

Children and Young People Committee

Meeting Venue:
Committee Room 1 – Senedd

Meeting date:
16 October 2013

Meeting time:
09:15

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Agenda

Private Pre-Meeting – 09.15 – 09.30

1 Introductions, apologies and substitutions (09.30)

**2 Welsh Government draft budget proposals for 2014–15:
Ministerial Scrutiny Session (09.30 – 10.30)** (Pages 1 - 10)
CYP(4)-26-13 – Paper 1

Jeff Cuthbert, Minister for Communities and Tackling Poverty
Vaughan Gething, Deputy Minister for Tackling Poverty
Peter Jones, Head of Finance
Martin Swain, Deputy Director of Children, Young People and Families

**3 Welsh Government draft budget proposals for 2014–15:
Ministerial Scrutiny Session (10.30 – 11.30)** (Pages 11 - 31)
CYP(4)-26-13 – Paper 2

Huw Lewis, Minister for Education and Skills
Ken Skates, Deputy Minister for Skills and Technology
Owen Evans, Director General, Department for Education and Skills
Jo-Anne Daniels, Interim Director, Infrastructure, Curriculum, Qualifications and
Learner Support

**4 Welsh Government draft budget proposals for 2014-15:
Ministerial Scrutiny Session (11.30 – 12.30)** (Pages 32 - 44)

CYP(4)-26-13 – Paper 3

Mark Drakeford, Minister for Health and Social Services

Gwenda Thomas, Deputy Minister for Social Services

Mark Osland, Deputy Director of Finance, HSSDG

5 Papers to note (Pages 45 - 82)

CYP(4)-26-13 – Paper 4

Correspondence from the Chair of the Finance Committee re Budget Report by the
Adviser to the Finance Committee

Paper 1

National Assembly for Wales

Children and Young People Committee

Evidence paper – Children and Young People Draft Budget Allocations for 2014–15.

1. Introduction

This paper provides comments and information to the Committee regarding Children and Young People future programme budget proposals outlined within the Draft Budget which was laid on 8 October 2013.

2. Background

Compared to the indicative plans published at Final Budget 2013-14, as restated following the reshuffle in March 2013, the total DEL allocation for the Communities and Tackling Poverty (CTP) MEG has increased by £0.4m in 2014-15 to £212.7m

There is a net decrease in Resource DEL of £3.6m in 2014-15 to £192.2m. The indicative plan for 2015-16 Resource DEL, which is published for the first time is £191.5m.

There is a net increase to the capital budget of £4m in 2014-15 to £20.5m, following an allocation to support the priorities in the WIIP to fund Flying Start settings. The indicative plan for 2015-16 Capital DEL, which is published for the first time is £14.5m.

The following summary financial tables show the overall effect on the CTP Departmental Expenditure Limit (DEL) baseline budget.

Summary Financial Tables:

CTP MEG	2013-14 Supp. Budget	2014-15 Indicative Plans Restated Final Budget	2014-15 Changes	2014-15 New Plans Draft Budget	2015-16 New Plans Draft Budget
	£000	£000	£000	£000	£000
Resource DEL	187,556	195,871	-3,625	192,246	191,534
Capital DEL	24,450	16,450	4,000	20,450	14,450
DEL Baseline	212,006	212,321	375	212,696	205,984

Within the CTP MEG, the specific impact on the Children, Young People and Families (CYP&F) budget is summarised in this separate table.

CYP&F	2013-14 Supp. Budget	2014-15 Indicative Plans Restated Final Budget	2014-15 Changes	2014-15 New Plans Draft Budget	2015-16 New Plans Draft Budget
	£000	£000	£000	£000	£000
Resource DEL	117,538	127,538	-1,925	125,613	127,413
Capital DEL	12,000	4,000	4,000	8,000	2,000
DEL Baseline	129,538	131,538	2,075	133,613	129,413

3. Budget Overview

The overarching aim of the Communities and Tackling Poverty Department is to unite the work of the Welsh Government and its partners in tackling poverty and achieving a fairer future for communities, families and individuals.

The Department has a number of specific priorities which reflect and support the delivery of the Programme for Government, many of which also have a direct impact on children and young people:

- supporting families and children, in particular through Flying Start and Families First;
- tackling poverty and promoting community resilience including Communities First;
- mitigating the impact of welfare reform;
- increasing financial and digital inclusion, including Discretionary Assistance Fund and Credit Unions;
- increasing the availability of quality, affordable childcare and play provision;
- promoting the rights and participation of children and young people
- promoting equality and inclusion;
- supporting the development of the Third Sector and enhancing its strategic relationship with Government; and
- building in sustainable development as a central organising principle within the work of the Welsh Government and its partners.

4. Programme for Government

Across the Communities and Tackling Poverty portfolio, we are working to **prevent poverty**, help people out of poverty and help build resilient communities where families and individuals can access the support they need. We are helping children to get the best start in life and supporting families; taking action to embed equality, rights and sustainable development across the Welsh Government and the public sector; and supporting the third sector to play its part

in achieving the outcomes we are working towards. As part of the outcome of our consultation on the relationship between Welsh Government and the Third Sector in Wales in 2013, we anticipate that there will be an increased focus on supporting the sector to be more sustainable, improving joint working and collaboration, and ensuring maximum impact from the funding we provide.

Specifically, the Children, Young People and Families budget supports a number of key programmes including Flying Start, Families First and childcare. In 2014-15 we will be investing £125m (revenue spend) in supporting Children, Young People and Families in Wales.

The Budget Expenditure Line (BEL) detail is attached at Annex 1. Following the Ministerial portfolio changes in March, these BELs were transferred from the Health and Social Services MEG, with the Social Services budgets retaining their elements of children and families funding.

Flying Start

Doubling the number of children benefitting from **Flying Start is one of the Programme for Government's 'Five for a Fairer Future' commitments** and is a targeted investment to support children and their families in the early years. International evidence supports this approach as an effective means of enhancing the life chances of our most disadvantaged children.

Through Flying Start we will be investing £72.1m revenue and £8m capital in 2014-15 to support high quality early years **childcare**. We are also allocating an additional £5m of revenue in 2015-16 to ensure we deliver on our commitment to **double the number of children benefitting from Flying Start**. The investment noted above includes additional capital funding of £4m in 2014-15 (£2m in 2015-16).

Improving the life chances of children from **difficult socio-economic** backgrounds will have a positive long term impact on the economy, not just because of the outcomes for children, but also in relation to **preventative spend** and the associated decrease in the need for more intensive and costly services that would otherwise need to be provided. The programme can also lead to improved social cohesion and community development.

High quality early years childcare and attending excellent standard settings has a significant influence on a child's development, particularly for children who come from a disadvantaged background. By the end of 2014-15 over 32,000 children aged between 2 and 3 in Flying Start areas will be benefitting from Flying Start provision. Early evaluative evidence suggests that children benefitting from Flying Start are seeing improved outcomes in their social development and are better prepared for school and for learning.

We also know that Flying Start is beginning to have a positive impact on children's cognitive development. We are also seeing an improvement in the achievement of the appropriate milestones between the ages of 2 and 3. We are committed, through the Tackling Poverty Action Plan, to continue to increase the levels of improvement between the ages of 2 and 3 in the programme. We will also continue to prioritise early language acquisition that is crucial to cognitive development and the improvement of overall literacy and numeracy levels.

Flying Start is also a considerable employer. At present over 1,000 people are directly employed in delivery of the programme. This figure will expand by approximately a further 850 during our expansion of the programme. These jobs range from entry level **childcare** to highly skilled health and **family support** professional roles.

Supporting children, families and deprived communities is at the heart of the Flying Start programme. Investment is targeted in the communities with the highest proportion of households with children aged 0-4 who are on income benefits. Specifically we will continue, through Flying Start, to promote parent/child relationships and the importance of positive parenting.

Families First

This is an innovative programme that promotes the development by all local authorities of effective multi-agency systems and support for families, with a clear emphasis on **prevention and early intervention** for families, particularly those living in **poverty**. The Welsh Government has committed to maintain the Families First programme during this Assembly term and we will be investing £46.9m in 2014-15.

The programme is a key response to the Welsh Government's **Child Poverty Strategy** and a significant contributor to the objectives of the Tackling Poverty Action Plan. Local delivery plans prioritise action and support to reduce the numbers of families living in workless households; improve the skills of parents and carers and young people living in low-income households; and reduce the inequalities that exist in health, education and economic outcomes for children who come from the lower socio economic backgrounds. Projects will support a range of initiatives including targeting 16-19 year olds that have disengaged from education and training and providing personal support to develop their employability.

In terms of educational attainment, Families First also requires local authorities to prioritise support to ensure that children, young people and indeed adults within families can achieve their potential. We will use key indicators such as the number of children who are eligible for free school meals, who achieve the Foundation Phase indicator, who achieve the core subject indicator at KS2 and who achieve the Level 2 threshold at GCSE. Projects will be principally family-orientated, and also for example, target young people who are potentially at risk

of dropping out of education by ensuring attendance and engagement levels are improved.

The Families First programme also is a major driver in the development of multi-agency 'Teams Around the Family'. Wales is currently the only UK country that requires all local authority areas to develop and embed a 'Team Around the Family'.

Supporting children, families and deprived communities is fundamental to the objectives of Families First as an all-Wales programme. Children do better when they live in a good quality and safe home, have a close, positive and secure relationship with their mother, father or with a key adult. Families First aims to provide families with appropriate support to ensure they are self-sufficient and resilient. We will invest in support services to families and direct services that provide children with the ability to develop and parents with the support they need to cope with difficult family situations, help them address issues caused by poverty and to ensure that they have the right information and advice when they need it. Projects in Families First will, for example, identify families that are most at risk of remaining in long term poverty and target early and sustained support to the whole family, improving skills, developing aspiration and improving levels of household income.

Childcare and Play

The provision is being maintained at £3m in 2014-15 given its importance as a significant policy driver in relation to growth and jobs and in terms of tackling poverty. Successive evaluations have concluded that the availability of quality, affordable childcare is essential to support people who need to work, or acquire skills to enable them to work.

The development of affordable, accessible and high quality childcare is recognised in the **Programme for Government**, the Tackling Poverty Action Plan and the Early Years and Childcare Plan as key to ensuring that parents are able to access training and work. We will look for opportunities under the next round of European programmes (2014-2020) to take action in this area as part of our aim to promote social inclusion and **combat poverty**.

We are supporting the **childcare sector** through assisting national childcare organisations and providing financial support to local authorities to promote and develop wrap around out of schools childcare. In 2012-13 some 4,500 childcare places and 800 holiday club places were sustained by the out of schools programme. We will also support some of the priorities that have been highlighted in *Building a Brighter Future*, the Early Years and Childcare Plan.

In terms of educational attainment, we also know that what parents do with their children at home has a significant impact and can have a stronger influence than the parent's occupation, education or income. We will also continue to support

Language and Play programmes that aim to develop a parent's interaction and investment in home learning.

A reduction of £0.5m has been applied to the Support for **Children's Rights** budget in 2014-15. This is mainly the result of unallocated funding resulting from earlier projects that have now ended. This funding had not been earmarked for future projects. There will be further reductions of £0.4m in 2015-16 as we look to consolidate some of our grant schemes.

The **Children's Commissioner for Wales'** budget will be maintained at £1.7m in 2014-15 and 2015-16. This demonstrates our commitment to ensure that the rights of children and young people are represented by the Commissioner.

5. Legislation

We recognise the importance of ensuring that children and young people have a voice and are listened to. We will continue to support the implementation of the **Rights of Children and Young Persons Measure** and the implementation of the **UNCRC** in Wales. We will also continue to support MEIC the **National Advocacy Help Line for children** and young people and will increase the Advocacy budget by £0.2m in 2014-15 and 2015-16.

The reduction of £0.5m noted above on **Support for Children's Rights** will not impede our ability to continue to implement the **Rights of Children and Young Persons (Wales) Measure** and the duties on Ministers to prioritise children's rights in making decisions in relation to policy and legislation.

It is also worth noting that the Measure applies to all Ministers and all new or revised policies and legislation. Therefore, the investment for implementing children's rights is much greater and impacts on budgets across the whole government. A report on compliance with the Measure was published in January 2013 and it sets out the impact the Measure is having and how it is filtering into all government business, legislation, directions and guidance, and in turn into local services. We will continue to monitor and report on the impact of the Measure and have committed to publish a further compliance report in July 2016.

More widely, we are also working on the **Future Generations Bill**. Its purpose is to enable better decision-making by those providing public services, with a focus on the economic, social and environmental impacts on current and future generations. The principle of long-term thinking is a key component of sustainable development. Considering the long-term provides a focus on **prevention** and the early interventions that can most effectively generate long-term benefits for individuals and communities.

6. Capital

In 2014-15 we will provide a further £4 million in capital to put in place the necessary infrastructure to continue to deliver on our commitment to double the number of children benefitting from Flying Start. By the end of 2014-15 we will have invested over £25 million in around individual 165 projects, providing settings for high quality childcare, parenting support programmes and multi agency support teams. This investment will go towards developing the 'social infrastructure' referred to in the Wales Infrastructure Investment Plan by working at the heart of our most disadvantaged communities and improving the well being and life chances of the under 4's.

7. Equality Impact Assessment

Flying Start

Flying Start is one of the **Programme for Government's 'Five for a Fairer Future'** and is a targeted intensive investment to support children and their families in the early years. International evidence supports this approach as an effective means of enhancing the life chances of our most disadvantaged children.

The Flying Start budget will reduce by £0.9m in 2014-15. However, there is no reduction in the allocation of Flying Start grant to local authorities and we will continue to expand the Flying Start programme in line with the Programme for Government commitment to reach 36,000 children and their families by the end of this Assembly term. The reduction in the budget is from within central cost elements and consists of savings in administrative costs of £0.4m and adopting a more cost effective approach to assessment tools, releasing £0.5m. There are no immediate negative equality impacts as a result of this decision as it does not impact on the delivery of services to people.

In 2015-16, the Flying Start BEL will increase by £4.8m to reflect the Welsh Government's commitment to expand Flying Start. In terms of educational attainment, high quality early years childcare and attending excellent standard settings has a significant influence on a child's development, particularly for children who come from a disadvantaged background. Early evaluative evidence suggests that children benefitting from Flying Start are seeing improved outcomes in their social development and are better prepared for school and for learning. Investment is targeted in the communities with the highest proportion of households with children aged 0-4 who are on income benefits.

Families First

Families First is a programme that promotes the development by all local authorities of effective multi-agency systems and support for families, with a clear emphasis on **prevention and early intervention**, particularly those living in

poverty. The programme is a key response to the Welsh Government's Child Poverty Strategy and a significant contributor to the objectives of the Tackling Poverty Plan.

We have committed to maintain the Families First programme during this Assembly term and we will be investing £46.9m in 2014-15. This is a reduction of £0.75m required in 2014-15 but this will be met without any reduction to the Families First grant. In particular, this means that the ring fenced **support for families with disabled children** will continue at planned levels. The reductions in 2014-15 can be met from planned expenditure on policy areas that have not yet been fully developed, or can be deferred until budget becomes available.

We will carry forward the reduction in the Families budget of £0.75m from 2014-15 and will see a further reduction of £2.3m in 2015/16. This will be found by reducing the grant allocations to local authorities for the Families First grant. This is likely to result in a number reductions in services to children and families, either through reductions in direct Team Around the Family Resource, scaling back of specific projects, or some specific projects ceasing altogether. As Families First is designed to specifically target families where poverty is a significant issue, it is likely that there will be an impact on individuals and families from the groups with protected characteristics. We are developing a more detailed data collection methodology to provide a better assessment of the impact which will allow us to plan mitigating action.

We will also have to reduce the amount available through the Children and Families Organisation Grant by £0.3m in 2015-16. This may impact on the ability of some third sector organisations to access funding. Over the intervening period we will be looking at actions to mitigate the impact.

Childcare and Play

We are protecting the Childcare and Play budget in 2014-15 which demonstrates our commitment to invest in childcare support and to support the development of the childcare sector, critical to ensuring that people are able to access training and or employment and also that children benefit from quality childcare experiences.

However, there is a reduction of £0.3m in 2015-16. This will be found from £0.1 million as a result of project funding coming to an end in 2014/15 and a non-commitment of funds to any further projects. In addition the Welsh Government will discontinue its financial support (£0.2 million) for criminal records checks for childcare workers. This will have a minimal impact given the introduction of portable CRB checks. It also has no impact on childcare provision and support which will continue through the Out of Schools Childcare grant.

Advocacy

We recognise the importance of ensuring that children and young people have a voice and are listened to. We will continue to support the implementation of the **Rights of Children and Young Persons Measure** and the implementation of the **UNCRC in Wales**.

We will also continue to support MEIC the National Advocacy Help Line for children and young people and will increase the Advocacy budget by £0.2m in 2014-15 and 2015-16 to address the increase in numbers of children and young people contacting the Advocacy, Advice and Information helpline. We will also undertake an evaluation of MEIC to ensure that it is as effective as it can be in securing positive outcomes.

In addition, the uplift will help to address some of the recommendations identified by the **Children's Commissioner** in his report on advocacy for vulnerable children and young people.

