uploads/events_attachments/Community_Housing_Cymru_Group_response_Well-being_of_Future_Generations_(Wales)_Act_2015_natioanl_indicators.docx.pdf)



6. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?

As discussed throughout our response, the protection of the Supporting People programme and other homeless prevention funding is vital, and there will be a significant adverse impact on health and social services in the long term if they are not protected.

Similarly, investment in quality affordable homes will also result in better health outcomes and less pressure on health services.

We also believe there needs to be continued investment in health and housing, and the Intermediate Care Fund should deliver more in terms of integrating health and housing and breaking down barriers to allow affordable housing providers and health services to work more closely.

7. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?

There are currently 90,000 households on housing waiting lists across Wales; more than 8,000 of these have been on the waiting list since the last Assembly election in 2011. To tackle poverty, it is vital that we tackle this issue, and invest in affordable homes to deliver the 20,000 homes target.



Alongside this, continuation of Council Tax support in 2017-18, with a plan to tackle the wider issues around council tax in the long term, is needed, as is clarity of the Temporary Accommodation budget.

9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?

As stated previously, the long-term impact of leaving the EU remains unclear. The sector remains especially concerned about the long term economic impact, and particularly the impact on the housing market and construction. Investment in housing in this budget will provide confidence in the sector, and provide a stimulus for the economy in uncertain times.



WALES  
CYMRU

**RESPONSE TO:**

**The finance committee – Welsh Government draft proposals for the  
2017/18 budget**

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1. The University and College Union (UCU Wales) represents more than 7,000 academics, lecturers, trainers, instructors, researchers, managers, administrators, computer staff, librarians, and postgraduates in universities, colleges, adult education and training organisations across Wales.
2. UCU Wales is a politically autonomous but integral part of UCU, the largest post-school union in the world.
3. UCU was formed on the 1st June 2006 by the amalgamation of two strong partners – the Association of University Teachers (AUT) and the National Association of Teachers in Further and Higher Education (NATFHE) – who shared a long history of defending and advancing educators' employment and professional interests.
4. We welcome the opportunity to respond to the Draft budget proposal

## Consultation questions

### **1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?**

Although we welcomed the protection of post 16 sector budgets from cash reductions in 2016-17, the impact of previous Welsh Government budget decisions outweighed the advantages of this reprieve. Further education colleges are still tackling ways to provide a quality learning experience on ever decreasing financial resources. Many adult education courses remain closed and colleges are still seeking voluntary redundancies amongst their staff; albeit not at the same level as experienced in the previous year.

Further, it is being reported to us this year, that increasing pressure on finances has seen a reduction in lower level courses such as entry level and level 1. A consequence of this is that young people who do not have the prerequisite skills for a level 2 course are being turned away from the vocational areas that interest them and directed towards basic skills courses. Whilst it is quite right to offer opportunities to improve skills; for many of these young people, it is a barrier to them. They are barred from entering a vocational area that interests them and a course that may well stimulate their enthusiasm for learning and provide them with a route to the next level. Our concern is that young people such as this, risk becoming NEET.

An alternative way for some colleges to keep lower level courses economically viable, appears to be to combine both level 1 and 2; basically teaching the two courses at the same time. Students are expected to learn the L1 skills in the first term and then move onto L2. This raises concerns for us as it will rush less able students through a course and will inevitably reduce the quality of experience for students; the worth of the qualification; and the standards that employers require.

Therefore the intention to protect 14- 19 full time provision, is being hindered by the unintended consequences of previous budget decisions, particularly for those young people who choose to leave school at 16, hoping to continue their studies at a further education institution.

### **2. What expectations do you have of the 2017-18 draft budget proposals?**

We would like to see the FE sector viewed with the same level of importance as schools and universities. The current organisation of government portfolios, does not naturally support this point of view. Excluding 'further education' from 'Education' has resulted in the sector's finances being squeezed. Over several years, money allocated to the FE sector has been greatly reduced; if we are to retain a robust alternative to sixth form provision; a route for those not wishing or able to go to university and a valuable vehicle for social mobility and improved health and wellbeing, it needs to be sufficiently resourced. Further education is equally vital to our education system. In particular we would like to see the allocation of substantial funding to ensure that the appropriate infrastructure will be in place to support decisions made as a result of publication of both the Hazelkorn Review and the forthcoming Diamond Review. In the best



interests of the young people of Wales, it is crucial that education providers of the future are supported by adequate and reliable funding, robust organisation and management, and a stable and motivated workforce.

**4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

**- Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).**

**- Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population.**

**- Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced.**

Investment in post-16 learning opportunities for young people and adults, can improve life chances, assist in the eradication of child poverty, promote equality and social cohesion, improve mental and physical health and can also help to break down the barriers of prejudice and intolerance. The sector has a huge role to play in the provision of quality apprenticeships and in the reduction of those not in education or training, but only if provided with the appropriate levels of funding, needed to support such aims.

We would also like to suggest that the FE and HE sectors could be considered a vehicle for supporting some of the early intervention programmes implemented in schools. For example, providing educational services to engage wider family members will help to promote the benefits of education to all and thus develop a community wide understanding of the advantages learning. There is evidence to suggest that early intervention programmes receiving support from the wider community, have greater long term benefits than those that don't. Therefore, in terms of returns on investment, it would be prudent to ensure that further education colleges, in particular, receive adequate funding to provide a range of services for people of all ages, sending a clear message that education is for everyone and not just for children. Currently adults who did not achieve at school and may have disengaged, are finding themselves unable to access educational opportunities, compounding the belief that education is "not for the likes of me"; a message that is then likely to be passed to their children. With the inclusion of adult education as part of the remit of early intervention programmes now, it could help to reduce the need for costly intervention programmes in future. It is important that gains made at school are not lost at home.

With regard to preventative spending and tackling poverty, as already stated, we see post 16 education as having a vital role to play. It can improve lifelong opportunities to help lift families from poverty and promote social mobility and community cohesion; important factors in improving the health and wellbeing of the children and young people of Wales. With the projection that a quarter of the Welsh population will be over the age of 65 within 20 years, many of whom will

still be working, we see an increased need for adult education in order for the workforce to remain flexible. Likewise access to courses in retirement would help to keep Welsh citizens mentally and physically active and could play an important role in helping to combat isolation and dementia. Adult further and higher education is an important factor in helping people to maintain control over their lives, which will in turn benefit the health and wellbeing of the whole family.

**5. The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with national indicators for Wales.**

**- What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?**

**- What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on reduction or eradication of poverty?**

Whilst we do not have any suggestions for further indicators at this stage, we would like to draw attention to the contributions, as outlined above, that the post16 education sector make towards many of the existing indicators, in particular:

8. Percentage of adults with qualifications at the different levels of the National

18. Percentage of people living in households in income poverty relative to the UK median: measured for children, working age and those of pension age.

19. Percentage of people living in households in material deprivation.

20. Percentage of people moderately or very satisfied with their jobs.

21. Percentage of people in employment.

22. Percentage of people in education, employment or training, measured for different age groups.

29. Mean mental well-being score for people.

30. Percentage of people who are lonely.

35. Percentage of people attending or participating in arts, culture or heritage activities at least three times a year.

36. Percentage of people who speak Welsh daily and can speak more than just a few words of Welsh.

**6. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?**

A commitment to increased spending in the post 16 sector particularly increased funding for part time provision, in order to help support the health and wellbeing of Welsh citizens

**7. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?**

Increased spending on part time adult provision, to make available courses to assist career changes and to provide opportunities for adults to remain actively engaged in the community and to increase mental health and reduce loneliness and isolation. Part time adult provision will also offer to improve the life chances of working adults who wish to gain new qualifications to allow them access to better employment opportunities, therefore improving the life chances of not only themselves, but also their families. Further this would allow the post 16 sector to play an active role in supporting Early Years Intervention projects.

