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Y Gweinidog Cyllid a Llywodraeth Leol
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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE-685-22

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru

23 March 2022

Dear Peredur,

I am writing to provide further information on a few issues that were raised during the scrutiny session on 2 March on the second supplementary budget.

Summary of changes to Welsh Government funding for 2021-222 included in UK Supplementary Estimates

Of the £1.1bn additional resources set out in the supplementary budget, £686m arises as a result of Barnett consequentials confirmed in the UK Supplementary Estimate:

- £629m fiscal revenue;
- £18m non-fiscal revenue;
- £57m general capital; and
- a reduction of £18m financial transactions capital.

In addition, we received

- £77m of non-Barnett additions;
- £142m (net) from transfers with other government departments;
- £283m in relation to programmes funded through Annually Managed Expenditure (AME);
- A reduction of £46m as a result of the recalculation of the block grant adjustment;
- £50m drawn down from the Wales Reserve of financial transaction capital;
- A reduction of £149m as a result of an adjustment to the 2020-21 capital spend.

Funding for unpaid carers

Today, the Deputy Minister for Social Services announced a £500 payment will be available to over 57,000 unpaid carers in Wales who are in receipt of Carers Allowance. The payment recognises the financial and emotional pressures many unpaid carers have experienced

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

during the pandemic and targets individuals who care for over 35 hours a week and have low incomes.

Anyone receiving Carers Allowance on 31 March 2022 will be able to register with their local authority and claim the payment. We will publish further details on when and how to register by the end of April.

2021-22

In recognition of the increased pressure caused by the pandemic, we have allocated additional funding of £10m to support unpaid carers of all ages, in 2021-22. This funding included:

- £1.25m to extend the Carers Support Fund into this financial year;
- £5.5m of the £40m additional social care Winter Plan funding to local authorities to provide a range of support to unpaid carers;
- £3m to local authorities to increase opportunities for carers to take a break from their caring role.

The Integrated Care Fund (ICF) is another source of support for unpaid carers. In 2020-21 we invested £89m revenue funding in the ICF, and recognising the positive benefits of the ICF and building on success to date, we invested another £89m revenue funding in 2021-2022.

2022-23

In 2022-23 we will provide funding to take forward our Programme for Government commitment to set up a short breaks scheme for unpaid carers.

Our successful Third Sector Sustainable Social Services Grant Scheme has been extended by two years to 2025.

From 2020-2023 we have allocated £2.6m to Carers Wales, All Wales Forum of Parents and Carers, Carers Trust Wales and Age Cymru under this programme. We are providing funding of £1m to local health boards to continue their work to support carers struggling with the increased pressures of the pandemic.

Funding for hospices

Welsh Government recognises the enormous contribution that hospices make to end of life care and the support they provide to patients, families and carers, including the provision of much needed respite care. That is why we have allocated £13.8m of emergency funding to support hospices throughout the pandemic. This funding has been used to protect core clinical services and strengthen hospice bereavement support.

We have also delivered on our Programme for Government commitment to review hospice funding and are making an additional £2.2m per annum available to adult and children's hospices from 2022-23. This is the first phase of a wider review of palliative and end of life care funding across Wales.

Hospices are independent organisations and as such receive income from a number of different charitable and statutory sources. It is for individual hospices to determine what pay rises they provide to their staff based on the total income they receive. However, where

Service Level Agreements are in place with health boards, we would expect them to consider the impact of any pay increase to NHS staff on their local hospices.

Support for the new Curriculum for Wales

Over £35 million is being allocated as direct support for the new Curriculum for Wales in 2022-2023. This funding includes:

- our ground-breaking investment in schools' curriculum related professional learning – and our commitment to the National Professional Learning Entitlement;
- ongoing direct national support to schools for their curriculum work;
- middle tier support - including supporting local networks, the Curriculum for Wales Development Programme etc;
- direct national support for developing progression and assessment in the curriculum – including the “Camau” projects;
- support for schools' engagement with, and the operation of the National Network for curriculum implementation;
- Qualifications Wales' additional costs for new qualifications that reflect the new curriculum;
- support for funded non-maintained nursery settings' curriculum implementation;
- new curriculum related resources and supporting materials;
- marketing and communications work, including new information for parents;
- continuing funding for the Research, Evaluation and Monitoring programme.

For schools our budget plans mean they will directly receive £21.6m, £21.3m and £18.4m over the next 3 years to support their work on the new curriculum and related professional learning.

Regarding how we know where to target resources – as we set out in the Curriculum Implementation Plan in January 2021 – our longitudinal Evaluation and Monitoring Programme is already providing key insights into the process of curriculum implementation. Early reports on schools' readiness were published in September and 31 January – with the next due this spring. We will also publish this spring the programme's scoping work, so we can map out the process implementation monitoring and, in due course, impact assessment for these key reforms over time.