8. Sustainable Development

The sustainability of our significant investment through the Children, Young People and Families budget is ingrained in the more effective multi-agency working that it drives. In turn, we will continue to use evidence bases to make the business case for early investment and to demonstrate return on investment, thus more deeply embedding the principles and practice of early intervention. Both the Flying Start and Families First programmes are subject to evaluations which will be published (as a series of reports) and which will be used to inform their further development.

Jeff Cuthbert AM
Minister for Communities and Tackling Poverty

Vaughan Gething AM
Deputy Minister for Tackling Poverty

CHILDREN, YOUNG PEOPLE AND FAMILIES BUDGET (forming part of the CTP MEG)

ANNEX 1

REVENUE BUDGET - Departmental Expenditure Limit							
SPA	Actions	BEL Title	2013-14 Supplementary budget	2014-15 Indicative Plans Restated Final Budget	2014-15 Changes	2014-15 New Plans Draft Budget	2015-16 New Plans Draft Budget
Children, Young People and Families	Children, Young People and Families	Children's Commissioner	1,715	1,715	0	1,715	1,715
		Families First	47,658	47,658	-750	46,908	44,608
		Flying Start	62,994	72,994	-900	72,094	76,894
		Childcare & Play Strategies	3,016	3,016	0	3,016	2,716
		Support for Children's Rights	1,305	1,305	-500	805	405
		Advocacy	850	850	225	1,075	1,075
		SPA/ACTION Total	117,538	127,538	-1,925	125,613	127,413
	Total Resource		117,538	127,538	-1,925	125,613	127,413
CAPITAL BUDGET - Departmental Expenditure Limit							
SPA	Actions	BEL Title	2013-14 Supplementary budget	2014-15 Indicative Plans Restated Final Budget	2014-15 Changes	2014-15 New Plans Draft Budget	2015-16 New Plans Draft Budget
Communities and Tackling Poverty	Communities and Tackling Poverty	Flying Start	12,000	4,000	4,000	8,000	2,000
		SPA/ACTION Total	12,000	4,000	4,000	8,000	2,000
	Total Capital		12,000	4,000	4,000	8,000	2,000
	Total DEL		129,538	131,538	2,075	133,613	129,413

Resource tables = The baseline used for Resource DEL in 2014-15 is as at Final Budget 2013-14, restated to reflect Ministerial portfolio changes as announced by the First Minister in March and adjusted to reflect recurrent baseline adjustments included in the First Supplementary Budget 2013-14. These baseline adjustments are set out in Annex D of the Draft Budget narrative.

Capital tables = The baseline used for Capital DEL in 2014-15 is as at Final Budget 2013-14, restated to reflect Ministerial portfolio changes as announced by the First Minister in March.

Paper 2

National Assembly for Wales

Children and Young People Committee

Education and Skills Draft Budget 2014-15

Purpose

1. To provide an evidence paper for the Children and Young People Committee on the Education and Skills proposals outlined in Draft Budget 2014-15 and updates on specific areas of interest to the Committee.

Timing

2. The Draft Budget was published on 8 October 2013.

Education and Skills Draft Budget 2014-15

3. The Draft Budget 2014-15 provides a two year plan for investment in the provision of education and skills in Wales. Table 1 provides an overview of the planned Education and Skills budget or 'Main Expenditure Group' (MEG) together with the changes made to the indicative budget since the publication of Final Budget 2013-14, to reflect recurrent baseline adjustments in First Supplementary Budget 2013-14.

Table 1: Education and Skills MEG

	2013-14	2014-15	2014-15	2014-15	2015-16
	Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
	£000	£000	£000	£000	£000
Resource DEL	1,658,658	1,696,489	-77,565	1,618,924	1,564,094
Capital DEL	202,134	153,834	0	153,834	143,834
Total DEL	1,860,792	1,850,323	-77,565	1,772,758	1,707,928
Annually Managed Expenditure	176,869	183,149	30,935	214,084	237,862
Education & Skills	2,037,661	2,033,472	-46,630	1,986,842	1,945,790

4. Compared to the restated indicative plans published in Final Budget 2013-14, the total Resource DEL allocation for Education and Skills has decreased by £77.6m or 4.6%. This decrease includes a recurrent transfer of £28.6m to the Revenue and Support Grant (RSG) within the Local Government MEG, for post-16 SEN provision in mainstream schools (£4.2m) and post-16 special schools and SEN out of county placements (£24.4m). The indicative plan for the 2015-16 Resource DEL which is published for the first time is £1,564.1m.

5. There is no change to the capital budget from previous plans published in Final Budget 2013-14, of £153.8m in 2014-15. This includes the additional £10m announced in the Final Budget 2013-14 to support the delivery of the new post-16 Further Education campus in Cardiff. The indicative capital budget for 2015-16 is £143.8m.
6. The Annually Managed Expenditure (AME) budget is primarily related to student loans which are demand led and sensitive to interest rate and other macro-economic factors and therefore difficult to forecast. This budget is agreed with the Treasury each year and is fully funded. The budget increases by £24.9m in 2014-15, with an indicative budget of £231.9m for 2015-16. There is a further £6m addition to AME for 2014-15 and 2015-16 in respect of pension adjustments for Careers Wales, which became a wholly owned subsidiary of the Welsh Government from 1 April 2013.
7. The Action level budget plans for Education and Skills MEG were published on 8 October. To aid transparency a breakdown of changes to the Education and Skills MEG by Budget Expenditure Line (BEL) is provided at Annex 1.

Budget Context

8. This budget is set in the context of the constraints imposed by the UK Government in recent spending reviews. It also reflects the priorities of Welsh Government and our on-going commitment to deliver the Programme for Government and an ambitious legislative programme. All of the decisions that we face are difficult. There are no easy answers and there has been no way that we can shield services from the effect of the UK Government cuts and the implications of prioritising spend.
9. We have undertaken a line by line review of budgets to establish how the reductions of £83.9m in 2014-15 and £103.9m in 2015-16 can be managed. Whilst difficult decisions have had to be made, the review has been set in the context of continued focus on our Programme for Government commitments and shaped around the three cross-cutting delivery themes of Jobs and Growth; Educational Attainment and Supporting Children, Families and Deprived Communities.
10. Equality considerations have been central to the development of our spending plans, and, as in previous years, the funding changes arising from this budget have been assessed against their impact on people with protected characteristics. We have also been mindful of our commitments under the Welsh Government's Strategic Equality Plan.
11. Our spending plans have also had regard to the impact on poverty, Welsh language, children's rights and the economic, social and environmental sustainability of projects and programmes. We have ensured that policies and programmes reflect our commitment to sustainability, by considering investment that we can make now to prevent more expensive action in the future.

Programme for Government

12. The Department for Education and Skills has five strategic objectives which support the delivery of outcomes in the Programme for Government to which we have aligned our spending:
- To raise standards of education and training provision, attainment and infrastructure across Wales so everyone can reach their potential;
 - To deliver a skilled workforce with high quality opportunities for all learners contributing to the creation of growth and jobs;
 - To support individuals, families and communities to improve wellbeing by reducing inequality and increasing participation;
 - To see the Welsh Language thrive in Wales; and
 - To be a high performing department and employer of choice.
13. Given the current economic climate and with the reductions currently faced, it is vital that we are clear on our priorities and that spending decisions support our objectives. The Programme for Government (PfG) sets out the outcomes we are working towards, and the decisions taken in this draft budget ensure that our spending plans continue to be aligned to deliver our commitments. A mapping of our Actions to PfG Sub-Outcomes has been published in the Draft Budget document. The latest Programme for Government Annual Report, published in June 2013, provides an update on the actions we are taking to support our priorities. We will continue to monitor performance against PfG commitments as part of the annual reporting process, to ensure associated outcomes are monitored and evaluated to demonstrate value for money.
14. The Department for Education and Skills contributes to a number of areas within the Programme for Government, but predominantly to Growth and Sustainable Jobs (chapter 1), Education (chapter 3) and the Culture and Heritage of Wales (chapter 12). A summary of draft budget changes by Action relevant to this Committee is provided below, together with costs and associated impact on Programme for Government commitments.

Literacy and Numeracy Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
7,512	7,512	(476)	7,036	6,197

15. The budget for Literacy and Numeracy decreases in net terms compared to 2013-14 by £0.476m in 2014-15 and £1.315m in 2015-16. The budget funds a range of interventions to support the agenda of improving literacy and numeracy skills of children and young people. The reduction in funding does not correspond to a reduction in focus on these two priorities. Funding within this Action has already supported the

development of the National Literacy and Numeracy Framework (LNF), which was published in January 2013 and becomes a statutory curriculum requirement from September 2013. This will help achieve our aim that all children in Wales are able to develop excellent literacy and numeracy skills. The increased funding within the Curriculum and Assessment BEL of £3.9m in 2014-15 for the National Support Programme will help to ensure that the LNF is implemented effectively in schools.

16. Funding continues to be set aside in this draft budget to support our Programme for Government commitment of introducing new national numeracy and literacy tests, which commenced in May 2013. Funding reduces in 2015-16, because the majority of costs for developing the tests for 2016 will already have been met. Whilst the reading and numeracy tests in themselves will not raise standards, the data generated will be used to support effective planning, self evaluation and learner tracking.

Curriculum Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
125,060	125,060	(2,893)	122,167	116,056

17. The budget decreases in net terms compared to 2013-14 by £2.9m in 2014-15 and £9m in 2015-16. The 14-19 grant has reduced over the past three financial years, and further reductions have been made possible from the 14-19 Learning in Wales BEL in this Draft Budget as the policy becomes embedded and arrangements for the development of local curricula matured. It is not anticipated that the proposed reductions will materially impact on our Programme for Government commitment for schools and FE colleges to deliver the statutory local curriculum requirements. The prioritisation of future grant support, from April 2014, will also be considered in light of the recommendations from 14-19 Task and Finish Group – Review of Local Collaborative Provision at Key Stage 4.
18. Whilst recurrent reductions have been made to the Foundation Phase budget, approximately £1m will be identified from grant funding provided to local authorities and represents savings that can be achieved through the move to regional consortia working. The remaining £0.3m relates to the transfer of funding to Welsh in Education Action to provide Welsh language training for Foundation Phase practitioners. Consequently, there should be no impact on our Programme for Government commitment to develop and enhance practitioners' skills in delivering the Foundation Phase and we remain committed to this policy and its approach to teaching and learning.

19. The existing end of phase assessments, and the development of the Early Years Development Assessment Framework (EDAF) which is being funded via the Curriculum and Assessment BEL, will also enable us to chart a child's progress across the Foundation Phase and identify whether outcomes are being achieved.
20. To ensure the successful implementation of the LNF, additional funding has been provided in this Draft Budget to adequately resource the National Support Programme which will provide hands-on support, tailored to the needs of individual schools. Consequently, the Curriculum and Assessment budget has been increased by £3.9m in 2014-15 compared to indicative plans previously published.

Teaching and Leadership Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
19,849	20,049	(2,200)	17,849	17,849

21. The launch of a new Masters in Educational Practice (MEP) qualification from September 2012 supports our commitment to raise teaching standards and career opportunities for teachers. To date 430 newly qualified teachers (NQT) have started the programme. The recurrent reduction of £2.2m to the Teaching and Leadership Action can be achieved based on current estimates for the number of newly qualified teachers that will undertake the Masters programme. Therefore, it is not anticipated that reductions will impact on our ability to deliver this Programme for Government commitment, and we remain committed to funding every eligible NQT who wants to complete the MEP qualification.

Qualifications Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
5,045	5,045	0	5,045	5,603

22. This action funds the Welsh Baccalaureate, accreditation of qualifications and the implementation of the Review of Qualifications. Following on from the Review of Qualifications, which presented a coherent package of change required for delivering our Programme for Government commitment of simplifying the qualifications system in Wales, we are

starting to implement all of the recommendations. A project has been established to create a single body, 'Qualifications Wales', to regulate, approve and assure the quality of all qualifications available in Wales. The Review of Qualifications implementation plan has outputs, outcomes and measures of achievement for each of its 18 areas.

23. The consultation on the establishment of Qualifications Wales was launched on 1 October, and a business case is currently being developed looking at options, structures and related costs. The Qualifications budget is increasing in 2015-16 by £0.6m to contribute towards the establishment of this new body. The final level of funding required will be determined during 2014-15 and met through the re-prioritisation if required in the 2015-16 draft budget. The budget will ensure that, working with partners, we can deliver high quality, valued qualifications, which will include revised GCSEs, AS and A levels and a new more rigorous Welsh BaccaLaureate.

Post-16 Education Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
578,805	583,006	(49,101)	533,905	536,693

24. This action funds post 16 education in further education institutions, school sixth forms, work based learning, adult community learning, welsh for adults centres, further education provision in higher education institutions and related policy development. The budget decreases in net terms compared to 2013-14 by £44.9m in 2014-15 and £42.1m in 2015-16.

25. This includes reductions to the Work Based Learning budget of £7.3m in 2014-15 and £5.3m in 2015-16. The Work Ready (formally Steps to Employment) programme is likely to cease from April 2014 which is being superseded through initiatives being developed and funded through the Employment and Skills Action. The Programme for Government sets out our commitment to tackle youth unemployment and to deliver more apprenticeship opportunities for young people throughout Wales. Delivery of high quality apprenticeships is a fundamental part of our strategy to improve the skills of workers in Wales of all age. Included in Final Budget 2013-14, and maintained in this draft budget, is an additional investment of £20m for 2014-15 to support apprenticeships in Wales. We are now extending this additional investment to 2015-16.

26. The budget for Further Education provision decreases in 2014-15 from plans previously published by £42.2m. Of this reduction, £4.2m relates to the transfer to RSG for post-16 SEN provision in mainstream schools summarised in paragraph 4. We have prioritised provision for 16-18 year

olds, which will be protected. Therefore the impact of the remaining reductions will predominately be felt in post-19 provision, which is primarily delivered at Further Education Institutions and Welsh for Adults Centres. Post 19 provision accounts for approximately £160m of the total budget, therefore a £37m reduction is equivalent to a reduction in post-19 provision of 23%.

Education Structures Action (Transformation)

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
2,943	2,943	(2,693)	250	0

27. We remain committed to the Further and Higher Education change agenda. Our transformation policy has stimulated and supported our Programme for Government commitment to encourage further mergers of FE Colleges, and we have met our target of rationalising provision to 8-12 FE Institutions a year head of target. As a result, we plan to reduce the transformation budget by £2.7m compared to indicative plans already published for 2014-15 and a further £0.25m from 2015-16. Funding of £0.25m is being sustained in 2014-15 for the remaining funding support contribution for the Coleg Harlech/WEA South Merger.

Education Standards Action (School Effectiveness Grant and School Standards Support)

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
34,350	37,284	(4,523)	32,761	34,261

28. The budget decreases in net terms compared to 2013-14, by £1.8m in 2014-15 and £0.089m in 2015-16. The SEG BEL funds a number of areas in addition to SEG grant, including School Uniform Grant, Governors Wales Grant and the Lead and Emerging School Practitioner pilot. Funding for School Uniform Grant is being maintained to provide £105 per eligible pupil towards the purchase of school uniform. The budget decrease will result in a reduction to SEG grant in 2014-15 by £0.7m from its current level, but this is considered in context of the recent £4.8m increase in the total SEG grant from £24m in 2012-13 to £28.8m in 2014-15. The School Effectiveness Grant (SEG) remains one of our principal means of providing financial support for our three national priorities: improving standards in literacy, numeracy and reducing the impact of

poverty on educational attainment. The SEG funding focuses on our Programme for Government commitment to raise the amount delegated by local authorities to schools, with the minimum delegation increasing from 75% to 80% for 2014-15.

29. The Lead and Emerging Practitioner schools project, which is aimed at promoting the dissemination of best education practice in schools across Wales, is an 18 month pilot which commenced in 2013-14. Funding will allow for the continuation of planned cohort 2 of schools; however the number of schools will be reduced compared to the number of schools in cohort 1 as a result of reductions applied of £0.8m. The pilot will be subject to an independent impact evaluation which will inform future development.

Pupil Deprivation Grant Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
36,780	38,246	33,000	71,246	34,246

30. The Pupil Deprivation Grant (PDG), introduced in April 2012, is a key opportunity for schools to provide targeted support to reduce inequalities in educational attainment. The PDG for 2013-14, which is 100% delegated to schools, stands at £33.3m. This represents an increase from 2012-13 grant levels of £32.4m, following the extension of the eligibility criteria for PDG to looked after children. The Welsh Government is currently working with the four regional education consortia to make sure that the funding is utilised in the most cost effective way which provides the highest impact, based on well evidenced approaches.
31. The creation of the PDG was for a three year period until 2014-15, but funding has been extended to 2015-16 in this draft budget in recognition of the importance placed on this grant to help address the impact of deprivation on educational attainment. The PDG budget was planned to decrease by £2m in 2014-15 as the number of pupils eligible for free school meals did not increase to the extent that was anticipated last year. However as a result of the Budget Agreement, an additional £35m has been secured which will enable us to increase the targeted support per pupil in 2014-15 from £450 to £918 per pupil.

ICT & Information Management Systems Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
7,423	7,423	5,558	12,981	6,951

32. The ICT and IMS Action has increased by £5.6m in 2014-15, to fund the revenue element to support the £39m total investment in faster broadband services in schools, announced in January 2013. This investment, which also includes £27m of targeted capital funding for the Learning in Digital Wales Grant, will provide installation of higher speed broadband to all schools in Wales to sufficient capacity for the size of the school to effectively use digital learning in the classroom and by individual learners to have access to a 21st century learning environment. This investment will allow learners to access the full functionality of Hwb (which is also funded from this Action at £2.5m) and therefore deliver our Programme for Government commitment to build foundations for an all Wales virtual learning environment (VLE), enabling every school in the country to access on line learning resources. By July 2014, all schools in Wales will have an opportunity to use a centrally-funded national learning platform.