**9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?**

Many education and training projects have been and are currently still being assisted by EU funding, and it is welcomed that there will be ongoing funding for projects already approved. We are of course concerned about the financial shortfall, particularly for apprenticeship funding in the FE sector if/when Article 50 is triggered by the UK government.

# National Assembly Finance Committee

Welsh Government Draft Budget  
2017-18

9<sup>th</sup> November 2016



WLGA • CLILC

## Summary

1. Local Government is a vital partner for the Welsh Government in delivering its broad social and economic outcomes. Following the publication of the programme for Government, there are clearly few areas where councils do not make a crucial contribution to national outcomes. Local services support healthy people living productive lives in prosperous and innovative local economies. Local services provide the bedrock of safer, more cohesive and more equal communities. Local services make an invaluable contribution to a resilient environment and a society with a vital sense of its own culture and heritage.
2. Councils have borne the brunt of austerity and the publication of the latest report from the Institute of Fiscal Studies (IFS)<sup>1</sup> on the Welsh Government Budget shows that local services are the most vulnerable to cuts. Continued austerity is putting local services, and the government's own objectives at serious risk, both now and in the future.
3. The build-up of unavoidable financial pressures such as the National Living Wage and the Apprenticeship Levy coupled with demographic demands and funding cuts mean that the smaller, discretionary local services are being hollowed out.
4. The Legacy Report of the previous Committee<sup>2</sup> focuses on prevention and the Wellbeing of Future Generations Act. The Act places duties on the whole public sector to demonstrate how they have applied long term, preventative, integrated and collaborative approaches in achieving the seven national well-being goals. As we stated in our evidence last year, this signifies a step change that will place sustainable development and the needs of future generations at the heart of public service delivery in Wales. The whole financial planning framework, including budget setting, needs to reflect that.

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<sup>1</sup> [Welsh Budgetary Trade-offs to 2019-20, Institute for Fiscal Studies 2016.](#)

<sup>2</sup> [Fourth Assembly Legacy Report, National Assembly Finance Committee 2016](#)

**(1) What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?**

5. The average reduction applied through the local government settlement was 1.3% and was not as difficult as the experience of the previous 2 years. The Welsh Government (WG) responded positively to our lobbying for a floor arrangement for those authorities subject to extreme reductions, and this was supported by the previous Finance Committee in its report on the 2016-17 Budget<sup>3</sup>. The Programme for Government<sup>4</sup> contains a formal commitment to 'provide funding to put in place a floor for future local government settlements'.
6. While the lack of a clear and consistent approach by Welsh Government to Medium Term Planning continues to undermine the plans of local authorities, the cumulative impact on local authority services since the onset of austerity has been drastic. The 2015-16 announcement was the third year in a row that the published indicative settlement had been significantly revised downwards. The Auditor General<sup>5</sup> has calculated that that between 2010-11 and 2016-17, there will be a real-terms reduction of £761 million (17%) in aggregate external finance (core grant).
7. The recently published CIPFA 2015 Manifesto<sup>6</sup> underlined that sound financial planning remains a concern across the public sector in the UK. Our major concern remains the inability to rely on any figures while attempting to introduce significant reductions in funding in a planned and rational way. This limits local government's ability to plan based on sound evidence and appropriate lead-in time. In England they operate a system of multiyear settlements that requires local government to produce efficiency plans.<sup>7</sup>
8. There is no doubt that local public services continue to bear the brunt of austerity in Wales. While overall expenditure has levelled off in cash terms the impact on unprotected or discretionary services is extreme.

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<sup>3</sup> [Scrutiny of the Welsh Government Draft Budget 2016-17, National Assembly Finance Committee 2016](#)

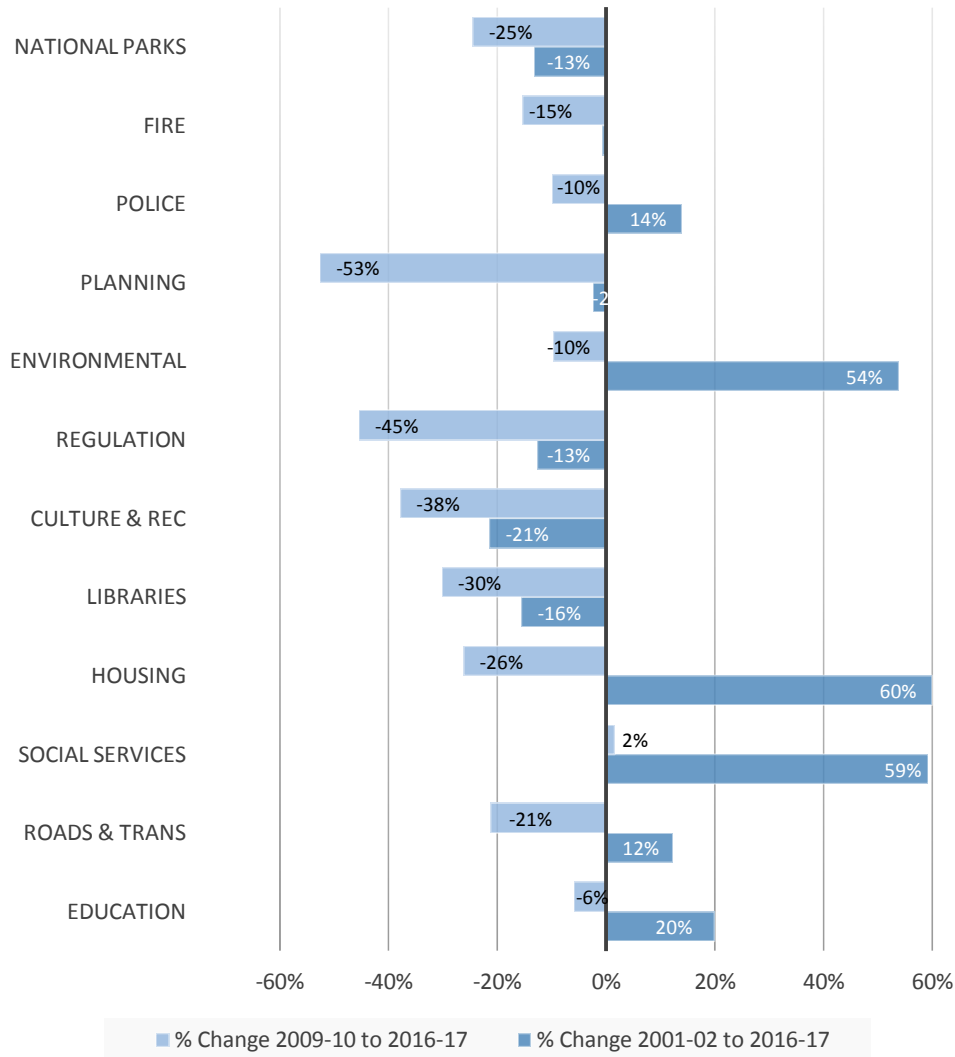
<sup>4</sup> [Taking Wales Forward, Welsh Government 2016](#)