Linked to the Evaluation and Monitoring programme, Estyn continue to publish their regular updates on the impact of the pandemic and the progress schools are making on curriculum reform. Their latest, published on 10 February, looked at the outputs from their autumn engagement work. I understand they are due to publish further reports on curriculum implementation later this month.

Capital support for Free School Meals implementation

In February, the Minister for Education and Welsh Language agreed an allocation of up to £25m capital funding for distribution to local authorities in 2021-22, as part of the Sustainable Communities for Learning Programme, to purchase equipment and upgrade existing facilities to support the rollout of extending free school meal entitlement to primary school children.

Write off of Health overspends in England

When debt being effectively written off is a transaction within the Department for Health and Social Care (DHSC) group, it will not create additional borrowing or fiscal cost for the Exchequer and does not affect the overall DHSC budget, and does not lead to additional Barnett formula consequential for the devolved governments.

The overall budget for the DHSC in any year will be able to accommodate overspends by individual NHS trusts in England relative to their allocations.

In previous years, it seems that certain trusts built up debts with the DHSC over a number of years to fill gaps in their budgets. The write off of those debts does of course mean that DHSC will not now be able to factor future debt repayments from those trusts into its plans for allocating funding across England. However there is no fiscal impact on its overall budget.

The Welsh Government monitors closely the allocation of resources by the UK Government, to ensure that the Barnett formula and broader fiscal framework are implemented appropriately and that Wales receives its correct share of funding.

Business Support evaluation

Economic Intelligence Wales' (EIW) first phase evaluation [Covid-19 financial interventions: An analysis of Welsh beneficiaries](#) was published in December 2020. The interventions investigated included phase 1 and 2 Economic Resilience Fund (ERF) business grants administered by Welsh Government, the Covid-19 Wales Business Loan Scheme managed by the Development Bank of Wales and Non-Domestic Rates (NDR) linked grants administered by local authorities.

The initial findings in the report show:

- The first 2 Phases of the ERF have provided over £200m of grants to support businesses in Wales. This figure excludes support paid through the NDR grant of £770m which was paid to 64,000 businesses.
- In total these ERF business grants have directly supported almost 12,000 firms/organisations in Wales and 125,000 jobs (full-time plus part-time), representing around 10.5% of total employment in Wales.
- Average funding awarded per successful SME application was around £15,620. On average, the amount approved for SMEs was just over 77% of the value of funds applied for by firms in Wales.
- Almost 80% of recipient firms were micro businesses, and these firms received an average grant of almost £10,000. Small firms comprised 18% of supported firms with average funding of almost £31,000 per firm. Medium-sized firms accounted for almost 3% of recipient firms, with an average grant of almost £74,000. Large firms received an average grant of around £302,000.
- The wider impacts of the support could be significant, with many thousands of further jobs supported indirectly in related businesses through supply-chain effects and wage spending effects.

The further two stages of the work of the EIW which included a survey element and a follow on impact and conclusion evaluation have now been completed and a report on this will be published at the end of this month.

Public Sector Pay

We are committed to making Wales a fair work nation, and continue to work constructively in tripartite social partnership between Government, our trade union colleagues, and relevant delivery partners to turn that commitment into a practical reality.

We recognise within the broader context of inflation, this is an evolving picture with increases to household bills, National Insurance rises and associated impacts to supply chains and the costs of goods starting to impact from April, alongside the impacts that will now be felt as a result of the invasion of Ukraine.

It is important to recognise any decision by the UK Government to lift restrictions on public sector pay will only provide some relief for our public sector workers who have faced many challenges in the past two years and have worked incredibly hard to keep vital services going only if this is fully funded.

No detail was provided in the spending review regarding the scale or quantum of these pay rises. We remain concerned they will be significantly below inflation, representing a cut in real terms given current high levels, or be expected to come from existing budgets, reducing Welsh Government budgets. We urge the UK Government to act on 23 March.

We are committed to exploring with local government and trades unions in Wales how to make progress on our longstanding commitment to improve fairness in pay arrangements, but this is in the face of a challenging financial settlement, particularly to address the impact of COVID on our NHS and our progressive social agenda.

We also committed to addressing pay disparity across different public bodies. I have already initiated an exercise to achieving pay parity across broadly similar grades in different public bodies, which has included within its scope the Welsh Government, Public Bodies, the NHS, Local Authorities and Welsh Government companies such as Transport for Wales and Cardiff Airport. However any funding will need to be found from within existing settlements.

Yours sincerely,



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