Wellbeing of Children and Young People Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
22,848	47,423	(24,940)	22,483	22,733

33. The budget decreases in net terms by £24.9m in 2014-15 compared to previous plans published. The transfer of responsibility for the funding of post-16 special school and SEN out of county placements to local authorities has seen funding totalling £24.4m transferred to the Revenue Support Grant (RSG) within Local Government MEG recurrently. The remaining reduction in 2014-15 of £0.5m has been identified from the Additional Learning Needs BEL for the National Support Programme which will ensure that teachers become better equipped to meet the needs of some of the most vulnerable learners in their teaching of literacy and numeracy.

34. Funding for School Milk is being maintained at £3m within the Food and Drink BEL, as part of our Programme for Government commitment to continue our free breakfast and free school milk programmes for young people up the age of seven. School breakfast funding of £14.7m

transferred from Education and Skills MEG to RSG in last year's draft budget.

Pupil Engagement Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
12,758	12,758	(500)	12,258	12,758

35. Funding for Gypsy and Traveller's children, who have been identified as having the lowest attainment of any pupil group and the group most at risk of disengagement from school, is being maintained for 2014-15 and 2015-16. The grant has been increased by 22% over the last three years from £0.9m in 2011-12 to its current level of £1.1m.

36. Our funding to support ethnic minority children, who are learning English as an additional language and who may be under achieving, has been returned to the 2012-13 level of £10m for 2014-15. Funding will return to its current level of £10.5m in 2015-16 to take account of the expected increased demand on this budget when access limitations cease for Romanians and Bulgarians. Active steps are being taken to ensure MEAG is outcome focussed and represents value for money. A 'Strengthening MEAG Governance' project is underway which aims to improve governance and ensure that funding is directed towards activities that have the maximum impact in improving educational achievement for minority ethnic pupils.

Welsh in Education Action

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
16,212	16,212	(750)	15,462	14,462

37. The budget decreases in net terms compared to 2013-14 by £0.75m in 2014-15. The reductions will be achieved through a reduction in the number of practitioners trained through the Sabbatical Scheme, together with reductions in the number of Welsh-medium training resources commissioned and 14-19 forums. The funding for Welsh in Education Grant (WEG) to local authorities is being maintained. Activity within this Action contributes towards Programme for Government commitments, specifically to deliver the Welsh-medium Education Strategy and to seek to increase the number of people seeking and using Welsh in our

education system. There remains a focus on delivery of Programme for Government commitments by prioritising resources and targeting activity to those actions where the greatest outcomes can be achieved.

Estate and IT Provision Action

Budget	2013-14	2014-15	2014-15	2014-15	2015-16
	Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
	£000	£000	£000	£000	£000
Capital	202,134	153,834	0	153,834	143,834
Revenue	0	0	1,750	1,750	4,000
Total	202,134	153,834	1,750	155,584	147,834

38. There are no changes proposed to the capital budget from the plans previously published for 2014-15, which includes the additional £10m outlined in paragraph 5. The transition phases to the 21st Century Schools programme are now coming to an end and the first wave of investment, which amounts to some £1.4bn will commence, in the main, from 2014-15. The 21st Century Schools programme is contributing towards our delivery of the Programme for Government commitment to fund high quality buildings and ensure state of the art ICT provision. All projects are currently assessed in line with the HM Treasury 5 case business model, to ensure outcomes are monitored and value for money is achieved. In addition to investment in schools, we are also developing forward investment programmes for both the Further and Higher Education sectors.

39. The extension of the Local Government Borrowing Initiative (LGBI) to the 21st Century Schools programme will seek to accelerate the delivery of the programme, by bringing forward approximately £180m of investment, with the aim of delivering the 21st century schools programme in 2018-19, two years ahead of schedule. We are investing additional revenue of £1.75m in 2014-15 and £4.0m in 2015-16 to support this initiative. This additional revenue stream will address the affordability of the 21st Century Schools programme by local authorities, and represents a long term commitment to local authorities.

Legislation Priorities

40. This budget takes account of the Welsh Government's current legislative programme, which comprises a number of Bills which fall within the Education and Skills portfolio. An update on our legislative programme relevant to the remit of this committee is provided below.

41. The **School Standards and Organisation (Wales) Act** received Royal Assent on 4 March 2013. The Act legislates in a number of areas that

will help to sharpen the accountability of schools by bringing together, updating and tightening standards and management.

42. As part of the implementation and to streamline current processes, last year's Draft Budget has already seen ring-fenced grants totalling £21.8m for the provision of primary free school breakfasts and school based counselling transfer to the Revenue Support Grant from 2013-14 onwards.
43. The Act will reform the statutory process for school organisation so that decisions are taken at the local level wherever possible. The operation of local determination panels may result in some modest extra costs to local authorities, however they will not be a mandatory element and the onus will be placed on local authorities to determine whether they should put in place a panel to determine these matters. However, it is expected that the costs associated with the operation of panels will be outweighed by efficiency savings resulting from a more streamlined process.
44. Under the Act, local authorities will be accountable for planning Welsh-medium provision by the placing of Welsh in Education Strategic Plans on a statutory basis from April 2014. Funding is already being provided via the Welsh in Education Grant (£5.63m at current levels) within the Welsh in Education Action to support local authorities in the production of their plans. All local authorities have submitted their revised Welsh in Education Strategic Plans which are monitored and outputs reported in an Annual Report.
45. The schools causing concern guidance is due to be published later this year and administrative costs associated with the production are being met from existing delegated running costs budgets within the department.
46. The **Education (Wales) Bill** was laid before the Assembly on 1 July 2013. The Bill will introduce: a new registration system for the wider education workforce; reform of the process for registration and approval of independent schools in respect of special educational needs (SEN); provide for better transition for SEN learners from school into further education by placing a responsibility for assessing the needs of, and securing specialist post-16 educational with the local authority; and to provide for better consistency in school term dates by changing the way they are set so that they may be harmonised across all maintained schools in Wales.
47. Through registration of the wider education workforce, we will build on the experience of the existing General Teaching Council for Wales (GTCW), to create a reformed body (the Education Workforce Council) from April 2015 to support the wider education workforce in Wales. This will continue to be a self financing body. If fees and subsidies remained at current levels then early estimates are of an additional cost of £1m, therefore a robust economic fee model is currently being developed for formal consultation in early 2014. A small sum, estimated at £0.1m, will

also be required for the advisory committee and associated costs of any legal advice to set up the new body. It is anticipated therefore that all costs will be met from the Council fee generation or the current Teaching and Leadership Action in 2014-15 and 2015-16.

48. The transfer of functions for post 16 learners with learning difficulties to local authorities will remove the current need to apply for funding to the Welsh Government and should speed up decision making. Its core objective is to bring about a less complex and bureaucratic system that better meets and protects the needs of learners whilst delivering value for money. A transfer of funding to RSG from the Specialist Placements and Students with Learning Difficulties BEL within the Wellbeing of Children and Young People Action will take place to coincide with the introduction of new duties on local authorities. Detailed discussions to agree the quantum and formula for distributing the funding to RSG, which will consider both historic and planned levels of activity, will take place in January 2014.
49. The final element of the Bill is the standardisation of school term dates, which has an estimated minimal staff cost impact of £0.031m over two years which will be met from the DfES running costs budget.
50. The **Further and Higher Education (Governance and Information) Bill** was introduced in April 2013. The provisions within the Bill transfer certain powers from the Welsh Ministers to individual Further Education Corporations (FECs) and remove a number of existing powers that the Welsh Ministers exercise over FECs. The proposed changes are being sought to enable the Office for National Statistics (ONS) to reclassify colleges as non profit institutions serving households (NPISH). This follows the decision by the ONS in October 2010 to classify FECs as part of central government for the purpose of National Accounts.
51. Subject to Royal Assent, the policy intention is to update the FE Guide for Governors, which was published in 2001 by the Further Education Funding Council for Wales (FEFCW). The document will provide guidance to FE corporations on their new responsibilities. Costs incurred by the Welsh Government in relation to FE Governance will be met from within the existing Further Education Policy Development budget within the Post-16 Education Action. The Bill is estimated to have financial implications of £0.077m per annum.
52. The Learning and Skills Wales (Measure) 2009 received Royal Assent in May 2009. This Measure was to make provision for the entitlement to education of children in the last two years of compulsory schooling and young persons who have not attained the age of nineteen; to make provision by maintained schools and institutions within the further education sector of services related to education; to make provision for the disclosure of curriculum information; and for connected purposes.
53. There is no direct impact on the portfolio as a result of the Learning and Skills Wales (Measure) 2009. The development and implementation of

the Youth Engagement and Progression Framework will strengthen the provision in the 2009 Measure. The educational landscape in Wales has evolved since the introduction of the Measure in 2009. As the 14-19 Learning Pathways have matured the level of direct grant support to implement the policy and secure wider choice has reduced. Currently all schools and FE colleges are meeting the requirements of the Measure.

54. We are also involved in monitoring a number of UK Bills, which as a Department we have a specific interest in. These include; the Deregulation Bill; Education (Information Sharing) Bill; Consumer Rights Bill; Anti-Social behaviour, Crime and Policing Bill; and the Children and Families Bill. We will continue to work with Whitehall to understand the implications to the Department, including the full budgetary impact, if any. However, at this stage, it is anticipated that any additional costs if there are any will be minimal and can met from within the MEG if necessary.

Preventative Spending

55. Within the Education and Skills portfolio we are putting significant resources into areas of preventative spend, such as Foundation Phase, Pupil Deprivation Grant and School Effectiveness Grant in order to raise standards of literacy and numeracy and reduce the impact of deprivation on attainment. These early intervention programmes will impact a child early in their learning and give them solid foundations for their on going education which in turn increase their chances in the labour market.

56. The Early Years and Childcare Plan launched in July 2013, recognises that investing in the early years through education has a significant influence on a child's development. There is widespread agreement that early childhood experiences are crucially important for children's long term development and their achievements later in life. Reducing the inequality of educational outcomes between different groups is one of the main objectives we need to achieve in order, in the medium to long term, to lift children and young people out of poverty, reduce the likelihood of them becoming not in employment, education or training (NEET) or entering the criminal justice system and to give them the best opportunity to have improved health and life outcomes.

57. The Foundation Phase budget of £99.8m is considered to be preventative. By providing a statutory curriculum for all children aged 3 to 7 year olds, it is directed to ensure that children have the best possible start in life enabling them to achieve their full potential and take their full place in society. The Foundation Phase encourages children to become self-reliant, enjoy challenge and acquire positive attitudes to learning. It is about developing children's aspirations, motivation and socialisation. The Programme for Government Annual Report published in June 2013 confirmed that over 80% of pupils achieved outcome 5 or more in the mandatory areas of learning, the headline measure of performance at the end of the Foundation Phase. This indicator will become more useful over time as more data becomes available and progress can be tracked.

58. The Foundation Phase is currently going through a longitudinal evaluation which will focus on value for money. In addition, the stocktake being undertaken concurrently will identify best practice across the whole of the Foundation Phase which will help to inform and strengthen practice across all settings and schools.
59. Within the Literacy and Numeracy Action of £7m for 2014-15, funding provided for the national reading and numeracy tests is expressly intended to inform and support preventative actions and early interventions around learners' literacy and numeracy. The tests provide a nationally consistent and objective measure of learner's progression in developing their literacy and numeracy skills. As these are key skills for life, and the lack of sufficient skills is a barrier to children reaching their full potential, all of the expenditure on tests is in itself preventative. The provision of funding on the National Support Programme of £5.8m in 2014-15, which is funded from the Curriculum Action, will also support schools to increase literacy and numeracy attainment at an early stage, thus preventing the need for intervention programmes.
60. Similarly the SEG budget, totalling £28m within the Education Standards Action, is considered to be preventative spend. The SEG supports our key priorities of improving literacy and numeracy and focuses on breaking the link between deprivation and lower levels of educational outcomes. Approximately 20% of the distribution formula for the SEG grant is based on actual numbers of pupils aged 5-15 in each local authority eligible for free school meals, thereby seeking to address the impact poverty has on educational attainment.
61. The PDG, is a key intervention in preventing poverty, and provides funding directly to schools to invest in effective ways of tackling the impact of poverty on children's attainment. By extending the funding for PDG in this draft budget until 2015-16, together with the additional £35m in 2014-15, we are focussing on achieving key targets set out in the Tackling Poverty Action Plan including that of improving the overall attainment levels of students eligible for free school meals.
62. Our grants totalling £11.1m in 2014-15, to support the education of Gypsy and Traveller children and ethnic minority children is directly allocated to preventative spending measures, particularly as this group are at a higher risk of being in poverty.
63. Our spend on the 21st Century Schools programme, which includes investment of nearly £1.4 billion, is seen as preventative with investment targeted towards those schools that are in the poorest condition and being used inefficiently. Funding for replacement and or refurbishment will in the long run reduce backlog maintenance costs, future maintenance and revenue running costs through rationalisation of the school estate. Projects require full business case approval evidencing value for money which are assessed along with financial appraisals over the lifetime of the building.

64. The Youth Engagement and Progression Framework, funded from the Youth Engagement and Employment Action, is built around the needs of young people and the accountability of different agencies, thereby strengthening and delivering better outcomes for young people.

Wales Audit Office report – Educational attainment of looked after children

65. As part of Programme for Government, we have a commitment to help everyone reach their potential, reduce inequality and improve economic and social well-being. This includes improving arrangements for looked after children so they have more stable lives. The educational attainment of looked after children is significantly lower when compared to the rest of the school population but stronger when compared to all other 'children in need'.

66. The Welsh Government already has in place programmes and legislation aimed at improving the educational outcomes for looked after children. These include 'catch-up support', the requirement to have a designated person in schools for looked after children and Higher Education Bursaries for care leavers. However, progress to date has been slow and we recognise that more needs to be done if inequality is to be redressed, and this includes strengthening strategic links both internally and externally with our partners.

67. The Wales Audit Office (WAO) report published in August 2012 concluded that we should set clear targets for improving education attainment for looked after children; strengthen the strategic framework; and improve potential data weaknesses to take account of the use and analysis of evidence. Improving educational outcomes for looked after children is a priority for the Welsh Government. Officials are currently considering the WAO recommendations alongside other evidence and strategies including our Improving Schools Plan to see how we can positively impact on the educational outcomes for this group.

68. The 'Improving Schools' plan published in October 2012 made a commitment to work with Health and Social Services colleagues to develop a framework to ensure a coherent and strategic approach to improving the educational outcomes for looked after children.

69. A Looked after Children (LAC) in Education Plan is currently being developed in full consultation with stakeholders – statutory and voluntary sector partners including looked after children and care leavers, and is scheduled to be published in September 2014. This will set out key actions for the short, medium and long term and will be the main delivery vehicle for taking forward the commitment to improve our educational outcomes for looked after children.

70. The current year's budget allocations reflect steps taken to improve the support available for looked after children. Within Draft Budget 2013-14,

funding for the Pupil Deprivation Grant (PDG) Action was increased from 2012-13 levels by £4.4m to £36.8m in 2013-14, which enabled the grant to be extended to provide support for looked after children. As a result, in 2013-14 there is approximately £1.67m support within the PDG to raise educational attainment of looked after children. The LAC element of the PDG is allocated to each school on the same basis as for free school meals, at £450 per looked after child, but for children aged 4-15 based on Social Services SSDD data from the previous year. The PDG, including LAC element must be 100% delegated to schools. Activities to support looked after children are also eligible under the SEG, which increased to £28.829m in 2013-14. Consequently, LAC activities undertaken under both funding streams should complement each other. For example, in their spending plans for 2013-14, the North Wales Consortium have identified an additional £0.172m from their SEG allocation to support looked after children.

71. Within Draft Budget 2014-15, we have extended funding into 2015-16 for PDG. As a result of the Budget Agreement, additional funding of £35m in 2014-15 will allow funding for PDG to rise from £450 to £918 per eligible pupil, including looked after children. Schools must be able to demonstrate the gap in attainment between LAC and all pupils has decreased over the initial 3 year period of the PDG (2012-13 to 2014-15). The evaluative reports from consortia will include an analysis of how expenditure has impacted on educational outcomes.