<sup>5</sup> [Financial Resilience of Local Authorities in Wales 2015-16, Wales Audit Office 2016](#)

<sup>6</sup> [CIPFA Manifesto 2015, Chartered Institute of Public Finance and Accountancy 2015](#)

<sup>7</sup> [Four-year settlements for councils could include more grants, says DCLG, Public Finance September 2016](#)

**Figure 1:** Real terms reductions in service spend, 2001-02 to 2016-17



**Source:** WLGA, RO and RA returns

9. Figure 1 above shows that services which are vital to economic growth and preventative in nature have seen precipitous reductions. Some of the largest reductions have been in unprotected areas such as Planning and Regulatory Services which play a vital role in regeneration and preventative areas.
10. Many other areas of LG spend have shrunk by at least a fifth in real terms. Areas that had been relatively protected including education, social services and environmental services, have nonetheless also been contracting. The recently published report of the IFS, cited above, came to a similar conclusion while a report from the Public Policy Institute for Wales (PPIW) at the end of last year showed that the scale of reductions for some services in Wales is on a par with

those in England<sup>8</sup>.

11. One of the main features of the above graphic is that services in all but 6 areas are now been resourced at levels last seen at the end of the 1990s. The increased investment of the early 2000s has been wiped out. Most of the savings so far have been achieved through pay restraint and reductions in posts. Workforce surveys have shown that 15,000 posts have been lost since 2009-10. This is likely to continue through to 2019-20 on the same scale, effectively reducing the local government workforce by 20% over a 10-year period. Many of the initiatives for addressing budget shortfalls can be identified from local authorities' medium-term financial plans.
12. At the same time performance has been improving. The latest local government performance data<sup>9</sup> shows how those services performed in 2015-16 compared to 2014-15. At a Wales level, 65% (26) of the 40 indicators which are comparable between 2014-15 and 2015-16 show improvement. Moreover, the gap in performance (between the best and worst performing authorities) continues to narrow in 59% (23) of the indicators. For 41% (16) of the indicators, performance improved and the gap between the best and worst performing authorities narrowed. Of the 41 national performance indicators in place for 2015-16, 66% (27 indicators) were comparable to 2009-10. Of the 27 comparable indicators, 67% (18 indicators) had improved.

## **(2) What expectations do you have of the 2017-18 draft budget proposals?**

13. WLGA Leaders continue to emphasise the preventative nature of local services, especially social services. The letter at the annex was sent by the WLGA's Finance Spokesperson and the Spokesperson for Health and Social Care setting out the very real pressures that local authorities will experience over the next few years, not just 2017-18.
14. This derives from the increased demand for local public services and the increased cost of providing them. Demand pressures are largely demographic and are most acute in the larger budget areas of social services and education. The work done for Wales Public Services (WPS) 2025<sup>10</sup> demonstrated that pressures in social services budgets drive around 2.9% growth each year, which is around £43m annually up to 2019-20. This includes increases in Looked After Children as well as the elderly population. For Adult Social Care, a report commissioned by the Welsh Government from LE Wales<sup>11</sup> came up with a similar

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<sup>8</sup> [Coping with the Cuts: Lessons from English Councils' Responses to Budget Reductions, PPIW 2015](#)

<sup>9</sup> [Local Authority Performance 2015-16. Data Unit Wales 2016](#)

<sup>10</sup> [Future Pressures on Welsh Public Services. WPS 2025 2014](#)

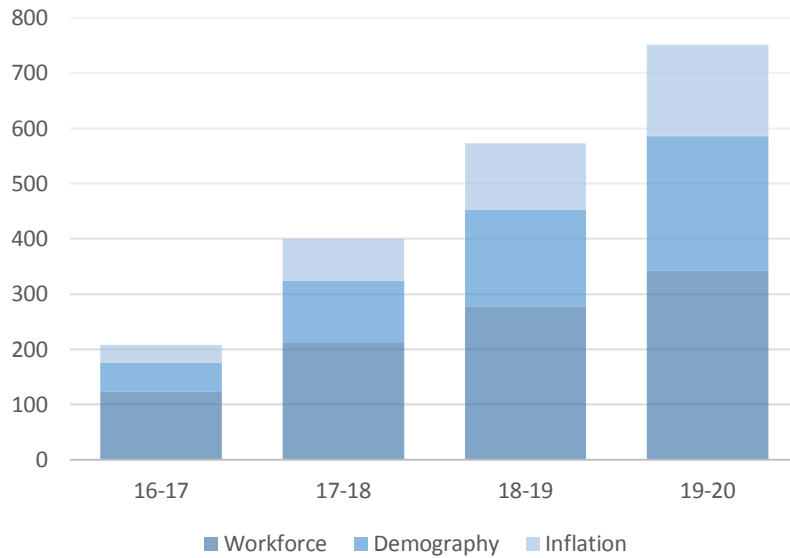
<sup>11</sup> [Future of Paying for Social Care in Wales, LE Wales 2015](#)



figure.

15. Within education budgets, increased birth rates are starting to feed through to growth in pupil numbers. From 2015 to 2019, the ratio of growth of school-aged children to the general population will increase nearly threefold from 0.8 to 2.3. The resultant annual pressure increases from £9m in 2016-17 to £24m in 2019-20.
16. However inescapable cost pressures are now becoming a greater proportion of total pressures and they are felt across every service area, as well as social services and education. Last year local authorities were expected to absorb a £60m additional baseline cost due to the loss of the National Insurance rebate as a consequence the introduction of Single Tier Pensions. The introduction of the National Living Wage means that this level of inescapable pressure will be the same in every year from 2017-18 to 2019-20 as is was in 2016-17. Added to this £60m pressure in 2017-18 is a £18m pressure due to the introduction of the Apprenticeship Levy and another £42m for pay and the impact of the triennial pensions revaluation.
17. These unavoidable workforce costs, left unfunded, mean that local services would have to be cut, in order to fund them. Figure 2 below shows that workforce costs make up 46% of cumulative pressures by 2019-20. When inflation is also taken into account, the figure below shows the increased pressure from 2016-17 to 2017-18 is £192m followed by £172m in 2018-19 and £178m in 2019-20. The cumulative pressure by 2019-20 is £750m which is around £150m higher than last year's estimate and largely down to the combined effect of the National Living Wage, the Apprenticeship Levy and additional pensions contributions.

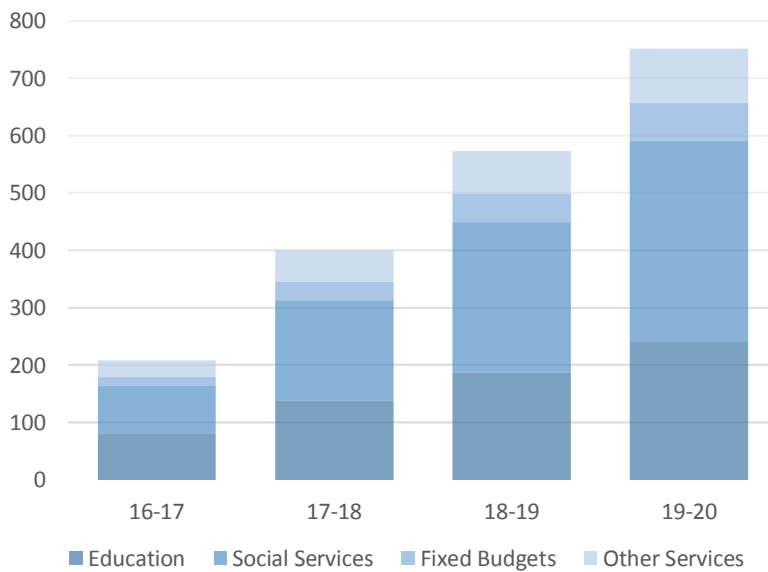
**Figure 2:** Cumulative impact of pressures up to 2019-20, £m



**Source:** Base estimates: RO and RA returns (2014-15 to 2015-16), NLW impact: WLGA Survey (2016)

18. An alternative way of looking at these pressures is to base them on services and other elements of the overall budget. Figure 3 shows the pressures broken down in this way. Over 80% of the pressures are attributable to the largest services of social services and education, a proportion that remains consistent through to 2019-20.

**Figure 3:** Cumulative impact of pressures up to 2019-20, by budget, £m



**Source:** Base estimates: RO and RA returns (2014-15 to 2015-16), NLW impact: WLGA Survey (2016)

19. While Council tax continues to be an important source of income for local authorities, future increases are nowhere near enough to fund the pressures highlighted above. Assuming funding stays flat in cash terms, council tax would have to increase by nearly 15% every year up to 2019-20.

**(3) How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?**

20. In his most recent report on the financial resilience of local authorities<sup>12</sup>, the Auditor General has recognised that 'local authorities are improving their strategic planning arrangements but are having difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience.' There is clearly work still to do.

21. While local authorities can make sound estimates of future expenditure pressures, second guessing the scale of funding reductions in the future has become a quest for the grail. This is not helped by the WG's approach to its own budget setting.

22. The WG has retreated from a sound medium-term approach which it had at the outset of the 2010 Spending Round. The budget cycle has returned to an annual incremental approach accompanied by a complete withdrawal of the system of multiyear settlements for local government that had been developed as far back as 2007. However, we do understand that the uncertainties of Brexit make planning ahead for this year one of the most difficult so far but as that uncertainty recedes we really need to see a return to proper financial planning framework.

23. One guide to the future is the information published by the Office for Budget Responsibility. At the time of the Budget in March 2016 it published its own forecast of local authority funding and spending up to 2021<sup>13</sup>. Published figures in the supplementary tables show increases in central government current grants to local authorities between 2015-16 and 2020-21 are set to rise by 8% in Wales or 1.5% on annual basis.

24. However, the Spending Review documentation does provide estimates for the Welsh Block Resource DEL (RDEL). Along with assumptions about growth in business rates, these estimates can assist in modelling a number of scenarios<sup>14</sup> for the Welsh Government Budget and the impact on local government's core grant in the remaining years of the Spending Review.

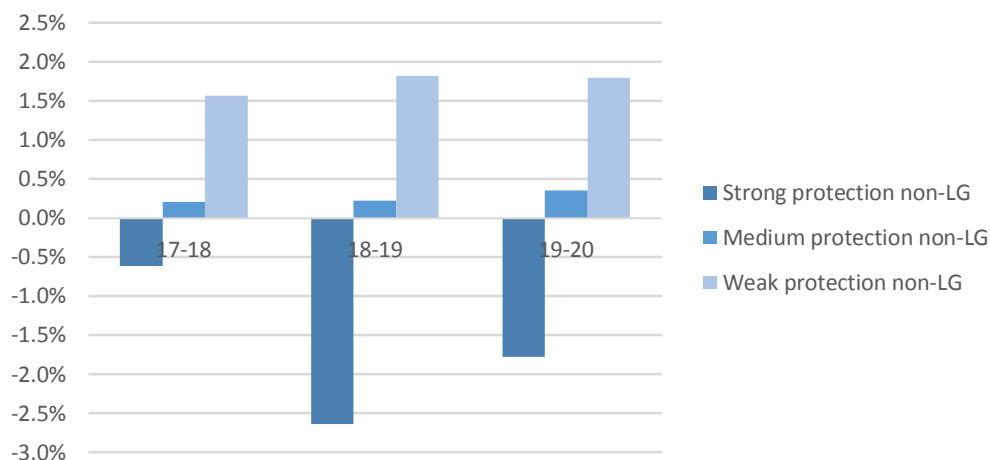
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<sup>12</sup> [Financial Resilience of Local Authorities in Wales 2015-16, Wales Audit Office 2016](#)

<sup>13</sup> [Table 2.29 in the Economic and Fiscal Outlook Supplementary Fiscal Tables](#), OBR, 2016

<sup>14</sup> Based on modelling taken to Society of Welsh Treasurers in January 2016 and updated to reflect the outcome of the March Budget.

**Figure 4:** Modelled changes to Aggregate External Finance (AEF) to 2019-20, under 3 scenarios



Source: WLGA

25. Under the most optimistic scenario there is 'weak' protection for non-Local Government Budgets. Under this scenario, the NHS receives future increases based on a 'consequential' of the increase to the English NHS through the lifetime of the Parliament. All other budgets are held cash flat, allowing AEF to increase by 1.6% in 2017-18, 1.8% in both 2018-19 and 2019-20. This scenario roughly aligns with the OBR forecast.
26. A less favourable scenario is to assume that there is 'medium' protection for non-Local Government Budgets. This time the NHS receives more generous uplifts based upon general (GDP) inflation over the SR period. All other budgets are held cash flat, allowing AEF to reduce by 0.2% in 2017-18, 0.2% in 2018-19 and 0.4% in 2019-20.
27. An even more pessimistic scenario could be envisaged where, as above, the NHS is protected for inflation, and so are all other non-LG budgets. AEF reduces by 0.6% in 2017-18, 2.6% in 2018-19 and 1.8% in 2019-20.
28. None of these scenarios can take account of the additional resource that Welsh Government Ministers will need to fund the Programme for Government. There are some big ticket items in this but at the time of writing we do not know how much the programme will cost.
29. The Committee should also be aware that WLGA and CIPFA recently joined forces to appoint an Independent Commission to look at the future of Local Government

Finance<sup>15</sup> in Wales which is chaired by Professor Tony Travers. The Commission was not tasked with evaluating specific issues such as the funding formula but did take a broader view of the system and also on whether funding may be better incentivised or even localised. A balance needs to be struck between a system that better incentivises and one that fully equalises and reflects need. In the WLGA manifesto<sup>16</sup> we make a case for more localisation and the corollary to this is greater fiscal devolution. A summary of the recommendations of Professor Travers' Commission is set out at Annex I.