Summary

72. The Education and Skills Draft Budget for 2014-15 is presented to the committee for consideration.

EDUCATION AND SKILLS MAIN EXPENDITURE GROUP (MEG)								
REVENUE BUDGET - Departmental Expenditure Limit								
SPA	Actions	Budget Expenditure Line (BEL)	2013-14 Supplementary Budget June 2013 £000	2014-15 Indicative Plans Final Budget (Restated) £000	2014-15 Changes £000	2014-15 New Plans Draft Budget £000	2015-16 New Plans Draft Budget £000	
Education & Training Standards	Literacy & Numeracy	Literacy & Numeracy	7,512	7,512	-476	7,036	6,197	
		ACTION Total	7,512	7,512	-476	7,036	6,197	
	Curriculum	14-19 Learning in Wales		15,759	15,759	-5,518	10,241	8,000
		Foundation Phase		101,051	101,051	-1,300	99,751	99,751
		Curriculum & Assessment		8,250	8,250	3,925	12,175	8,305
			ACTION Total	125,060	125,060	-2,893	122,167	116,056
	Teaching & Leadership	Teacher Development and Support		19,849	20,049	-2,200	17,849	17,849
		ACTION Total	19,849	20,049	-2,200	17,849	17,849	
	Qualifications	Qualifications inc Welsh Bacc		5,045	5,045	0	5,045	5,603
		ACTION Total	5,045	5,045	0	5,045	5,603	
	Post- 16 Education	Further Education Provision		451,531	455,732	-42,201	413,531	414,319
		Work Based Learning		126,608	126,608	-7,300	119,308	121,308
		FE Policy Development		666	666	400	1,066	1,066
			ACTION Total	578,805	583,006	-49,101	533,905	536,693
	Higher Education	HEFCW-Running Costs		2,768	2,768	0	2,768	2,768
		Higher Education Revenue		350,832	351,032	-20,859	330,173	330,173
		Higher Education Receipts		-2,798	-2,798	0	-2,798	-2,798
		For Our Future - Coleg Ffederal & UHOVI		31,400	31,400	904	32,304	30,498
		HEFCW Depreciation		82	82	0	82	82
			ACTION Total	382,284	382,484	-19,955	362,529	360,723
	Education Structures	Transformation		2,943	2,943	-2,693	250	0
		ACTION Total	2,943	2,943	-2,693	250	0	
	Education Standards	School Effectiveness Grant		32,101	35,035	-4,468	30,567	32,067
		School Standards Support		2,249	2,249	-55	2,194	2,194
			ACTION Total	34,350	37,284	-4,523	32,761	34,261
	Pupil Deprivation Grant	Pupil Deprivation Grant		36,780	38,246	33,000	71,246	34,246
		ACTION Total	36,780	38,246	33,000	71,246	34,246	
	ICT & Information Management Systems	ICT & IMS Programme		7,423	7,423	5,558	12,981	6,951
		ACTION Total	7,423	7,423	5,558	12,981	6,951	
	Estate & IT Provision	Strategic Investment		0	0	1,750	1,750	4,000
		ACTION Total	0	0	1,750	1,750	4,000	
		SPA Total		1,200,051	1,209,052	-41,533	1,167,519	1,122,579

SPA	Actions	Budget Expenditure Line (BEL)	2013-14	2014-15	2014-15	2014-15	2015-16
			Supplementary Budget June 2013 £000	Indicative Plans Final Budget (Restated) £000	Changes £000	New Plans Draft Budget £000	New Plans Draft Budget £000
Skilled Workforce	Employment & Skills	Employment & Skills	25,157	26,512	-6,715	19,797	24,157
		ACTION Total	25,157	26,512	-6,715	19,797	24,157
	Youth Engagement & Employment	Youth Engagement & Employment	19,746	19,746	-1,000	18,746	19,746
		ACTION Total	19,746	19,746	-1,000	18,746	19,746
	Educational & Careers Choice	Careers Wales	30,000	30,000	500	30,500	27,000
	ACTION Total	30,000	30,000	500	30,500	27,000	
		SPA Total	74,903	76,258	-7,215	69,043	70,903
Improving Wellbeing, Reducing Inequality & Increasing Participation	Wellbeing of Children & Young People	Spec. Placements/Students with Learning Difficulties FEIs	16,002	16,002	0	16,002	16,002
		School Based Counselling	500	500	0	500	500
		Food & Drink in Schools	3,050	3,185	0	3,185	3,185
		Additional Learning Needs	3,296	3,296	-500	2,796	3,046
		Post 16 Inclusion & Supp for Learning SEN	0	24,440	-24,440	0	0
		ACTION Total	22,848	47,423	-24,940	22,483	22,733
	Post-16 Learner Support	Assembly Learning Grant	198,232	198,232	-1,699	196,533	186,870
		SLC/HMRC Administration Costs	7,338	7,338	0	7,338	5,838
		Maintenance Loans Res Budget Prov	103,949	106,849	0	106,849	106,849
		Targeted Awards	9,454	9,454	-78	9,376	9,004
		ACTION Total	318,973	321,873	-1,777	320,096	308,561
	Pupil Engagement	Tackling Disaffection	1,158	1,158	0	1,158	1,158
		Grants for the education of travellers children	1,100	1,100	0	1,100	1,100
		Minority Ethnic Achievement Grant	10,500	10,500	-500	10,000	10,500
		ACTION Total	12,758	12,758	-500	12,258	12,758
	SPA Total	354,579	382,054	-27,217	354,837	344,052	
Welsh Language	Welsh in Education	Welsh Language Development Unit	16,212	16,212	-750	15,462	14,462
		ACTION Total	16,212	16,212	-750	15,462	14,462
	Welsh Language	Welsh Language	8,864	8,864	50	8,914	9,049
	ACTION Total	8,864	8,864	50	8,914	9,049	
	SPA Total	25,076	25,076	-700	24,376	23,511	
Delivery Support	Delivery Support	Strategic Communications	1,483	1,483	0	1,483	1,483
		Education Research & Services	2,566	2,566	-900	1,666	1,566
		ACTION Total	4,049	4,049	-900	3,149	3,049
	SPA Total	4,049	4,049	-900	3,149	3,049	
Education & Skills Revenue (including non-cash) DEL			1,658,658	1,696,489	-77,565	1,618,924	1,564,094

SPA	Actions	Budget Expenditure Line (BEL)	2013-14 Supplementary Budget June 2013 £000	2014-15 Indicative Plans Final Budget (Restated) £000	2014-15 Changes £000	2014-15 New Plans Draft Budget £000	2015-16 New Plans Draft Budget £000
CAPITAL BUDGET - Departmental Expenditure Limit							
Education & Training Standards	Estate & IT Provision	General Support	43,021	43,021	0	43,021	43,021
		Strategic Investment	159,113	110,813	0	110,813	100,813
		ACTION TOTAL	202,134	153,834	0	153,834	143,834
		SPA Total	202,134	153,834	0	153,834	143,834
Education & Skills Capital DEL			202,134	153,834	0	153,834	143,834

REVENUE & CAPITAL BUDGET - Annually Managed Expenditure							
Economic & Social Wellbeing & Reducing Inequality	Post-16 Learner Support	Student Loans Capital AME	264,130	285,702	30,936	316,638	361,489
		Student Loans Revenue AME	-87,261	-102,553	-6,001	-108,554	-129,627
		ACTION Total	176,869	183,149	24,935	208,084	231,862
		SPA Total	176,869	183,149	24,935	208,084	231,862
Skilled Workforce	Educational & Careers Choice	Careers Wales	0	0	6,000	6,000	6,000
		ACTION Total	0	0	6,000	6,000	6,000
		SPA Total	0	0	6,000	6,000	6,000
Education & Skills AME			176,869	183,149	30,935	214,084	237,862

Education & Skills MEG - SUMMARY						
Revenue DEL		1,658,658	1,696,489	-77,565	1,618,924	1,564,094
Capital DEL		202,134	153,834	0	153,834	143,834
Total DEL		1,860,792	1,850,323	-77,565	1,772,758	1,707,928
Annually Managed Expenditure		176,869	183,149	30,935	214,084	237,862
Education & Skills		2,037,661	2,033,472	-46,630	1,986,842	1,945,790

Resource tables = The baseline used for Resource DEL in 2014-15 is as at Final Budget 2013-14, restated to reflect Ministerial portfolio changes as announced by the First Minister in March and adjusted to reflect recurrent baseline adjustments included in the First Supplementary Budget 2013-14. These baseline adjustments are set out in Annex D of the Draft Budget narrative.

Capital tables = The baseline used for Capital DEL in 2014-15 is as at Final Budget 2013-14, restated to reflect Ministerial portfolio changes as announced by the First Minister in March.

Paper 3

National Assembly for Wales

Children and Young People Committee

Scrutiny of Draft Budget

Purpose

To provide an evidence paper on the budgets and priorities of the Health and, Social Services Main Expenditure Group (MEG) within the remit of the Children and Young People Committee (CYP).

Introduction

The Draft Budget was published on the 8 October 2013. This paper provides information for the Children and Young People Committee (CYP) on the future budget proposals for 2014-15 and 2015-16.

Children's and young person's expenditure occurs across a range of budgets. There are two specific Actions made up of three BELs within the Health and Social Services (HSS) MEG that cover Children's Services these are:

Action: Children's Social Services (CSS)

- Grants in Support of Child and Family Services.
- Services for Children

Action: CAF/CASS CYMRU Programmes

- CAF/CASS Cymru.

Budget Overview – Changes since Final Budget 2012

The table below shows the budgets for these two Actions/BELs as at Draft Budget. Details of individual transfers at Action level are shown in Annex A to this paper.

Revenue	2014-15	2015-16
	£m	£m
Children's Social Services		
Grants in Support of Child & Family Services- Baseline	4.5	4.5
No Change	-	-
Services for Children – Baseline	5.8	5.8
No Change		
Total Children's Social Services Action	10.3	10.3
CAF/CASS Cymru Programmes		
CAF/CASS Cymru – Baseline	10.2	10.2
No Change		

Total CAFCASS Cymru Programmes Action	10.2	10.2
Total Budget	20.5	20.5

In addition to this, Local Authorities receive funding in their revenue settlement to deliver on their children and family services.

NHS service provision in relation to children, children's medical conditions and general health of children are funded primarily through the annual revenue allocations to Health Boards. It is for Health Boards to determine the use of this funding across all their areas of responsibility to meet the health needs of their local population.

Areas of Interest as detailed in the Letter from the Committee Chair

Health Spend

As my predecessor explained to the Committee during the scrutiny of the 2012-13 Draft Budget, it is for Local Health Boards to determine the amount of their discretionary funding they should spend on services for children and young people. They will make that judgement based on the detailed needs of their local population, and it would be in appropriate for the Welsh Government to set a budget that Boards must spend on services for children and young people. This expenditure is met from Local Health Board revenue allocations, funded from the Delivery of Core NHS Services Action.

My predecessor wrote to the former chair of this Committee in December 2012 providing information on the identified NHS expenditure on services for children and young people. In the letter, she stated that spending on these services in 2010-11 was £208 million, an increase of 3% on 2009-10. In reviewing the equivalent expenditure for 2011-12, the most recent year for which information is available, it was noted that the 2010-11 total omitted to include expenditure on community paediatric medical services. The revised total for 2010-11 is therefore £225 million. The equivalent expenditure total for £2011-12 is £215 million, a reduction of £10 million on the previous year's total.

This expenditure analysis reflects the outturn of treatment decisions taken across the NHS on a daily basis, and it is therefore not possible to point to any single factor causing this reduction. The 2012-13 expenditure analysis will be available later in the autumn which will provide further trend analysis, and this will be brought to the Committee's attention when it becomes available.

Social Services Spend

The Children's Social Services Action has £10.3m allocated to it for 2014-15. The main areas of spend within the Action are:

- Family Fund Trust - £2.6m
- Looked after Children Transition Grant - £0.6m
- Children & Families Organisation Grant - £1.3m
- Integrated Family Support Services - £4.5m

- Safeguarding - £0.7m

Much of the Department's work impacts directly on the outcomes for children and young people and this is particularly relevant in policy areas relating to Looked after Children, Adoption, Fostering and Safeguarding.

However, our social services policy, set out in Sustainable Social Services, is to consider children and young people in the context of their families and communities. This means that many of our interventions, such as Integrated Family Support Service (IFSS) provide services within this policy context. Therefore there are budget areas within other Actions which will influence the social care and support of children but they cannot be split out to separately identify those elements relating to children.

Transfer of Functions

The restructuring of the portfolios across the Welsh Government meant responsibility for Children and Young People moved to the Minister for Communities and Tackling Poverty. This incorporated a number of key policy and funding areas including Flying Start, Families First, Childcare, Play, Children's Rights and the Children's Commissioner.

Almost all of these budgets were clearly demarcated and moved across the portfolios without any concern. The only area to require further discussion was the Children and Families Organisational Grant scheme which has budget provision within both MEGs. Arrangements have been put in place to ensure synergy across the newly created schemes. The social services budget has not been impacted by the transfer across portfolios and remains unchanged.

The delivery of outcomes for children and young people within social services is not solely dependent on the investment within the HSS budget. Significant dependencies lie across portfolios, including Communities and Tackling Poverty and Local Government, through the Revenue Support Grant.

Programme for Government Commitments

Designed to Smile

Our 'Designed to Smile' programme will see a continued investment of **£3.7m** in 2014-15. This funding is within the recurrent ring fenced dental allocation in the Delivery of Core NHS Services Action. The programme is operating in deprived areas across the whole of Wales. The programme currently involves 1,211 nurseries and schools across Wales. In total, 78,350 children participate in the daily brushing programme (43.2% of all children from nursery to Year 2 in Wales). The 2011/12 dental survey of 5 year old children shows a 6% decrease in the proportion of children with experience of dental decay in Wales (47.6% in 2007/08 falling to 41.4%). Dental disease levels in children are improving in Wales across all social groups. There is no evidence of widening inequalities. This is in contrast with previous surveys when improved decay levels were associated with widening inequality.

Childhood Obesity

The All Wales Obesity Pathway sets out a tiered approach for the prevention and treatment of obesity, from community-based prevention and early intervention to specialist medical and surgical services.

To support the Pathway a number of national initiatives are in place to encourage and support children and young people to eat a healthy balanced diet and be more physical active. This includes programmes such as:

- **Change4Life** with a budget of **£0.3m** in 2014-15.

Also within the total core allocation of **£80.4m** to Public Health Wales are the following programmes for which no specific budget is available. PHW funding is not ring-fenced, allowing the organisation flexibility to allocate resources according to need

- **Children's Weight Management Referral Programme**
- **National Breastfeeding Programme**

Improved Health Outcomes

We are committed to tackling inequities in health in Wales and recognise the serious impact of inequities on children and young people. This has been set out in **Together for Health** and in **Fairer Health Outcomes for All (FHOFA)**, Wales's national strategic action plan to reduce inequities in health.

There is no stand-alone budget for the implementation of FHOFA. Instead implementation is mainstreamed across different programmes and budgets, particular those addressing the determinants of health, and is also taken forward in ways other than through direct funding, such as through the provision of guidance.

Inequalities in health are monitored and reported on by the Welsh Government and Public Health Wales who are also developing a new set of indicators for FHOFA. Individual programmes also undergo evaluation. For example, as part of the evaluation of Fresh Start Wales, we will be publishing later in the year a report on public attitudes to smoking in cars. This, along with studies on primary and secondary school aged children's exposure to second-hand smoking in cars, will be used to assess the success of the Fresh Start Wales campaign.

Social Services

In terms of Social Services, the budget and other resources have been fully re-orientated to deliver our Programme for Government commitments. This means that the current budget reflects the cost of delivering the Programme for Government.

Our policy, set out in Sustainable Social Services, is to consider children and young people in the context of their families and communities. This means that many of our interventions, such as the Integrated Family Support Service (IFSS), provide services within this framework.

The delivery of social services Programme for Government commitments is monitored through the strategic five-year approach, the Sustainable Social Services Programme. This cross-cutting Programme and Project Management approach incorporates all of our Programme for Government commitments and a monthly report is provided to the Deputy Minister and Minister regarding progress. Alongside this approach, an annual report on the outcomes associated with the Programme for Government is produced for the Department.

Some of the Welsh Government's specific commitments in social services that impact directly on children and their families are delivered with dedicated funding through the MEG. This includes **£5.6m** within the Services for Children Action which provides specific budgetary support for PfG commitments in the areas of a **National Adoption Service, Safeguarding and Integrated Family Support Services**.

Equality Impact Assessments

In setting the budgets for 2014-15, consideration of equality impacts has been given to all of the protected groups in Wales throughout and has assisted in our decision making process. Through its internal business planning process the Department for Health & Social Services ensures that our priorities – as set out in the Programme for Government– can be delivered effectively and within budget.

The link between spend and the outcomes associated with our PfG commitments is reported upon annually through the Programme for Government Annual Report each spring.

Provision for Legislation

Social Services and Well-being (Wales) Bill is currently undergoing scrutiny by the National Assembly for Wales. As set out in the Regulatory Impact Assessment, the system wide impact of the Bill is expected to be cost neutral over the long term and when taking into consideration anticipated benefits. However, some areas of one off transitional costs have been identified and these include training, dissemination of information and costs to the Welsh Government of implementing the changes. **£2.1m** has been provided to support the transformation costs associated with Sustainable Social Services, which will include support to enable local and regional delivery of the transition arrangements.

National Adoption Service

In 2013-14 provision of:

£0.050 m has been provided to the Association of Directors of Social Services Cymru (ADSSC) to procure resource to facilitate a project looking into the governance arrangements and business modelling of the National Adoption Service.

£0.070m has been awarded from the Social Services for Children budget for the development of a National Standardised Performance Framework for the National Adoption Service.

An additional **£0.100 m** has been identified within the Social Services for Children Action to undertake a procurement exercise for the development of a National Adoption Register for Wales..

This level of spend will be maintained in 2014-15.

UK legislation in the HSS portfolio area

DHSS Policy Officials monitor UK legislation and are engaged with Whitehall colleagues on the 6 UK Bills before Parliament, 3 UK Draft Bills, and 16 Private Member Bills that are considered to have possible policy implications for Health and Social Services in Wales – these include:

- the Care Bill,
- Children and Families Bill,
- Prisons (Drug Testing) Bill and
- Bills relating to driving under the influence of drink or drugs.

Until the final Bill provisions affecting Wales are known it is not possible to identify firm financial implications. The key aim of Policy Officials is to ensure that Wales and the Welsh Ministers are not adversely affected by any UK legislation and that opportunities for any legislation for Wales are taken.

Implementation of the recommendations arising from the Family Justice Review are taking place through both legislative reform and operational practice. The Plenary debate on the legislative consent motion on the Children and Families Bill on 16 April 2013 confirmed there were no anticipated financial implications for the Welsh Government associated with the provisions.

In respect of operational practice, including local authority and CAF/CASS Cymru responsibilities, the Deputy Minister for Social Services has established the Family Justice Network which brings together key players within the family justice system to deliver improvement of services and outcomes for children and families in Wales, and complements the Family Justice Board for England and Wales.

This includes continued scrutiny of any additional resource implications arising from the reform programme.

Preventative Spending

Together for Health, the 5 year vision for the NHS in Wales, set out a renewed focus on children having a good start in life – ‘the NHS will play its full part in supporting a good start in life, the vital basis for lifelong good health, from action before birth through to supporting healthy schools and school nurse initiatives’. This built on Our Healthy Future, Wales’ public health strategic framework, which recognised that the foundations of good

health are laid during pregnancy and infancy and built upon in the school-age years.

In line with this strategic approach, we have established a comprehensive set of interlocking initiatives aimed at promoting and protecting children and young people's health and wellbeing. These initiatives are subject to constant refinement and retuning as needs, opportunities and behaviour change. This is evidenced by the review of health improvement programmes conducted by Public Health Wales which included initiatives targeted at children and young people, such as the Welsh Network of Healthy School Schemes.

Our children and young people's initiatives also contribute to broader Welsh Government agendas, in particular on tackling poverty (including action to reduce teenage pregnancy) and targeting the early years (including breast feeding and immunisation programmes).

Public Health Wales core allocation in 2014-15 will be **£80.5m** from which to deliver a range of public health services that cover health improvement and protection, public health intelligence and research, and national population screening programmes.

In addition to the work being led by Public Health Wales, there is a wide range of local action addressing children and young people's health under the leadership of Directors of Public Health and their partners.

Some limited examples of retuning existing and new initiatives to improve children and young people's health and wellbeing include:

Screening programmes are important public health initiatives as they allow for the early detection and treatment of potential health problems. Key highlights for children and young people include:

- In June 2013 parents of newborns were offered screening for Sickle Cell Disorders for the first time as part of the Newborn Bloodspot Screening programme.
- The newborn hearing screening programme continues to achieve an excellent level of service. At the end of 2012/13, 99.6% eligible babies entered the programme and 100% completed it.

Breastfeeding rates have risen in Wales since 2005 from 67% to 71% in 2010. Increases in prevalence were also seen with the proportion of mothers exclusively breast feeding, though much improvement is still needed in continuing to breast feed with rates of 17% at 6 weeks. The National Breastfeeding Programme is addressing these rates with a programme of activities which incorporate work within the NHS, communities, schools and the voluntary sector.

Measles – The recent outbreak in Wales has refocused attention on this issue. There has been a significant reversal of the lower than optimal immunisation levels of recent years. The simple, cost effective intervention of immunisation protects children and adults from a number of significant illnesses, including protection for those in the community who cannot be immunised. For example, the level should be that at least 95 per cent of children receive two doses of the MMR vaccine. The latest figures for Wales indicate that the annual uptake of all routine immunisations in one-year-old children exceeded the 95 per cent target in all local authorities in Wales and there were similar successes in older groups.

Healthy Schools and Colleges - The Welsh Network of Healthy School Schemes (WNHSS) supports schools to consider a whole school approach to 7 health topics.

Indicators for the WNHSS National Quality Award (NQA), in which schools are independently assessed after 9 years involvement, were issued in 2010. Currently nearly 3% of schools across Wales have achieved the NQA award. There is a national target to have 10% of all maintained schools in Wales achieving an NQA award by 2015, rising to 20% by 2020.

A Task and Finish Group is currently finalising criteria for Healthy Further Education and Higher Education. It is expected that this will be launched in summer 2014.

Fresh Start Wales - The Fresh Start campaign to tackle smoking and exposure to second-hand smoke in cars by children was launched in February 2012 and is scheduled to run until March 2014. Children are particularly vulnerable to the effects of second-hand smoke and are more likely to develop long term conditions such as asthma at an early age which will affect them for the rest of their lives. Since its launch, there has been extensive promotional activity across Wales and over 29,000 Fresh Start packs, to help smokers protect themselves and their families from second-hand smoke and to support them to give up smoking, have been distributed.

The Tobacco Control Action Plan was launched in February 2012 as a development of existing Welsh Government policies. This includes building on our programme of measures to discourage young people from starting to smoke. Funding of **£1.0m** has been made available in 2014-15.

Teenage pregnancy – The teenage conceptions rate is continuing to decline and was 40.1 per thousand girls aged 15-17 in 2009. Action to further this reduction is being supported by the Empower to Choose project which was introduced by Public Health Wales in April 2012. The project consists of awareness and raising and education of Long Acting Reversible Contraception (LARC) and an audit of contraceptive advice given to pregnant teenagers.

The **Integrated Family Support Services (IFSS)** is a statutory scheme to help some of the most vulnerable children and families in Wales. Services focus on families where parents have particular and challenging problems that

affect the welfare of their children. IFSS teams started work on 1st September 2010 and by 2014 will operate across Wales. We have made significant financial and other investment in building capacity and skills not just those of the IFSS teams themselves, but training professionals and others across their partnership in key techniques. These techniques help the professionals to better engage families and to embrace the ethos of working with the families strengths to empower them to effect changes in their lives. In 2013-14, when IFSS is fully rolled out, over **£4.5m** will be made available to local authorities (who must agree expenditure with their LHB partners). Funding profiles will be agreed through the regional statutory IFSS Boards, to support a minimum of 10 statutory IFS teams across Wales. This funding level is scheduled to be maintained for the 2014-15 and 2015-16 and is contained within the Children's Social Services Action.

The Social Services Directorate also provides significant support to children and family organisations in the **voluntary sector in Wales**. Through the **Family Fund Trust and Children and Families Organisation Grant** we contribute over **£3.9** million directly to the third sector. These grants support both projects and capacity within the sector, often directly aiding the most vulnerable children and their families. For example:

- The **Family Fund Trust**, which receives annual funding of **£2.6m** contained within the Children's Social Services Action, provides grants and information in relation to children's care including holidays, transport, household equipment and driving lessons to families of severely disabled children up to the age of 18.
- The Children and Family Organisation Grant (**£1.3m** within the Children's Social Services Action) supports a variety of organisations and initiatives. Examples include money to Voices from Care providing support to Looked after Children and care leavers, and the Fostering Network who support and advise those who act as foster carers across Wales.

Additionally through the implementation of the **Autistic Spectrum Disorder Strategic Action Plan**, (**£1.9 million** within the Adult and Older People Action) is provided to support both children and adults with autism in Wales. This includes funding for small regional projects delivered at the community level and support for adults with Aspergers Syndrome.

Additionally, the Welsh Government is committed to maintaining its work to safeguard and protect the most vulnerable in society. Our safeguarding budget of **£0.7m** which is contained within the Children's Social Services Action supports a variety of initiatives to strengthen arrangements across Wales, in areas such as neglect, child trafficking, child sexual exploitation and child death reviews. It is also supporting our work to put in place a new National Safeguarding Board and new regional arrangements for Local Safeguarding Children's Boards. This budget has been maintained for 2014-15 and this work will continue to be extended as we seek to provide an equivalent framework for adult protection, including the implementation of adult practice reviews.

Child and Adolescent Mental Health Services (CAMHS)

Mental health accounts for the largest single area of health expenditure in Wales at approximately 12% of the NHS budget. Our continued commitment to mental health is demonstrated by ring-fenced funding (the minimum LHBs should spend on mental health services) which has increased year-on-year from £387.5 million in 2008-09 to £577 million in 2012-13 and just under £587 million in 2013-14.

CAMHS total spend, published in the annual NHS programme budget expenditure analysis, totalled £51.4 million in 2011-2012 [*latest published data*].

Forensic CAMHS £0.5m

Multidisciplinary teams targeted towards young people deemed to pose a high risk, who have histories of violent behaviour, but who are based in the community. The teams work closely with families and carers and provide a quick response service. They work closely with other specialist service providers and Youth Offending Teams.

Extending the Age range to 18 - £0.7m

Additional staff have been recruited and LHB CAMH Services now provide services up to the age of 18 years. Welsh Government continues to consolidate and monitor the impact of work to achieve the requirements of section 31 of the Mental Health Act 1983 for age appropriate accommodation and age appropriate in-patient accommodation for young people under 18 within adult mental health facilities.

Learning Disability £0.5m

Studies have identified that there is a higher rate of diagnosable mental disorder in children with learning disabilities, establishing this as 35-40%. It has further been established that whilst more than 50% of children with severe learning disabilities have significant mental health problems, only a small percentage receive services.

Fostering good working relationships between CAMHS services and Learning Disabilities services is a key issue in Together for Mental Health in terms of building an individual's resilience.

Consultant Nurses £0.7m

Two nurses located in Betsi Cadwaladr and Aneurin Bevan LHBs since 2004 (though working strategically across LHBs) delivers and evaluates the care, support and educational needs of children and adolescents suffering from mental health disorders. The post holders provide direct engagement with children, adolescents and their families, as well strategic development of Specialist CAMHS, including service developments, nursing education and R&D activity; and operational management of Specialist CAMH nursing services.

Primary Mental Health Workers £0.3m

Part 1 of the Mental Health (Wales) Measure reasserts the responsibility of health and social care to work in partnership to provide Primary Mental Health Workers (PMHWs) within CAMHS as part of core services.

Advisor in Child and Adolescent Psychiatry to the CMO £0.05m

A Service Level Agreement for the time (4 sessions per week) to act as the CMO Adviser in Child and Adolescent Psychiatry providing professional support and clinical advice to the policy division and others across Welsh Government as appropriate.

Parc Prison In-reach £0.050m

Young Offenders Institute Parc has places for 64 young men, aged 15 to 17 years old. Until 2009, if a young person had an identified/established CAMHS need whilst in Parc, they would have been sent to a secure juvenile unit in England to be assessed, but concerns about the health needs of those in Parc remained. To ensure appropriate clinical care was available, in 2009 it was agreed to provide forensic CAMHS in-reach service into the juvenile unit at Parc. Funding provides the salary of a specialist mental health nurse at Parc to work with the Tier 1 and 2 healthcare staff based there.

Attention deficit hyperactivity disorder (ADHD) Background

ADHD is treated within mainstream mental health services in common with other conditions with treatment provided on the basis of clinical need of the individual.

The diagnosis and treatment of ADHD is guided by NICE guidelines, and, as with all NICE guidelines, the responsibility for delivery lies with the Health Boards. The guidelines recommend medication is the treatment of choice for the majority of cases. CAMHS services are aware of the needs of this particular group and the Royal College of Psychiatrists identifies ADHD as being within the remit of specialist CAMHS. CAMHS services also have strong working relationships with schools and others to enable problems to be highlighted and addressed at an early stage.

By identifying and tackling issues early further problems developing later in life can be preventable. *Together for Mental Health* emphasises the need for services to work together and to strengthen the links between CAMHS and adult services so that young people transfer seamlessly and continue to receive the help and support they need.

Social Services

The Social Services programme portfolio encompasses a range of activities that incorporate both preventative and non preventative intervention.

Many specific preventative initiatives carried out within the sector are funded through the Revenue Support Grant to local authorities, or specific grants such as Invest to Save or Supporting People. The Department supports and leads these developments through its leadership and programme approaches, but does not directly fund them.

One key area that can be considered as preventative spending is the Integrated Family Support Service. In 2014-15, £4.5m will be provided from the Children's Social Services Action to local authorities, who will agree funding profiles through the regional statutory IFSS Boards to support a minimum of 10 statutory IFSS teams across Wales.

Children and Young people's budget statement

For the reasons explained at the beginning of this paper, it is not possible to provide a budget statement for the health and social services expenditure on children and young people.

Children's Rights

CAFCASS Cymru has a vital role in supporting children and families in Family Court proceedings. We advise the courts on the best course of action on what we consider to be in the best interests of individual children.

The child's future welfare is at the heart of every decision made and every action taken by CAFCASS Cymru. Our purpose is to safeguard the child and ensure their voice is heard within proceedings, particularly during this period of significant reform within the Family Justice System

Children's Rights Impact assessment for 2014-15

The work of the Health and Social Services Department is underpinned by the United Nations Convention on the Rights of the Child (UNCRC) and our duty to have regard to the rights of the child have been factored in to the overall departmental budget planning process.

At the individual policy and programme level, for example, our 'Designed to Smile' initiative considered the oral health status and future dental needs of children in Wales. In relation to legislation, the Children's Rights Impact assessment completed for the Human Transplantation (Wales) Bill recognises that it will be important for children to be provided with information at the right time so they can understand that at the age of 18 the new soft opt-out system will apply to them. These are just a few examples of how the Department's policy interventions take account of our responsibilities to have due regard to the UNCRC and we will continue to ensure that we strengthen our arrangements to support this.

ANNEX A to CYP Committee Paper – Scrutiny of Draft Budget

1. Children’s Social Services

This funds a range of programmes and policy developments to support vulnerable children, including Integrated Family Support Services and work on safeguarding and protection. There is no change to this Action.

2. CAFCASS Cymru Programmes

CAFCASS Cymru is a child – focused social work organisation, which provides expert social work advice to family proceedings courts, the County Courts and the High Court. Funding here supports the organisation’s core duties, as well as obligations under the Children & Adoption Act 2006 including the provision of contact centres and contact activities. There is no change to this Action.

Agenda Item 5

Paper ID: N0001 Paper 4

Y Pwyllgor Cyllid

Finance Committee

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



4 October 2013

To: Committee Chairs – CELG, CYP, E&B, E&S, HSS

Dear Committee Chairs

Draft budget 2014/15 : Budget Report by the Adviser to the Finance Committee

The Finance Committee has appointed an Adviser to assist us with our scrutiny of the draft budget for 2014/15. During our Committee meeting on 3 October, we received a paper from her to assist us in our scrutiny of the draft budget.

The paper demonstrates a clear division of the principles to be examined between the Finance and subject committees which you and your Committees may find useful for your forthcoming budget scrutiny sessions. I have arranged for the paper to be available from the following link:

<http://abms/documents/s500001378/Welsh%20Government%20Draft%20Budget%20Pre-briefing%20-%20Angela%20Scott%20Expert%20Advisor%20to%20the%20Finance%20Committee.pdf>

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Croesewir gohebiaeth yn y Gymraeg a'r Saesneg/We welcome correspondence in both English and Welsh

I hope that your Committee finds the paper useful in support of its draft budget scrutiny work.

Yours sincerely

A handwritten signature in black ink that reads "Jocelyn Davies". The signature is written in a cursive, flowing style.

Jocelyn Davies AM
Chair

THE NATIONAL ASSEMBLY FOR WALES

DRAFT BUDGET 2014/15

BUDGET REPORT BY THE ADVISER TO THE FINANCE COMMITTEE

Angela Scott
Adviser to the Finance Committee

September 2013

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INTRODUCTION

1. The Approach of the Budget Adviser

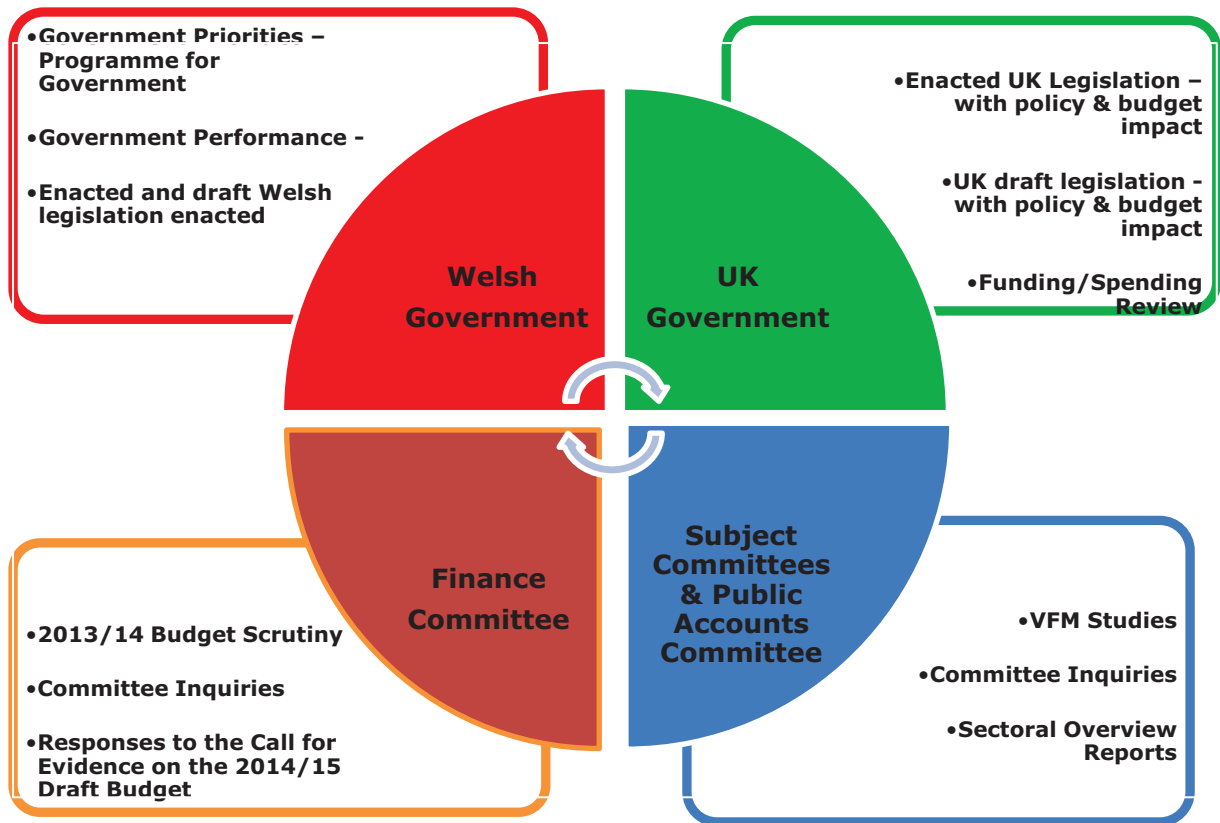
In this briefing report to the Finance Committee, I have structured my report around the following 4 fundamental principles of financial scrutiny:

- Affordability – the wider picture of revenue and expenditure and whether they are appropriately balanced;
- Prioritisation – a coherent and justifiable division between sectors and programmes;
- Value for Money – the extent to which public bodies are spending their allocations well and achieving outcomes; and
- Budget Process – integration between public service planning and performance and financial management.