#### **(4) Specific areas in the scrutiny of the budget**

##### Approach to preventative spending and how is this represented in resource allocation

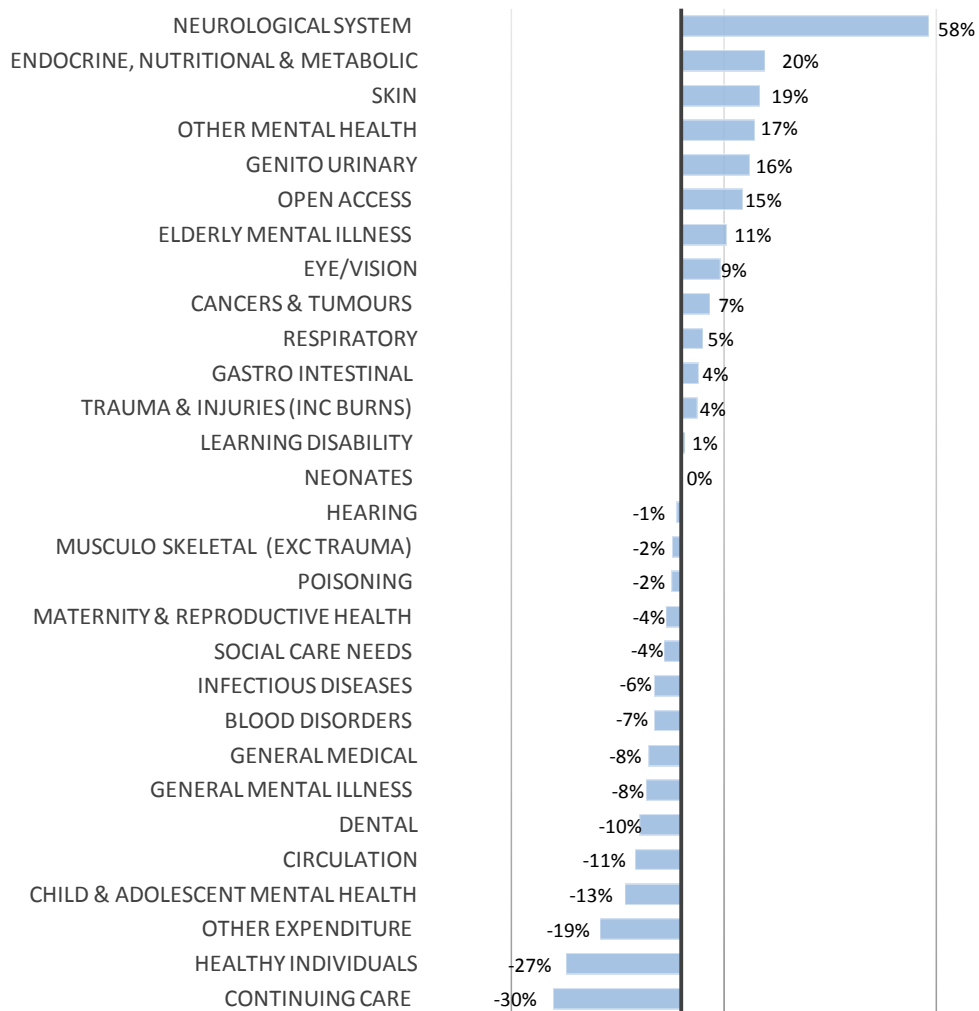
30. The WLGA agrees with the recommendations on prevention contained in the Legacy Report. The term is neither well defined nor does it have much influence in resource allocation. In figure 1 it is clear that for local public services, areas of preventative spend are synonymous with areas of unprotected spend and therefore subject to the largest reductions.
31. There is some evidence that something similar is happening within health budgets. The breakdown of NHS Programme Budgets collected centrally shows many areas of spend that are preventative in nature suffering large reductions after adjusting for inflation. However, funding for Public Health Wales is not included here as the organisation did not exist in 2009-10.

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<sup>15</sup> [Ambition for Change: Aiming Higher, Independent Commission on Local Government Finance Wales 2016](#)

<sup>16</sup> [Localism 2016-21: A Plan for Public Services in Wales, WLGA 2016](#)

**Figure 5: Real terms spending in NHS programme areas, 2009-10 to 2014-15**



**Source:** StatsWales & HMT (GDP Deflators)

Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population

32. We have made a submission to the Equalities, Local Government & Communities Committee on their future work programme and that submission should be read in conjunction with this.

Local health board financial arrangements

33. Our comments on the NHS-Social Care Interface can be found in paragraphs 53 to 55 below.

### Preparation for the UK to leave the EU

34. The timing and likely impact of the UK leaving the EU are uncertain. Under Article 50 an agreement for withdrawal has to be negotiated. EU requirements will cease to apply from the date the agreement comes into force or, failing that, two years after the UK notifies its intention to leave. The recent report from the IFS explains the impact in two distinct components: the mechanical effect and the national income effect.
35. In terms of the mechanical effects, the withdrawal agreement has to address the phasing-out of EU financial programmes. Until those negotiations have taken place it is unclear whether any EU financial support will continue after departure (e.g. up until the end of current programmes in 2020) and/or the extent to which any shortfall will be made up from domestic funding. The UK Government has already guaranteed that financial support from the Treasury will be provided for EU Structural and Investment-funded projects signed before this year's Autumn Statement and for any Horizon (R&D) projects signed before the UK leaves the EU. As far as the 2016/17 budget is concerned there is likely to be limited impact and the greater uncertainties relate to the tail end of the current programme up to 2020, and beyond.
36. However, there is pressure to agree as many projects as quickly as possible and match funding will need to be in place for all approved projects. This may result in the profile spend on European projects being more 'front-loaded' than would otherwise have been the case. On the other hand, the uncertainty surrounding later years' funding is causing uncertainty and could result in some multi-year projects not being taken forward and/or some projects finding it difficult to recruit/retain the calibre of staff needed for successful implementation.
37. The national income effect is more profound in the medium to long term and public finances are sensitive to national income. The IFS estimates that if national income drops by more than 0.6% then this would be enough to outweigh the positive of the £8bn that the UK currently contributes to the EU. The IFS cautions that the medium to longer term outlook for the economy will still be unclear. In the shorter term the UK Government has announced that it will not aim to reach a surplus by 2019-20 which may ease austerity a bit but push its end date well into the early 2020s.

### Low carbon budgeting and preparing for the Future Generations Act

38. Carbon budgeting is being introduced in Wales via the Environment Act. It links to the Well-being of Future Generations Act in the sense that the latter requires a

long term perspective that acknowledges the risks associated with dependency on carbon-based fuels. These risks relate to health impact, long term climate change and future energy security. Carbon budgets are a monitoring tool intended to help ensure regular progress is being made towards long-term emission reduction targets (80% by 2050 compared to 1990 levels for the UK as a whole, under the Climate Change Act 2008).

39. Whilst covered by the Climate Change Act, the devolved administrations can introduce their own climate change policies and that is what is being done in the Environment Act up to 2050. Interim targets will be set for 2020, 2030 and 2040. The budgetary periods are 2016 to 2020, and then each succeeding period of five years, ending with 2046 to 2050. The targets for the first two periods have to be set by Welsh Government before the end of 2018. The budgets for the third and later periods must be set at least five years before the start of the period in question.
40. As 2016-17 and 2017-18 are the first two years of the initial carbon budget, local authorities' progress in each of these years is of relevance. That is the case even though the first target may not be known until the end of 2018. Moreover, the first statement of progress will not have to be produced until up to two years after the interim target year (i.e. 2022). However, it is clear that Welsh Government will depend on local authorities who manage the largest portfolio of properties in the public sector in Wales and other partners to meet the carbon reduction targets for Wales. It makes sense for authorities to be taking steps to reduce their carbon emissions in any case. It would be surprising if it was not an objective in their Well-being Plans and there may well be cost savings - or even income - from energy efficiency measures and return on investment in renewable energy technologies. Such measures often require significant capital investment.
41. WG's Green Growth Wales is currently providing financial support for authorities and that includes advice and support under the RE:FIT programme (an energy performance contracting arrangement) and for the introduction of renewable energy. Continued support will be vital if progress is to be maintained. There is scope to widen such support to include transport, which will have to make more of a contribution over the coming years if the overall carbon reduction goals are to be met. Schemes like the Metro – if based on electrification using renewable sources – could make a significant contribution, as could support for infrastructure for electric and/or hydrogen vehicles.