As budget adviser my advice is that optimum Parliamentary scrutiny will be achieved if there is a clear division of the principles to be examined between the Finance and subject committees. I would advise that the focus of the Finance Committee should be on Affordability and on Budget Process. The primary focus of the subject committees would therefore be Prioritisation (or choices made by government) and on Value for Money. The Finance Committee will necessarily be interested in prioritisation and the link between the Programme for Government and resource allocation.

Parliamentary committees undertake an on-going and valuable scrutiny role. On my appointment as adviser, I was interested in ensuring that the valuable output from the Committees was captured and integrated with all other available evidence to provide a robust platform to enable me to advise on the lines of inquiry for the Finance Committee and for the Subject Committees. This will enable a coordinated approach to be taken to the Assembly's scrutiny of the budget for 2014/15 and it will also ensure that the four principles of scrutiny are embedded at the heart of the scrutiny process thereby providing the National Assembly for Wales and the people of Wales with the necessary assurance that spending plans have been the subject of a rigorous and structured form of scrutiny.

The basis of this paper and the suggested lines of inquiry follow from my structured review of available evidence and which I have presented diagrammatically as follows:



This briefing has been prepared in advance of the publication of the Welsh Government's budget, which is due on the 8th October. As a result the briefing provides indicative lines of inquiry which the committee may wish to consider pursuing. Once the budget is published it may be desirable to revisit this briefing.

FINANCE COMMITTEE

2. SCRUTINY TEST: AFFORDABILITY

The Welsh Government is mainly concerned with expenditure in that it sets out what the Welsh Government proposes to spend. There must however firstly be revenue to enable that spend to take place. In public sector budgeting I would expect that a balanced budget is set. In simple terms this means that expenditure should be no greater than the revenue source.

This test is concerned therefore with the wider picture of both revenue and expenditure and whether they are appropriately balanced. I will begin with a consideration of revenue and will then move onto expenditure.

REVENUE

The primary source of income for the devolved government is the block grant received from the UK government. It's necessary therefore to examine how transparent the decisions of Government are in terms of the determination of the block grant and where any new responsibilities have been assigned to the Welsh Government and whether they have been funded:

1. Transparency of Barnett Consequentials;
2. Transparency Of Block Grant 2014/15;
3. Transfers Of Responsibilities From UK Government And The Funding Implications

In addition to the block grant, the Welsh Government has a limited number of levers for raising additional revenue in the present devolved arrangements.

It is necessary therefore to make the governments decisions, in terms of its use of the revenue levers transparent. This means that we require to consider the following:

4. The Taxation Levers Available Within The 2014/15 Budget
5. Level Of Additional Income By Application Of Fees And Charges;
6. Level Of European Funding Being Accessed;
7. Level Of Capital Investment Through Revenue Backed Financing Vehicles;
8. Carry Forward Of Resource From The Previous Financial Year; and
9. Utilisation Of Capital Receipts

My report provides commentary on each of these areas, together with indicative lines of enquiry for Finance Committee members.

At present, the devolution arrangements only provide the Welsh Government with restricted borrowing powers for cash management purposes. Additional borrowing capacity is therefore not currently available as a revenue lever to the Welsh

Government. The Silk Commission part 1 report¹ recommended that the Welsh Government be permitted enhanced borrowing powers, and therefore this facility may be accessible in future.

1. Transparency of Barnett Consequentials

The Barnett formula is applied to the budget figures of UK spending departments, and if a UK department benefits from an increase in budget, if the spend is on an area which is devolved, then the Welsh budget should be accordingly increased.

For 2014/15 the Welsh Government will presumably include allowance for the receipt of Barnett consequentials arising from HM Treasury decisions, for example those announced in the Spending Round 2013, where not already incorporated into the 2013/14 Supplementary Budget.

The Welsh Government will consider the priorities to which this funding will be applied.

Suggested Line of Enquiry

The Committee may wish to:

- Explore what is the level of revenue adjustment as a result of Barnett Consequentials being experienced for 2014/15; and
- Establish how robust the Barnett consequentials assumptions are and whether the Welsh Government is challenging for any further Barnett consequentials to be applied, for example in relation to the HS2 rail project, which are not reflected in the current Barnett assumptions.

2. Transparency of Block Grant 2014/15

The Spending Round 2013 (table 2.18) indicated controls totals for Wales for 2014/15 as being Resource Del (excluding depreciation) of £13.6bn and Capital DEL of £1.4bn. Notably for 2015/16 the control totals indicate no change in Resource Del, a decrease of -1.8% in real terms, and cash increase to £1.5bn for Capital DEL.

It is a feature of the UK Government financial management process that block grant continues to be expressed in terms of spending limits. This means that control is effectively exerted upon the management of expenditure rather than on income. My view is that the focus of the budget is primarily upon expenditure and that this in turn means that scrutiny is directed principally towards expenditure. There is a risk that the extent to which the Welsh Government explores further opportunities for income are not scrutinised by the Committee.

Further analysis of the 2014/15 DEL and AME figures will be possible following the publication of the draft budget, as well as a comparison with the 14/15 figures produced in the Spending Round 2013 (SR13). The Minister for Finance has already provided the Committee with a note explaining the baselines used in the SR 2013.²

¹“ Empowerment and Responsibility: Financial Powers to Strengthen Wales”, Silk Commission, November 2012

² [Spending Round Letter from Minister for Finance](#), September 2013

3. Movements on Block Grant 2015/16

The Committee will be aware that the Scotland Act 2012 allows more fiscal flexibility for Scotland in some areas of taxation and additional, restricted, borrowing powers. As these flexibilities are implemented adjustments to the Scottish 'block grant' will be required.

It is my understanding that discussions on the methodology for determining the scale of the adjustments are continuing. It appears that the adjustment mechanism may take account of issues raised by the 'Independent Commission on Funding & Finance for Wales' as chaired by Gerald Holtham.

Any new adjustment arrangements would be expected to affect all the devolved administrations and set a template for future responsibility transfers between the UK and devolved administrations. This will be particularly relevant to discussions regarding the potential implementation of Silk Commission comments regarding fiscal devolution.

At a recent meeting of the Scottish Parliament's Finance Committee, the Chief Secretary to the Treasury confirmed that there has been no modification as yet to the Scottish block grant calculation. This will be a significant area of future consideration for both the Welsh Government and the Finance Committee.

Suggested Line of Enquiry

The Committee may wish to:

- Explore what the impact of the Scottish block grant adjustment in 2015/16 will mean for the Welsh block grant;

4. Transfer of responsibilities from the UK Government and the Funding Implications

Public Service Network

The Government Secure Extranet is used by public bodies across the UK to exchange personal and sensitive information securely. In order to connect to the GSX there is an accreditation process which sets out the standards which organisations must comply with in order to access the network. The accreditation process changed towards the end of 2012. This reflects the UK government's strategy to implement a Public Services Network (PSN). PSN results in the need to ensure that connected organisations meet the agreed standard to maintain the trust of the infrastructure. The PSN Authority, the Cabinet office body that is responsible for the governance of the PSN, has substantially tightened up the compliance process. There is now a zero tolerance approach to the PSN Code of Connection and failure to comply may result in disconnection from the network.

Public bodies in Wales will be required to undertake the necessary work to undertake and complete the accreditation process and to invest as appropriate to ensure accreditation. The ultimate sanction for failure is disconnection from GSX, which will in itself carry significant risks for public bodies and for public service delivery. There is no direct budget reference to this matter and while not a Welsh Government initiative, there is a risk that public bodies in Wales may seek assistance with a subsequent demand on Welsh Government funding.

Suggested Line of Enquiry

- The Committee may wish to seek assurance that any liability in respect of PSN has been assessed and accounted for as necessary.
- Given this is a UK policy the committee may wish to explore whether the Welsh Government has discussed the financial implications with the UK Government

5 The Taxation Levers available within the 2014/15 budget (NDRI, Council Tax)

Non-Domestic Rates (NDRI)

A key area of taxation that the Welsh Government has some control over, with restrictions, is the income from National Non Domestic Rates and the committee may wish to test the robustness of the assumptions being made within the budget.

The Welsh Government's response to the Business Rates Review 'Incentivising Growth' indicated further consideration would be given to the use of the currently available NDR powers as a policy lever. The Committee may be aware that an NDR policy initiative to encourage local economic growth exists in Scotland. In England localised discretionary rate reliefs can be granted, although this scheme represents an additional funding pressure for authorities it reliefs are granted.

Council Tax

To date the Welsh Government has not elected to follow the policy adopted by both the UK and Scottish governments of funding a council tax freeze. The committee may wish to explore whether the Welsh Government intends maintaining its current policy approach.

Suggested Line of Enquiry

The committee may wish to:

- gain assurance as to the robust nature of the assumptions made on NDRI for the 2014/15 draft budget;
- The committee may wish to establish what plans are in place for NDRI post 2014/15; and
- Establish the Welsh Government's policy intention on council tax levels

6. Level of Additional Income by Application of Fees and Charges

One of the powers available is the application of fees and charges to services which are free at the point of use or alternatively, increasing existing charges for services. The combination of real terms funding reductions and service demand pressures may suggest consideration of the use of a fees and charges policy to influence both the demand for services and the ability to fund those services.

The WLGA submission to the call for evidence, states that it has asked Ministers to work in partnership with local government and the WLGA in a number of areas, including "to ensure that all fees and charges are determined locally to be responsive to local needs including an urgent assessment of the sustainability of the cap on non residential social services charges introduced as part of the First Steps initiative".

Suggested Line of Enquiry

The Committee may wish to:

- against the background of expected budget reduction ascertain what consideration has been given to the introduction of fees and charges for services currently free at the point of use.

7. Level of European Funding Being Accessed

European Funds

The Committee's review of European funding noted that spending power has been enhanced through the use of European Funding to support the achievement of mutual EU and Welsh Government objectives. Various European funding streams have been utilised, including European Structural Funds and the European Regional Development Fund.

While these funds and their uses are normally explained in the budget papers, overall funding value is not always clearly presented, since departmental budgets are normally expressed as 'net' expenditure. It is therefore not always possible to quantify with certainty the total impact on the budget.

I note that the Welsh Government financial statements for 2012/13 indicate that "A potential disallowance of EU Agriculture funding has been identified relating to the dual use of land." No quantification of the situation was possible at the date of the accounts.

It should be noted that failure to comply with EU funding terms and conditions can result in the requirement to repay European Funding. Repayment requests can relate to expenditure incurred several years previously and can be significant in scale.

Suggested Line of Enquiry

The Committee may wish to:

- clearly establish the overall value of, and dependency on, European funding as a funding source to the Welsh Government draft budget;
- explore the Welsh Government's financial exposure to the repayment of European Grants

8. Level of Capital Investment through Innovative Financing

The Committee's report on "Borrowing Powers and Innovative Approaches to Capital Funding" raised a variety of areas for the Welsh Government to consider. The discussions following the Silk Commission may result in an increase in borrowing powers in the longer term. In the more immediate term the potential for using innovative financing initiatives exists. This includes initiatives such as Tax Incremental Financing, Non-Profit Distribution financing models and a separate body for securing private sector investment. The Welsh Government indicated that it would consider these options.

Suggested Line of Enquiry

- The Committee may wish to explore the extent to which innovative financing options have been explored as a means to enhancing capital investment according to the priorities expressed in the Wales Infrastructure Investment Plan;

9. Carry Forward of Resource From the Previous Financial Year

The Budget Exchange System (BES) allows the Welsh Government to carry over 0.6% of Resource DEL and 1.5% of Capital DEL from one financial year to the next.

This provides the Welsh Government with some flexibility to manage its financial situation in order to support the achievement of Value for Money in pursuing its stated priorities.

Suggested Line of Enquiry

- The Committee may wish to explore what plans are in place to use the BES within the 14/15 draft budget, and what the resource will be used on
- The Committee may wish to explore the means by which the Welsh Government ensures that use of the BES is optimised to provide Value for Money in achieving its priorities

10. Utilisation of Capital Receipts

The Committee's report 'Asset Management in the Public Sector' noted the benefits of an overall Asset Management Plan for Welsh public sector assets. Improved efficiency in the use and sharing of the public sector estate would normally be anticipated to allow rationalisation of assets, with the sale of assets allowing re-investment to meet future service requirements.

The committee may wish to examine the level of reliance being placed on capital receipts within the 14/15 budget, with particular reference to the likelihood of the receipts being generated. It may aid transparency if the underlying analysis of planned capital receipts is provided and also the basis for choosing to dispose of a public asset versus other options for the utilisation of the asset.

Suggested Line of Enquiry

- The Committee may wish examine the reliance on capital receipts in the 14/15 budget
- The Committee may wish to examine the risk exposure if receipts are not realised

EXPENDITURE

The test of affordability now turns from revenue to expenditure. Given the limited levers for raising revenue, a devolved government faced with reductions in block grant must focus its attention on how to control and/reduce costs. As I have indicated earlier, the purpose of financial scrutiny is to make the Welsh Government's financial decisions and its assumptions transparent. I have examined the following areas:

1. Legislative Burdens;
2. Savings/Efficiencies;
3. Consequences Of Capital Investments;
4. Liabilities Which Could Be A Draw On The Welsh Budget; and
5. Managing Demand Through Prevention And By Changing Citizen Behaviour

1. Legislative Burdens

Legislation passed by the Welsh Parliament in many cases places a financial burden on the Welsh budget which must be identified and budgeted for. I examined the legislation which had been recently enacted and I also reviewed the existing Bills to determine what the overall impact of legislation would be on the Welsh budget for 2014/15. I considered the following proposed legislation:

- Social Services and Well-being (Wales) Bill;
- Active Travel (Wales) Bill;
- Further and Higher Education (Governance and Information) (Wales) Bill;
- Education (Wales) Bill;
- Agricultural Sector (Wales) Bill;
- Mobile Homes (Wales) Bill
- Recovery of Medical Costs for Asbestos Diseases (Wales) Bill

In addition I also sought to consider the impact on the draft budget of recently passed legislation, including the National Assembly for Wales (Official Languages) Act 2013; School Standards and Organisation (Wales) Act 2013 and the Public Audit (Wales) Act 2013.

I found that the financial memoranda accompanying each Bill was not always presented consistently and did not always readily support identification of the aggregate financial consequences of legislation. Overall I was not able to quantify a single figure or aggregate of figures for the Committee of what the financial impact from the proposed legislation would be. This does not mean that the impact has not been factored into the budget, merely that the aggregate impact of new or proposed legislation is not necessarily transparently available.

From my examination, I make the following comments on selected Bills:

Social Services and Well-being (Wales) Bill – The impact assessment indicates that investment in initial training costs will be required, but that some cost implications, such as closer service integration, “have not yet been quantified at this stage given that further clarity on the content of future regulations is required”. Some reliance on ‘Invest to Save’ funding for transition arrangements has been indicated. Given the anticipated significant impact of the Bill on service provision this will form a key part of forward financial planning.

Active Travel (Wales) Bill – The impact assessment indicates additional costs, dependent on options adopted, of approximately £0.5m - £0.7m including initial investment, primarily for local government. The explanatory memorandum states that no additional funding will be provided. This will presumably require re-direction of existing funds.

Education (Wales) Bill –The options include transferring to local authorities the responsibility for assessing and arranging all post-16 provision for learners with Learning Difficulties and/or Disabilities (LLDD). The impact assessment indicates an existing annual cost of some £16.5m, although the amount of funding transferred would be subject to budgetary negotiation.