#### Preparation for the impact of further devolution included with the Wales Bill

42. The Independent Commission on Local Government Finance chaired by Professor Travers recognised that by 2021 it is possible that nearly a third of public spending in Wales could be financed by taxes raised within Wales. One of its



recommendations was that as the Welsh Government achieves greater fiscal devolution this should flow through to the local level.

43. We would argue that this kind of 'double devolution' applies as in a functional or sense than is does in a fiscal sense. This means that not only should local government be considered to collect and retain devolved taxes (or as Travers concluded, the City Regions as well) but they should be considered to deliver newly devolved services where it is appropriate to do so at a local (or regional) level.
44. One of the issues we've highlighted in our Manifesto is the creation of an independent Office for Budget Responsibility that is accountable to the National Assembly. This could provide independent scrutiny of WG forecasts of receipts and economic determinants from taxes devolved to Wales as well as broader economic and fiscal forecasting. By March 2016 the Scotland Act 2016 and associated Fiscal Framework were agreed between the Scottish Government and UK Government.

Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced

45. Our experience of new legislation and associated impact assessments is mixed. Where there is good and early engagement with local government, generally satisfactory outcomes in terms of implementation are being achieved. The Housing Bill was a good example of where Welsh Government and local government have worked together on ground-breaking legislation.
46. With regard to the Social Services & Wellbeing (SSW) Act, the WLGA was very supportive but the costs were underplayed and benefits oversold. The very nature of this enabling legislation meant that it was difficult to analyse with any degree of rigour as we found out when commissioning the Institute for Public Care<sup>17</sup> to analyse the implications of the SSW Bill along with the NHS Confederation and the WCVA.
47. The RIA for the Wellbeing of Future Generations Bill came in for a more thorough evaluation by the Wales Audit Office<sup>18</sup>. It raised an important point about opportunity costs where costs have to be absorbed. Where the costs do have to be absorbed and activity is displaced from elsewhere, the WAO were critical of the WFG RIA and stated (p.8):

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<sup>17</sup>[Transitional and longer-term implications of the Social Services and Well-being \(Wales\) Bill 2013, Institute of Public Care 2013](#)

<sup>18</sup>[Review of the Regulatory Impact Assessment of the WFG \(Wales\) Bill, WAO 2016](#)

*In relation to the Welsh Government's view that additional costs of the Bill may need to be absorbed within existing resources, as expressed during the Environment and Sustainability Committee's evidence session on 29 September 2014, we consider it unhelpful that the Regulatory Impact Assessment does not make this intention clear. The absorption of costs within existing resources is an opportunity cost, in terms of the other activity forgone. The intention to fund additional costs in this way should be explicit in the Regulatory Impact Assessment.*

48. In conclusion what we would like to see is a return to the protocol where Welsh Government funded the costs of new legislation, a reinstatement of the Essex-Jones agreement. We call for this in our manifesto.

**(5) The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with national indicators for Wales.**

49. A report will be published every year by the Welsh Government on progress made in Wales in achieving the seven well-being goals, using the national indicators. This will be called the Annual Well-being Report, the first will be published in the financial year following the publishing of the national indicators. i.e. March 2017.

50. It can be assumed therefore that the first report will be a reference/baseline against which to determine improvement and progress. If budgets will be aligned to the national indicators, on what basis? Will the budgets for those indicators relating to Health, Education and Social Services be 'ring-fenced'? Will weightings be applied? What criteria will be applied i.e. if there is a lack of progress towards one or more of the goals is it the intention to 'divert' monies to improve the progress against one or more indicators to the detriment of another? The 7 Well-being Goals are of equal value, interrelated and inter-dependent e.g. you cannot have a prosperous Wales if the workforce is unhealthy.

51. Preventative spend requires an understanding of the root cause of the problem and tackling that, not just the symptoms of the problem. If there is a lack of understanding and a lack of willingness to address the root causes of the high incidences of say Diabetes, Cardiac conditions, obesity then the health service will be faced with a never ending and increasing number of these cases for future generations. Simplistically common root causes of diet high in sugar and fats, lack of exercise, if not addressed, will exacerbate the situation AND if addressed and funded there will still be the 'backlog' of those currently affected by the illnesses which also needs funding, until the preventative measures have their full effect.

52. In our evidence to the Williams Commission in 2012 we advocated the outcomes framework that the Scottish Government adopted in 2007. Outcomes-based budgeting is not a new phenomenon and will not immediately improve resource allocation. There will be difficulties attributing outcomes to large delegated budgets within the WG Budget, but the WG should take a lead in embedding it across public services and issue the kind of guidance that the Scottish Government has issued<sup>19</sup>.

**(6) What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?**

53. In Wales, significant progress has been made through partnership working in terms of enacting the Social Services and Wellbeing Act 2014, and in the introduction of initiatives such as the intermediate care fund (ICF). This progress has been significant, however we have also seen the policy developments and investments that have taken place in England which point to an ambitious agenda.

54. For example, Greater Manchester's proposals for a combined health and social care budget will see a £6bn pooled budget between the NHS and local government. It will be important that the work of the Committee ties in with the Parliamentary Review into the long-term future of Health and Social Care in Wales announced by the First Minister, but we believe that an inquiry looking at the progress made to date; and assessing the impact of Welsh Government policies and legislation on integration of health and social care services should be one of the priorities for the Committee.

55. One of the key issues for the new Welsh Government will be how to shift the priorities from hospitals to prevention and public health. It has been the WLGA's policy that the latter function should be located in local government as is the case in England. Once again the WLGA has felt compelled to write to WG Ministers on the issue of funding for social care, this is set out at Annex II. The premise is simple: if we wish to avoid the problems facing the English Health and Social Care system as a whole then then we need to fully fund aspects of inescapable pressures, and ensure that councils have the freedom to set charges and fees at a level that best suits local circumstances.

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<sup>19</sup> [Outcomes-based Approach: Guidance for Scottish Public Bodies, Scottish Government 2011](#)

**(7) What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?**

56. See our recent submissions to the Health and Social Care Committee and the Equalities, Local Government & Communities Committee on their respective work programmes.

**(8) Do you feel that allocations made by the Welsh Government are sufficiently evidence based?**

57. We feel we answer this question as part of our comments on preventative spend, the quality of evidence in Regulatory Impact Assessments and funding for new burdens or responsibilities.

**(9) What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?**

58. At the point EU funding is terminated there is an expectation, following pledges made before the referendum, that the UK government will provide 'replacement' funding. It is important that the opportunity is taken to review current programmes of financial support and to consider whether a more appropriate regional policy that can be put in place, tailored to meet the needs of Wales. For example, the 'West Wales and the Valleys' geographic area was devised with EU funding in mind – is it the best configuration to support economic development across Wales? Levels of funding have also been weighted towards that region as opposed to 'East Wales'.

59. Whilst that reflects the level of need it may not always reflect the 'geography of opportunity'. Given that travel to work patterns frequently cross the West Wales and the Valleys/East Wales border a more strategic approach might deliver better outcomes. Any such regional policy should take account of work already underway at regional level via City Deal, City Regions, Growth Deals etc.

60. WLGA in its Manifesto called for a statutory economic development duty for LAs, properly resourced and capable of being discharged at a regional level, delivered alongside Welsh Government support. This has received a positive response from Welsh Government to date and, if the idea is to be progressed, it is important that it starts to feed into budgetary plans.

**(10) What long term planning is carried out to fully deliver on preventative spending strategies and how do you plan for this within short term budget periods?**

61. While medium-term financial planning is firmly embedded and improving in local authorities, longer term thinking is still at a nascent stage. Saying that there are positive signs the WFG Act is proving to be a useful lens through which to view future service provision. Some authorities are starting to undertake strategic programmes of 'whole-authority' work. For example, 'Future Monmouthshire' aims to pose a set of questions about the authority's core purpose, relationships with communities, citizens and stakeholders and its appetite for economic growth and local prosperity.
62. One of the aims of programmes like this is to develop a new operating model in order to equip authorities to meet their goals amidst increasing change and uncertainty. The new operating model will have a clear purpose: to create the capacity and foresight to develop solutions to some of the biggest challenges, ensuring that authorities understand the shifting needs and priorities of communities and positioning themselves as enablers for change.
63. As an Association we think that long-term planning is under-developed in the Welsh public sector and this is one of the reasons that we collaborate with a number of other public sector bodies to fund Wales Public Services (WPS) 2025.

**(11) What baseline evidence is used to measure preventative outcomes?**

64. We are not convinced that there is a particular issue with baseline assessments but there are wider issues around planning horizons and the quality of evaluation. Preventative strategies tend to come with bold statements about the costs or negative social outcomes (or both) that will be avoided in the future. They rely on some subjective assessment of what 'otherwise would happen' in the future.
65. For example, the UK Government's Troubled Families programme was a flagship preventative initiative. It initially aimed to "turn around" 120,000 households at a cost of around £400m. A second wave of the Troubled Families programme was announced in June 2013, and began to roll out in April 2015. It covered another 400,000 families at a further cost of £900m.
66. By the time a thorough-going evaluation saw the light of day, the evidence showed that there had been no discernible effect on unemployment, truancy or criminality.

67. A major issue with the programme was that local authorities were over-reporting successes in order to gain vital funding that made up for drastic funding reductions. It is an indictment of 'payment by results'.

68. Another issue is the time that it takes to realise significant savings or improvements in social outcomes. One of the few studies that attempts to quantify the preventative impact of the Social Services and Well-being Act is the LE Wales' *Paying for Social Care* report cited above. Over a 24-year period the costs of Adult Social care are estimated increase by 114% in the base line scenario and under the preventative scenario, they increase by 108%. Preventative savings are definitely worth realising, but relative to cost and demographic pressures, in the longer run they may potentially be modest.

**(12) How can good examples of service transformation and innovation be encouraged and shared nationally across key agencies and what is the role for the Welsh Government here?**

69. Welsh public services organisations are currently working collaboratively to support innovation and service transformation through providing opportunities for practitioners to acquire knowledge and skills and share experiences and connections. This collaborative approach has proved valuable in cross fertilisation of ideas across service areas and sectors and alignment with national priorities or legislation such as the Wellbeing of Future Generations Act and Social Services and Wellbeing Act.

70. National partners work together via the Good Practice Wales partnership to share information, identify practice and plan programmes of activity either through case study development via the Good Practice Wales website or shared learning events:

- Good Practice Wales: a single access online portal to Welsh Public Services good practice and knowledge. The site currently signposts to over 3000 case studies and key resources such as Co-production Catalogue for Wales, Alternative Models of Service Delivery etc. as well as hosting national programmes such as Together 4 Children and Young People, All Wales Continuous Improvement Network etc. The WLGA are the co-ordinating partner. <http://www.goodpractice.wales/>
- Shared Learning events over a range of themes such as the Behaviour Change, Joint Commissioning for Integrated Health & Social Care, digital services, open data, etc. Many events are organised or coordinated via the Wales Audit Office's Good Practice Exchange <https://www.wao.gov.uk/good-practice> or are coordinated by the WLGA via Good Practice Wales.

- Professional networks and communities of practice actively share practice and learning. Communities of practice have been established for continuous improvement and the Welsh co-production network has recently received funding to expand its activities.
- Other Wales and UK-wide partners or programmes such as NESTA, Carnegie, Y Lab, Wales Cooperative Centre also work with Wales-based partners through Good Practice Wales to stimulate and support innovative ideas and solutions.

71. The Welsh Government participates in the work of Good Practice Wales, but its role should not be any more than a partner or a facilitator; practice is best developed, owned and shared through communities of practice or through sector-led activity coordinated by national partners rather than via the Welsh Government; a sector-led and partnership-based approach tends to encourage a more organic, flexible and responsive approach to sign-posting and sharing innovation compared to previous Welsh Government initiatives.

72. The Welsh Government should however provide additional resources and support to service transformation and innovation, through capacity funding for ongoing initiatives such as Good Practice Wales and shared learning events and funding to support service transformation and innovation in priority areas; the WLGA's 2016 Manifesto called for the creation of a new £20m capacity fund for local government to merge services, digitalise delivery where applicable and explore alternative delivery models such as mutuals, cooperatives and social enterprises.

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**Cleared by: Cllr Aaron Shotton (Finance) & Cllr Huw David (Health & Social Care)**

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## Recommendations of the Independent Commission on Local Government Finance

The Commission recommends full localisation of business rates, with 100% of business rates and business rate growth being retained by local government. In the year of implementation measures would need to be put in place – such as adjustments to grants receipts or pooling arrangements - to ensure that no authority is better or worse off financially than in the previous financial year.

The Commission commends the fact that Wales is the only nation in the UK to have undergone a council tax revaluation exercise, and recommends that since even in Wales, properties are taxed based on a 2005 valuation base, a further revaluation needs to be undertaken, with commitment to this being done on a five yearly basis in the future.

The Commission recommends that the Welsh Government introduce legislation to make it possible for city regions, or other sub-national groupings of authorities, to reform bandings and the ratio of council tax payable from band to band.

The Commission recommends that the incoming government should devolve to local authorities the setting of council tax discount and the power to determine who receives council tax support.

The Commission recommends authorities be given a suite of permissive powers that can be introduced locally, depending on local circumstances. Examples of powers to be conferred would be the introduction of a tourism tax. There should be a logic in choosing to levy these taxes, with money raised to be utilised according to related priorities, so tourism tax to assist with local development/ regeneration which would aid the tourism industry.

From April 2017, the Welsh Government will also assume responsibility for the replacements for Stamp Duty Land Tax and Landfill Tax with the proposal for partial Income Tax devolution by 2020. As the Welsh Government achieves greater fiscal devolution from the UK Government the Commission recommends that this should flow through to further devolution to the local level.