Mobile Homes (Wales) Bill – The initial bill documentation indicated initial costs of some £463K in the first year, with annual costs of £83K in later years. Local authorities were anticipated to incur costs with licensing charges being levied.

Recovery of Medical Costs for Asbestos Diseases (Wales) Bill – The proposed bill would provide a basis, where a compensation payments for the effects of asbestos disease exists, the public sector would be allowed to reclaim the costs of medical treatment. The initial impact assessment indicated that based on typical medical costs per patient of approximately £23K and some 80 patients per annum some £2m per annum may be recovered. Administration costs were estimated to be of the order of £50K p.a.

Suggested Line of Enquiry

The Committee may wish to:

- establish if the Welsh Government has quantified the full cost of enacted and proposed legislation for 2014/15 and 2015/16 and if so what is the overall net impact from new legislation on the Welsh budget (whether cost or savings)
- seek assurances that the financial consequences which will arise from future secondary legislation as a result of the Social Services and Well-being (Wales) Bill have been considered in full;
- investigate the extent to which increased clarity on the costs and savings from recently passed legislation for example, from the creation of Natural Resources Wales, has been included in the development of the budget.

2. Savings/Efficiencies

It is inevitable that savings from efficiencies will remain important to the delivery of a balanced budget, thereby ensuring that the necessary level of resources are available for service delivery.

The Welsh Government has indicated its key means for driving efficiencies in a variety of areas, such as collaboration, simplification, accountability and asset management & procurement.

An example in relation to procurement is the November 2013 launch of the National Procurement Services organisation. This is anticipated to provide savings of between £9.2m and £24.6m per annum from 2014/15.

It is important that any significant anticipated savings, and the assumptions and risks underlying these, should be apparent in scrutinising the draft budget.

Suggested Line of Enquiry

The Committee may wish to:

- understand how the proposed savings from all the efficiency actions identified by the Welsh Government have been factored into the budget;
- examine the level of financial risk arising from the planned savings and efficiencies

3. Consequences of Capital Investment

The draft budget for 2013/14 noted “the impact of the 45 per cent real terms reduction to our Capital DEL between 2009-10 and 2014-15”. There is a risk that current plans to replace or enhance existing assets may be insufficient, leading to the potential for maintenance backlogs across the Welsh public sector. This has the potential to impact on service budgets, with increasing calls on revenue resources to address urgent maintenance requirements, and on service delivery, with increased risks of assets being unusable.

Such cuts in investment over the last few years therefore place potential risks on revenue budgets going forward, especially the longer any new potential re-investment is deferred.

Suggested Line of Enquiry

- The Committee may wish to explore what assumptions have been made for backlog maintenance and what the impact will be on future capital investment

4. Liabilities Which Could Be A Draw On The Welsh Budget

Indemnities and Letters of Comfort

The Welsh Government’s financial statements for 2012/13 indicate that no financial guarantees have been provided. Indemnities have however been given in relation to Housing Stock Transfers (VAT mitigation scheme continuance), the National Library of Wales and the National Museum of Wales. The probability of these indemnities being utilised was regarded as remote. Letters of comfort have also been provided in respect of contaminated land and a lease arrangement.

Financial Transactions

As a consequence of UK Government initiatives, such as housing market measures including ‘Help To Buy’ and ‘Build To Rent’, the devolved territories have the ability to utilise ‘financial transactions’. The Welsh Government’s 13/14 Supplementary Budget Explanatory Note stated “capital spending power has increased by a further £68,083k. This funding is ring-fenced for financial transactions and can only be used for loans and equity investments beyond the public sector. The majority of this funding will also need to be repaid to the Exchequer”. Forward financial planning will be required to allow for the repayment obligations arising.

Impairment Costs Associated with IT Projects

Impairment generally reflects the loss in value of an asset and has the potential to impact on the funds available to the Welsh Government. From my examination of other territories I have noted a developing theme associated with impairment costs arising from the procurement of IT projects. In a variety of public sector organisations concerns have been noted over costs associated with the delivery of IT projects. These cases have occurred over different time periods. The accompanying risk is that capital investment is written off without achieving the benefits envisaged when the project was

commenced. Although IT projects may be regarded as being particularly at risk in this respect, the potential exists for this to occur with all capital investment projects.

Backlogged Claims for Continuing Healthcare Care

A Wales Audit Office report, "Implementation of the National Framework for Continuing NHS Healthcare"³ (CHC), noted national arrangements had been made to allow people, or surviving relatives, to reclaim incorrectly levied charges for CHC services between 1996 to 2003. A deadline of June 2014 had been set for clearing all claims. The report highlighted that "there remains a significant risk that the deadline will not be achieved".

The Welsh Government's plans in regard to clearing the backlog will presumably affect the 2014/15 draft budget, for example more resources may be directed to this task in 2014/15 or the deadline for clearing claims may be amended, potentially into 2015/16. Additionally the Welsh Government may have identified other commitments where the original estimates of the resources or timescale required should be amended.

Suggested Line of Enquiry

The Committee may wish to:

- seek evidence on how unquantifiable indemnities and letters of comfort have been accounted for in the budget and what the consequence will be if these have to be met, i.e. how will they be financed?
- consider the extent to which the Welsh Government plans to utilise the 'financial transactions' facility, and the longer term impact of the necessary repayments on the government's future spending plans
- consider the extent to which original estimates for the requirements to meet specific commitment obligations should be revised in the 2014/15 draft budget, for example in relation to CHC.
- seek assurance that capital investment will be supported by rigorous business cases and supported by project and asset management planning

5. Managing Demand Through Prevention and by Changing Citizen Behaviour

Prevention

The Committee is clearly interested in the potential for, and implementation of, preventative spend initiatives. The responses to the call for evidence will inform the Committee's scrutiny approach.

As noted by the OBR fiscal sustainability report the biggest challenge for the UK looking further ahead is not the austerity crisis itself, but the ageing population which will require increasing levels of support, for instance from social care and health services.

³ Issued June 2013

Providing services early in order to achieve improved outcomes with less pressure on 'reactive' services is therefore desirable.

The challenges to implement preventative initiatives are complex and varied. In particular most initiatives will require some level of 'up front' investment and activity before there is any alleviation on the demand for the normal reactive services for those in need. This indicates a need for disinvestment to make room for preventative spend and the appropriate use of funds, such as Invest To Save, to achieve change. As recommended by the committee such funding should be prioritised towards those initiatives with robust evidence to provide assurance of longer-term success. In response to the committee's call for evidence, the WCVA refers to the Wales Wellbeing Bond. The committee may wish to explore the different financial approaches being taken to support a shift to a more preventative approach.

Changing Citizen Behaviour

There is international evidence that service demand can be managed in alternative ways as well as by management of prevention. When the local authority of Les Sorinieres in western France announced a pilot scheme to charge residents for each garbage bin they put out for collection, it simultaneously began to track waste volume throughout the city and give householders data on the amount of waste they were generating.

Waste dropped by more than 20% and the volume of recycled waste rose. The plan to charge residents was not implemented, as it was deemed no longer necessary and the change in behaviours persisted.⁴ Demand therefore was reduced by the prospect of charging.

Suggested Line of Enquiry

The Committee may wish to:

- Explore the extent to which there has been a shift towards a more preventative approach across the government's budget, and whether the committee's recommendations on Invest To Save have been addressed
- Explore the extent to which the budget has been compiled on a basis which incorporates other means of demand management.

⁴ How to make a city great McKinsey & Company

3. SCRUTINY TEST: BUDGET PROCESSES

This test is concerned with examining the integration between public service planning and performance and financial management.

Transparency

The committee's scrutiny of the 2013/14 budget requested some improvements in transparency and presentation. In particular more consistency of presentation between portfolios and an appropriate level of detail for each portfolio's budget were requested.

In scrutinising the 2014/15 budget, the committee may wish to test how transparent the government's spending plans are in relation to any intended use of the Budget Exchange Mechanism.

Consistency

From my structured review of draft legislation both at a UK and Assembly level we were unable to comprehensively compute a single figure (or aggregate of figure) to determine what the combined 2014/15 budget impact of legislation could be. What this means is that it is difficult to scrutinise the extent to which the Welsh Government budget process has captured all of the financial impacts from the legislative programme.

Budget Strategy: Supporting Transformation

The transformation of public services was a clear commitment in the 2013/14 budget and it is assumed that this will continue for 2014/15. As with other territories the Welsh Government may need to invest in transformation by incurring costs at the point of change and during transition, with savings projected to materialise at a later date. This could be expected to be the case with the Social Services and Well-being (Wales) Bill.

The Invest to Save Fund, where initial funding requires to be repaid in the future, and the Regional Collaboration Fund, a grant award approach, have both been utilised to promote service transformation.

The proposal to allow Welsh NHS Boards more flexibility in their financial management, by allowing break-even to be assessed over 3 years, rather than just annually, could also be anticipated to provide boards with more scope, at a local level, to invest in the transformation of service provision.

Other innovative means of financing may also be considered. For example the Department for Communities and Local Government has recently consulted on proposals to allow the use of capital receipts from asset sales to be invested in reforming services.

Budget Strategy: Protection of Budgets

The utilisation of a budget protection approach for identified services can be an indication of policy prioritisation, whether in capital or resource budgets. This can assist in dealing with specific pressures, such as known service demand increases, in the short and medium term. It may however be unsustainable in the longer term due to the 'above average' reductions in funding for other services. This may particularly be the case if there is a lack of challenge and incentive regarding service delivery innovation in a protected service. The WLGA submission to the call for evidence states "whilst protection of certain services has come with additional resource, it has not been without its downsides – it has made it difficult to drive efficiency in the service areas that have been protected".

The use of 'budget protection' within a budget strategy must be assessed as to how long the protection can be sustained; the non-financial challenge and incentive for a protected service to seek continual improvement; and the impact on other service areas or government priorities. This may assist in identifying when budget protection is appropriate, and when it is inappropriate.

As an example a report by the 'The Early Action Task Force' (*The Deciding Time: Prevent today or pay tomorrow*⁵) suggested that budget protection was appropriate for transitioning towards preventative spend:

"Treat early action as an investment - protect early action spending in the same way as capital investment, ensuring it could not be raided for the purposes of managing short-term demands and releasing the potential for significant funding to be moved into preventative services."

Budget Strategy: Use Of Ring-Fencing

Within the WLGA submission to the call for evidence it states "there are a number of areas where we have traditionally argued for a less centralised approach to funding. Typically this has been around specific grants, an area upon which the Public Accounts committee touched upon in its Grants Management Report". The PAC report estimated that between 5 and 10% of the total quantum is utilised in supporting this approach to funding.

Suggested Line of Enquiry

The Committee may wish to:

- Consider whether the 14/15 draft budget and accompanying documentation provides sufficient transparency to allow effective budget scrutiny
- Assess whether the 14/15 draft budget is consistently presented for each portfolio, assisting a cross-portfolio assessment of items such as the impact of new legislation
- Establish whether the draft budget supports the pace of change and transformation in public services envisaged by the Welsh Government and to explore the different financial approaches which are being taken to support

⁵ Community Links, Early Action Task Force, [*The Deciding Time: Prevent today or pay tomorrow*](#), November 2012

transformation across the whole budget

- Identify the areas which government has chosen to protect within the budget and explore the rationale for the protection
- Examine the use of ring fencing across the whole budget , the rationale for its use and whether any consideration has been given to moving to Outcome Bundles.

Budgeting Methodology

The Programme for Government Annual report (June 2013) provides details of the government's achievements. Additionally a variety of performance indicators are provided on the 'Programme for Government' web pages. It could be noted that the information provided is predominantly about assessing performance and does not make an explicit link to the level of expenditure used in relation to performance.

This is also generally true for historic budget documents. A strict definition of performance budgeting would be a form of budgeting that relates funds allocated to measurable results. These results are measured in the form of outputs and/or outcomes. Resources can be related to results either in a direct or indirect manner. Although progress has been mixed across different jurisdictions, some countries are moving towards a system of linking expenditure to performance, including in the State of Virginia, USA. Virginia is currently in the final stages of deploying a new, more integrated technology platform for performance-based budgeting and strategic planning.

Budgeting for Prevention

The drive for undertaking preventative spend initiatives has been noted above. The WLGA in its response to the committee's call for evidence states that one of the associated budgeting challenges is how to tackle the fact that "the public body that invests in a preventative spend may not be the same body that derives the benefit". The committee may wish to consider how government has tackled prevention within its budgeting approach.

Community Links is a London-based community charity, who have formed an Early Action Task Force,⁶ The first report of the Early Action Task Force was launched in the House of Lords in November 2011.⁷ This suggested a number of interventions, in particular in relation to classifying early action expenditure including:

- Consider special treatment of early action spending within DEL, to recognise it as investment. For example it might be treated like capital spending, with costs spread across the period in which savings are realised or 'ring fenced' within DEL to protect it from short term cuts.
- 2nd report recommends Incentives and sanctions to break down silos and require and reward longer term planning - financial incentives, including responsibility

⁶ Community Links, [Early Action Task Force](#)

⁷ Community Links, Early Action Task Force, [The Triple Dividend: Thriving Lives, costing less, contributing more](#), November 2011

charging, early action funds, profit sharing, premiums and a duty on all public bodies to think of the future.

Suggested Line of Enquiry

The Committee may wish to:

- specifically consider how the budgeting process supports and provides incentives for a preventative approach to be taken and
- explore the extent of transparency between performance and the means of allocating resources to meet outcomes.

4. SCRUTINY TEST: PRIORITISATION

Part of the role of parliamentary scrutiny is to test whether the pledges and commitments made by any government are then reflected in the choices it makes in the allocation of resource within its budget setting process.

The Committee may therefore wish to assess how the Programme for Government influences spending decisions and whether there is a discernible linkage between performance and budgetary priorities.

Does the budget support the governments “purpose”?

The Programme for Government Annual Report June 2013 opens with the statement:

“My top priority is to deliver jobs and growth and to tackle poverty. I have instructed the Civil Service to mobilise the whole machinery of government, and the wider public sector in Wales, to line up squarely behind delivering these aims.”

It could therefore be anticipated that the 2014/15 draft budget will explicitly

- support the creation of jobs;
- support (economic) growth
- tackle poverty

Suggested Line of Enquiry

- The Committee may wish to challenge the extent to which each of these statements can be represented by budget evidence.

Is there a coherent and justifiable division between sectors and programmes?

Movements between portfolios and within individual portfolios can be analysed following the publication of the draft budget. Examining the choices within an individual portfolio is a key role for the subject committee’s in order to test whether there is a justifiable division within the portfolio. Examining the coherence and division across the whole is more appropriate for finance committee to consider.

The following are extracts from submissions received in response to the committee’s call for evidence. These perhaps provide some evidence which the committee could use to test out the overall coherence of the choices.

- Higher Education Wales response to the call for evidence states the following “The figures for 2011/12 when adjusted to take account of the full economic cost adjustments for the cost of capital and infrastructure, show that the sectors’ position is an aggregate deficit of £64m compared with a deficit of £56m in

2010/11. This represents the degree to which the sector is not in a position to provide for a fully sustainable future.

- The WLGA submission to the call for evidence states “local government... is probably unprepared for the scale of reductions that is likely to be visited on local finances for 2014-15 and “most published plans were based on the optimistic indications published within the 2013-14 settlement

Is current performance informing the choices about where to allocate resource

A budget can be regarded as a tool for implementing policy priorities. The linkage of the budget to the Programme for Government is therefore a factor to establish in the scrutiny process.

Suggested Line of Enquiry

The Committee may wish to:

- Seek evidence of the extent to which the Programme for Government is embedded into the budget building process of the Welsh Government; and
- Seek evidence of how the Programme for Government shapes the corporate planning and budget building process in public bodies.

SUBJECT COMMITTEES

5. SCRUTINY TESTS: PRIORITISATION AND VFM

This section of my paper is aimed specifically at the subject committees who I anticipate will focus upon prioritisation (the budget choices that have been made) and on value for money (VFM). I would envisage that scrutiny by these committees will assess the extent to which there is evidence of:

- Prioritisation – that there is a coherent and justifiable division between sectors and programmes; and that there is
- Value for Money – the extent to which public bodies are spending their allocations well and achieving outcomes.

I have identified some specific affordability and budget process issues, which committees may wish to consider and subject committees may wish, of course, to pick up some of the areas I have directed to the finance committee. I have restricted my briefing in this area to short bullet points.

There are two matters which are relevant to all subject committees.

Firstly, financial transactions – this is funding used to support equity/loan schemes beyond the public sector. Repayments will be made over time to HM Treasury by the Welsh Government. Committees may wish to explore how the Welsh Government has elected to provide support.

Secondly, committees may wish to examine the progress being made towards a more preventative approach within each portfolio.

6. Children and Young People Committee

Budget Process

- Identification and ring-fencing of budgets: As part of the 13/14 budget scrutiny process the committee requested additional transparency on the planned spend for children, particularly regarding health, and on the criteria and use of ring-fencing. Where funding and spend cannot be identified to a particular outcome, or client group, it will make assessment of value for money more problematic.