The Commission recommends a substantial reduction in the number, scope and scale of specific grants. It is the Commission's belief that specific grants force councils to use resources on services that may not be a local priority and are a challenge to local autonomy, service users and good government, whilst adding additional administrative burdens with each grant. The Commission's view is that specific grants should only be used for a national priority, or for a national function for which the local authority is an agent. Innovation grants should be limited to a maximum of three years. All existing specific grants should be folded into the RSG unless there is special justification. The Commission also recommends that any further specific grants should be reviewed on a two yearly basis to ascertain if the case for hypothecation remains valid or to decide if the grant is to cease or be incorporated within the RSG.

The Commission recommends that the incoming government commits to full and clear multi-year settlements to enable effective long-term planning for local authorities and other public services. The Commission would urge rolling three yearly settlements to allow effective planning and appropriate consultations for required service changes.



The Commission supports councils having the freedom to determine fees and charges locally.

The Commission recommend that councils are given greater freedom on capital expenditure by de-hypothecating capital grants.

The Commission recommends the establishment of a Welsh equivalent of the UK Office for Budget Responsibility (OBR): an advisory, Assembly sponsored public body to provide independent economic forecasts and analysis of the public finances in Wales. It would produce fiscal and economic forecasts and report on the Welsh Government's taxation and expenditure assumptions. It would work alongside the UK OBR. Other duties could include scrutiny of the Government's policy costing and assessing the long term sustainability of the public finances in Wales. The finances of Welsh local government would be reviewed as part of this process.

The Commission has received a great deal of evidence about the formula for the RSG being based on outdated data, complex and lacking in transparency. The Commission therefore recommends the existing grant regime is frozen and, for the immediate future, used as the basis for the rolling three year settlements proposed above. This change would provide temporary stability and predictability, allowing councils to plan effectively and assist planning with partner organisations. To improve the system in the longer term, an Independent Grants Commission should be set up to commence work on a more effective and fairer formula for the future. The Commission also believe the Grants Commission should be asked to comment on the use of local authority grants by the Welsh Government and to undertake a periodic review of specific grants. As the Grants Commission would be independent, it would be possible to separate the legitimate role of the Welsh Government in setting the quantum of grant from decisions about grant distribution.

The Commission recommends that the City Regions are given the power to add a supplementary business rate, whose sole purpose would be to assist in paying for large capital projects (similar to the way the Crossrail scheme in London has been funded). These powers should be available to other regions as they evolve.

In the longer-term, the Commission see merit in the idea of a locally-retained share of Welsh Government income tax, or a purer form of local income tax. But in the short term, we are mindful of the fact that any such recommendations would be complicated by the fact that the Welsh Government itself is in the early stages of seeing the devolution of income tax to Wales. Consequently, we recommend considering this issue again in the next five years.

The Commission query whether Wales currently has a suite of outcome performance measures that can effectively judge good performance for councils. The Commission therefore recommends that robust outcome measures are devised to provide a way of ensuring that increased devolution of tax powers can be seen to improve performance.

## ANNEX II



**Our Ref/Ein Cyf:** JR/AS HD  
**Your Ref/Eich Cyf:**  
**Date/Dyddiad:** 6<sup>th</sup> September 2016  
**Please ask for/Gofynnwch am:** Steve Thomas  
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### **Mark Drakeford AM**

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Dear Ministers,

### **Local Government Provisional Settlement 2017/18**

We would like to thank you for the ongoing dialogue with WLGA since you assumed the new role of Cabinet Secretary for Finance and Local Government. Your direct contact both nationally and locally with individual authorities has been warmly welcomed. It is this level of dialogue that allows us to move forward in partnership and navigate the difficult challenges ahead.

Inevitably with the announcement of the Draft Welsh Government Budget on 18<sup>th</sup> October and the Chancellor's Autumn statement to follow in November/December, councils are now fully focused on delivering Medium Term Financial Plans. It is not our intention to rehearse again the arguments we made in the WLGA paper to the Finance Sub Group but we feel it important to highlight some fundamental points for your consideration.

**We retain a firm belief that investment in preventative services must be the core priority for Welsh Government, in line with the**

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**philosophy of the Wellbeing and Future Generations Act and in terms of sound budgetary policy.** You clearly recognised and responded positively to this when you were Minister for Health and Social Services.

The case of England is illustrative. Draconian cuts to social care across Offa’s Dyke has led to a crisis that threatens the delivery of secondary care. Councils are now spending 10 per cent less on adult social care than in 2009-10. Figures show that at least a million people are not getting the basic care they need. The consequence is that one million hospital days were lost due to delayed discharge in 2015, costing the NHS £2.4bn. It is estimated that the money spent by the NHS on excess bed days due to people awaiting homecare could fund 5.2 million hours of homecare.

We note with interest (and some irony) the view of the Conservative MP, Dr Dan Poulter who has recognized that “On the hospital wards I often see people who are medically fit to go home, but who are forced to stay in hospital because of difficulties arranging their social care package or because of a lack of appropriate housing. Good healthcare cannot be delivered without properly funded social care”.

We are seeking your continued support to maintain investment in preventative services and avoid the problems faced by our English colleagues and service users. The burdens of pressures on social care are enormous and some of these are clearly set out in the study commissioned by the previous Welsh Government from LE Wales. Taking the impact of demographics and combining this with unavoidable payroll pressures such as the National Living Wage adds just over £90m to existing budgets next year. This is just under half of the overall pressures of £189m that will face local government in 2017-18.

**Example - Living Wage**

In a medium size council like Conwy in 2017/18 it is estimated that a 45 pence increase in the hourly rate (from £7.20 to £7.65) would increase costs as follows:

Residential/Nursing	£0.6m
Domiciliary	£0.3m
Supported Living	£0.3m
<b>TOTAL</b>	<b>£1.2m</b>

By 2020 the increase to £9.30 per hour will mean that Conwy’s costs will be £5.6m higher than they are now.

In terms of service issues a number of authorities are also reporting a big spike in the number of looked after children due to increased referrals and court judgements. All authorities also recognise the fragility of large parts of the residential/nursing care sector. The reality is that

with figures such as those highlighted the option of running to stand still and meeting these costs from existing budgets is unrealistic. **Fundamentally the solution is a significant uplift in the RSG and accepting the principle when it comes to pressures like the Living Wage that the approach applied to the NHS workforce in Wales by Welsh Government must equally apply to the low paid social care workforce.**

Finally, we are conscious that again while this letter majors on the arena of social care, it is evident that other services such as housing, environmental health, youth services, leisure and transport all play a considerable role in terms of prevention. These are the same “unprotected” services which have faced the brunt of the cuts over the past years. A holistic approach to budget formation as envisaged in the Wellbeing and Future Generations Act would recognise that investment in these services falls firmly in the principle of “taking action to try and stop problems getting worse - or even stop them happening in the first place”.

We fully recognise the scale of challenges for Welsh Government in funding Welsh Public Services. We have readily supported the recent record investment into the NHS and are keenly aware of the challenges it faces. However, as the English situation demonstrates if more resource is channeled to one part of the system without changing anything else, it is likely to result in a major crisis.

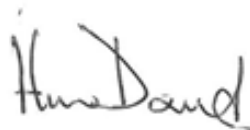
Thank you for your active consideration of the issues in this letter which we written on behalf of our colleagues across the 22 Councils.

Yours sincerely,



Councillor Aaron Shotton

**WLGA Spokesperson for  
Finance and Resources**



Councillor Huw David

**WLGA Spokesperson for  
Health and Social Care**