Value for Money

- School Standards and Organisation (Wales) Act 2013: The initial impact assessment indicated that this legislation could involve transition costs of £1.7m and that school improvement provisions could provide non-cashable savings of £1m p.a. in time. The measurement and assessment of whether any initial investment results in savings will require initial 'baseline' cost and performance data.
- CAF/CASS Cymru: The committee has previously requested clarification of the value for money provided from additional funding for CAF/CASS Cymru, specifically querying what the outcome improvements expected were.
- Attendance & Behaviour: the Welsh Government has been requested by the committee to support the implementation of evidence-based initiatives, with a focus on early intervention, to support attendance and behaviour in all schools. The establishment of an evidence base should identify which interventions provide the optimum outcomes for the resources available. Additionally the development of an over-arching strategy was requested to improve the pace of improvements. This included recommendations on suitable staff training, early intervention and consideration of EOTAS (Educated Otherwise Than At School)

Prioritisation

- Adoption: As a result of the committee's adoption inquiry a national adoption service strategy was requested with appropriate collaboration involving local government. The Welsh Government included its proposals on this matter within the Social Services and Well-Being (Wales) Bill. The committee may wish to identify whether provision has been included within the 14/15 budget.
- Neo-natal Care: Based on its inquiry into neo-natal care the committee has previously noted that "the All Wales Neonatal Standards on nurse to baby staffing ratios are also far from being met". The committee recommended that the Welsh Government should ensure that health boards develop detailed plans, within service reconfiguration, to address neo-natal staff shortages

Suggested Line of Enquiry

The committee may wish to:

- Examine the transparency, across the whole draft budget, of spend on children, including the criteria for and use of ring-fencing. Identification and measurement of the expected outcomes for identified spending may also be appropriate.
- Consider whether there is sufficient clarity on the outcomes expected from new legislation. For example is there sufficient information on the existing baseline outcomes and costs to be able to assess, in the future, whether value for money has been achieved?
- Assess whether there is a clear statement of the outcomes anticipated from any additional funding provided, either as additional general funding or ring-fenced. For example will there be evidence available to assess whether the outcome has been achieved?
- Consider how reliable and robust the evidence to support decisions on options such as Invest to Save or preventative initiatives is.
- Evaluate whether the draft budget supports the Welsh Government's stated priorities within the Children and Young People remit? For example how clear is the linkage and how is this prioritisation achieved at a local, service delivery, level for services such as neo natal care and adoption support?

7. Environment and Sustainability Committee

Value for Money

- Natural Resources Wales: Following its scrutiny of the 13/14 draft budget the committee wrote to the Finance Committee noting that the minister had indicated the intended Natural Resources Body was expected to generate £90m of net benefit over ten years. The letter stated "It is not clear whether these expected savings will result in a further reduction of the funding the Natural Resources Body receives in future years."
- Natural Environment Framework Restructuring: £2m was allocated in the 2013/14 draft budget for this purpose. The committee requested clarity on the outcomes that would be achieved.
- I note that the Welsh Government financial statements for 2012/13 indicate that "A potential disallowance of EU Agriculture funding has been identified relating to the dual use of land." No quantification of the situation was possible at the date of the accounts.

It should be noted that failure to comply with EU funding terms and conditions can result in the requirement to repay European Funding. Repayment requests can relate to expenditure incurred several years previously and can be significant in scale. Reliance on EU funding should therefore be accompanied by sufficient compliance controls to minimise the Welsh Government's future exposure to repayment of grant.

- Grant Management: The use of grant funding to achieve government objectives is well established. In previous budget scrutiny the committee has noted a desire for a wider picture of outcomes and performance achieved by food promotion grants.

Prioritisation

- Marine Policy - The committee has previously suggested that marine policy should be provided with a higher priority. Additionally the capacity for, or prioritisation of, investment in vessels to support fishery protection responsibilities has been raised.
- Coastal Protection - The committee has indicated that this should be regarded as a long term commitment, implying that long-term service and financial planning, including capital investment proposals, should be developed.
- External Funding Application - budget documentation should transparently reflect reliance on external funding sources so that gross spend on government priorities can be identified. This can assist in determining the relative need for (i.e. prioritisation of) taxpayer funds to be applied to a specific priority area. This could include an assessment of the risk, and associated mitigating actions, of external funding not being realised.

Suggested Line of Enquiry

- With Natural Resources Wales now established from 1 April 2013 the committee may wish to examine if there is any revision of the anticipated extent and time profile of savings or efficiencies, and what assumptions have been made for the 14/15 draft budget.
- The committee may wish to explore the compliance arrangements in place to minimise the risk of repayment of EU funding
- The committee may wish to consider the grant management mechanisms in place to ensure that:
 - grants awarded support identified priorities
 - anticipated outcomes are stated and measurable
 - that appropriate action is taken where compliance with the terms and conditions of the grant is not achieved

8. Communities, Equality and Local Government Committee

Affordability & Prioritisation

- The WLGA submission to the call for evidence states that most published plans of local authorities for 14/15 were based on the optimistic indications published within the 13/14 settlement. The document then refers to a letter sent to WLGA leadership in May which signalled that local government should expect to see reductions of the order of those experienced in England.

Affordability : Expenditure

- Welfare Reform - UK welfare reform legislation is expected to have a continuing high degree of impact on the Welsh public and public services, particularly at a local level. The Welsh Government set up the Discretionary Assistance Fund in response to the abolition of the Social Fund. The committee may wish to examine the cost pressures recognised in the 14/15 draft budget, the sustainability of this funding in future years and whether any tapering of support in future years is envisaged.
- The Welsh Government found £22m from reserves to fund the 10% cut in council tax support passed on following the devolution of the benefit. The committee may wish to consider any longer-term plans for the continuance of the Welsh Government's support for the Council Tax Reduction Scheme, particularly in respect of the projected level of support required in future years.
- Local Authority Access to Discounted PWLB Rate for Infrastructure Projects. From 1 November 2013 local authorities in England will be able to access borrowing below the PWLB standard rate for approved projects. This 'Project rate', 40 basis points below normal PWLB rates (0.4%), is restricted to borrowing to support Local Enterprise Partnership strategic local capital investment projects⁸. The HM Treasury letter states "The Government can now announce details of the "project rate" which will enable English local authorities (LAs) working with their Local Enterprise Partnership (LEP) to access cheaper borrowing on up to £1.5 billion of investment." Welsh local authorities are apparently unable to access the same favourable borrowing in order to support equivalent infrastructure projects in Wales

Affordability: Revenue

- Non Domestic Rate Income: As indicated to the Finance Committee the Welsh Government's response to the Business Rates Review 'Incentivising Growth' indicated further work would be undertaken to review business rate policy. The reliability and predictability of this income is important to local government, and may affect the extent to which government priorities are achieved.
- The WLGA submission to the call for evidence, states that it has asked Ministers to work in partnership with local government and the WLGA in a number of areas, including "to ensure that all fees and charges are determined locally to be responsive to local needs including an urgent assessment of the sustainability of

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<http://www.dmo.gov.uk/documentview.aspx?docname=PWLB/pwlb2013guidance1HMT.pdf&page>

the cap on non residential social services charges introduced as part of the First Steps initiative”.

- Tax Incremental Financing – this financing model allows forward investment on the expectation that later revenues will be raised. This is not without risk. For example, if additional NDRI is not realised it is possible that the longer term committed costs fall to be borne by the public purse. The two key risks that have been identified are:
 - Business movement from one area to another to the benefit of one area and the detriment of the other:
 - Uncertainty with regard to the sustainability of the future additional Business Rate income stream

The committee may wish to explore whether TIF is an emerging financing model for use by local government.

- Housing Revenue Account Authorities (Subsidy System Buy Out): In scrutinising the 2013/14 Supplementary Budget the Finance Committee noted that there was the potential for “local authorities buying themselves out of the existing subsidy system through a one off lump sum” with new debt being taken on to finance the settlement. The Finance Committee recommended that the Welsh Government further discuss this option, without jeopardising HRA service obligations or assuming unmanageable levels of debt. The committee may wish to explore the options that are available.

Prioritisation

- Investment in Artificial Football Pitches: the committee has suggested the development of a strategy for supporting the introduction of artificial pitches, potentially aligned to the development of a ‘community hub’ approach.
- Any planned Investment in transport infrastructure within the budget has the potential to boost growth but consideration should be given to the revenue maintenance impact on the relevant authorities.. The committee may wish to explore whether this additional burden has been fully reflected when allocating resource to transport authorities.

Value for Money

- Home Adaptations – The committee inquiry questioned the achievement of outcomes achieved by the Disabled Facilities Grant, recommending that it should only be utilised when it is effective and efficient.
- Participation in Arts – The committee has recommended that the Arts Council for Wales should review funding policies to ensure that outcomes and value for money are achieved. Actions to increase external funding for arts bodies were also suggested.
- Prevention of Social Housing Fraud Act 2013: This UK act created specific offences regarding housing fraud and provisions for the investigation of housing fraud. Potentially the act increases the ability of housing bodies to achieve value for money in delivering outcomes.

Suggested Line of Enquiry

- The committee may wish to evaluate the extent to which forward financial plans are sufficiently reliable to enable funded bodies (e.g. local government) to achieve value for money in delivering the Welsh Government's priorities. Consideration may also be given to the potential mitigation of any immediate uncertainty arising from the work of the Commission on Public Service Governance and Delivery.
- The committee may wish to examine the assumptions made for the 2014/15 draft budget regarding the impact of welfare reform, particularly in terms of the generation of demand for specific support services, including the Council Tax Reduction Scheme.
- The committee may wish to investigate whether investment in appropriate infrastructure projects could be enhanced by access to discounted PWLB borrowing rates.
- The committee may wish to consider the assumptions made in forecasting Non Domestic Rate income for 2014/15, and any associated risks arising. This may incorporate consideration of the application of Tax Incremental Financing.
- The committee may wish to examine the potential for, and consequences of, Welsh HRA authorities buying themselves out of the HRA subsidy system.
- The committee may wish to consider the priorities in the 2014/15 draft budget for the committee's portfolio and the actions taken by the Welsh Government on previous committee recommendations. This may also involve consideration of the revenue consequences of capital investment.
- The committee may wish to evaluate the extent to which forward financial plans are sufficiently reliable to enable funded bodies to achieve value for money in delivering the Welsh Government's priorities. Consideration may also be given to the potential mitigation of any immediate uncertainty arising from the work of the Commission on Public Service Governance and Delivery.
- The committee may wish to consider the extent to which the value for money achieved for each budget line is assessed, determining the current baseline position so that future performance changes can be evidenced.

9. Enterprise and Business Committee

Value for Money

- Non Domestic Rate Income: As indicated to the Finance Committee the Welsh Government's response to the Business Rates Review 'Incentivising Growth' indicated further work would be undertaken to review business rate policy. Potentially the development of appropriate Non Domestic Rate income initiatives may assist in the delivery of the Welsh Government's priorities.
- The Cardiff University submission to the call for evidence queried the impact of increasing the student loan budget, given that due to students studying outside Wales they estimate that by 2015/16 "up to £94.5M of Welsh Government money could be flowing into English institutions per annum."
- The committee will be aware that the Finance Committee is currently conducting an inquiry into Higher Education in Wales. This has a focus on funding, especially the value for money being achieved and the government's tuition fee grant policy. The conclusions of this enquiry may influence the longer-term financial stability of Welsh Higher Education.

Prioritisation

- Priorities: The Programme for Government Annual Report June 2013 opens with the statement: "My top priority is to deliver jobs and growth and to tackle poverty.". Previous enquiries by the committee have included the following recommendations:
 - Apprenticeships: funding should support apprenticeships which will support economic growth needs. Grants for low income households would reduce inequality.
 - Horizon 2020 (EU Research & Innovation scheme): a strategic approach to implementation.
 - Integrated Public Transport: improvements to public transport integration and real time information, including prioritisation of walking and cycling links with public transport. Costed delivery plans and attaching conditions to transportation funding were also encouraged.
- Within Cardiff University submission to the call for evidence, it states the following: "an increasing student loan budget means that there is less funding for other aspects of high education such as research, postgraduate studies and innovation. We fear that in the long term the competitiveness of higher education may be at risk, impacting negatively on the competitiveness of the Welsh economy". The committee may wish to explore the coherence and justification for this division within the portfolio.
- Within the submission by Higher Education (Wales Cymru) it states that "budgets for teaching have decreased by 31%, innovation and engagement by 45% and research funding remained static. The committee may wish to explore the coherence and justification for this division within the portfolio

Suggested Line of Enquiry

- The committee may wish to consider whether the proposed NDR policy for 2014/15 provides Value For Money in supporting the Welsh Government's priorities, especially economic growth and job creation
- The committee may wish to examine whether the Further and Higher Education spending plans in the 14/15 draft budget provides a suitable basis for achieving longer-term Value For Money, for example in the approach to the student loan budget and prioritisation of funding streams.
- The Committee may wish to evaluate the extent to which the job creation, growth and poverty reduction measures in the draft budget are supported by evidence that these outcomes will be achieved
- The committee may wish to explore the extent to which its recommendations on priorities have been reflected in the choices made by government about where to allocate resource.

10. Health and Social Care Committee

Affordability: Expenditure

- Backlogged Claims for Continuing Healthcare Care: A Wales Audit Office report, "Implementation of the National Framework for Continuing NHS Healthcare" (CHC), noted national arrangements had been made to allow people, or surviving relatives, to reclaim incorrectly levied charges for CHC services between 1996 to 2003. A deadline of June 2014 had been set for clearing all claims. The report highlighted that "there remains a significant risk that the deadline will not be achieved"

The Welsh Government's plans in regard to clearing the backlog will presumably affect the 2014/15 draft budget, for example more resources may be directed to this task in 2014/15 or the deadline for clearing claims may be amended, potentially into 2015/16. The Welsh Government's financial statements for 2012/13 (note 18) indicated a provision (estimated obligation) of some £7.5m as at 31 March 2013.

- Other Provisions: Other Welsh Government NHS provisions, representing liabilities of uncertain timing or amount, noted in the Welsh Government's financial statements for 2012/13 include the Welsh Risk Pool (£521.0m at 31/3/13), Hepatitis C (£5.2m) and Electronic Staff Records (£0.5m).

Budget Process

- Medium Term Financial Planning: The Welsh Government has indicated that it would investigate the scope to allow Health Boards to move away from an annual break even requirement, to a 3 year approach. This would be expected to support medium term financial planning and service transformation, improving value for money.
- Additional 'In Year' Funding: The Public Accounts Committee 'Health Finances' (February 2013) report recommended that board funding allocation should be transparently calculated based on weighted needs. Additionally a focus on ensuring financially sustainable service delivery, rather than reliance on non-recurring funding was suggested. Consequently it is suggested that additional in year funding provided to health boards could be linked to expected outcomes, with increased challenge of the evidence base for Health Board budgets.

Value for Money

- Social Services and Well-being (Wales) Bill – The impact assessment indicates that investment in initial training costs will be required, but that some cost implications, such as closer service integration, "have not yet been quantified at this stage given that further clarity on the content of future regulations is required". Given the anticipated significant impact of the Bill on service provision the committee will be keen to ensure that any decisions, from the outset, promote the government's priorities and the achievement of value for money.
- As a result of the Wales Audit report on Maternity Services the Welsh Government were requested to improve workforce planning and minimise the use of agency

and locum staff to assist with value for money. The committee may wish to seek evidence of whether budget assumptions reflect this expected reduced use.

Prioritisation

- I understand that there is presently a joint review between the Minister for health and finance to ensure that the budget reflects the lessons learnt from the Francis Inquiry. I would draw members attention to the submission made by the Royal College of Nursing which states “the impact on the NHS workforce is beginning to show, the recently published statistics on the NHS workforce in Wales showed a decline in nursing staffing levels from the 2010 high”.
- Residential Care for Older People: The committee has previously recommended that clients should be involved and informed in decisions, with more emphasis on community care, rather than hospital based services, and rehabilitation, rather than transfers to residential homes.
- Diabetes: The committee has previously indicated that the Welsh Government needs to adopt more robust oversight and monitoring arrangements of diabetes services if a growing healthcare pressure is to be mitigated.
- Preventative Spend: The Welsh Government’s Commission on Public Service Governance and Delivery may tend to increase uncertainty in the near future for public sector institutions. In a situation of uncertainty it may be difficult to encourage a focus on long term value for money, service transformation and preventative initiatives.

Suggested Line of Enquiry

- The committee may wish to consider the extent to which original estimates for the requirements to address the CHC backlog have been revised in the 2014/15 draft budget.
- The committee may wish to examine the assumptions and allowances made for the settlement of NHS provisions within the 2014/15 draft budget.
- The committee may wish to consider the extent to which health boards can adopt a ‘3 year’ break even financial management approach
- The committee may wish to examine the extent to which funding allocations to health boards for 2014/15 are based on a weighted assessment of need, support the financial sustainability of service provision and minimise reliance on non-recurring funding. In doing so the role of any ‘contingency’ element in the Welsh Government budget and the criteria for its use may also be considered.
- The committee may wish to explore how the review of the Francis Inquiry findings has informed the division of resources across programmes.

- The committee may wish to consider the extent to which the value for money achieved for each budget line is assessed, determining the current baseline position so that future performance changes can be evidenced. This may be particularly relevant for social service and health integration plans.
- The committee may wish to examine the extent to which the 14/15 draft budget supports and promotes service transformation (e.g. collaborative working) and preventative spending. Consideration may also be given to the potential mitigation of any immediate uncertainty arising from the work of the Commission on Public Service Governance and Delivery.