

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-RE-2458-22

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

22 August 2022

Dear Peredur,

Thank you for your Committee's scrutiny of the First Supplementary Budget 2022-23 and the report that followed.

I attach a written response to the recommendations made which I hope you find useful.

In addition, further to your recent correspondence in regard to the Finance Committee's Inquiry into Post-EU Funding Arrangements, I can confirm as noted in my letter to the Committee of 1 July, that an item on post-EU funding arrangements has been included in the draft agenda for the next Finance: Inter-ministerial Standing Committee (F:ISC) meeting scheduled to take place in September. It is also intended that the Parliamentary Under Secretary of State (Minister for Levelling Up, The Union and Constitution) will be invited to join the meeting. I will write to you with further detail in due course, as part of the arrangements set out in the Inter-Institutional Relations Agreement between Senedd Cymru and the Welsh Government.

Yours sincerely,

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

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.

WELSH GOVERNMENT RESPONSE TO RECOMMENDATIONS FROM THE FINANCE COMMITTEE REPORT:

SCRUTINY OF WELSH GOVERNMENT FIRST SUPPLEMENTARY BUDGET 2022-23

AUGUST 2022

Recommendation 1

The Committee recommends that the Welsh Government provides an assessment of how inflationary pressures have impacted on its spending plans for 2022-23, including details of actions taken by the Welsh Government where expectations of outcomes have been deferred or reappraised as part of the next supplementary budget.

Response: Accept

As a result of unprecedented inflation, our three-year spending review settlement is now worth at least £600m less than it was at the time we received it last October.

There are limits to how far we can mitigate the impact of inflation unless the UK Government increases public spending.

We are not in the position of UK Government whereby we can borrow large amounts to address the very challenging issues that inflation and is having on our budgets. What we have is a relatively fixed budget, largely determined by decisions in HM Treasury, and choosing to make additional funding available for one area has to be found from another.

Recognising inflationary context is putting pressures on all budgets we will continue to prioritise funding for vital frontline public services and our Programme for Government commitments.

We are carefully monitoring emerging pressures across Government to ensure that we allocate resources most efficiently. Difficult choices will be required and considered as part of the upcoming budget process. Any budgetary impacts will be reflected in the next Supplementary Budget and set out in subsequent budget documents.

Recommendation 2

The Committee recommends that, given the exceptional inflationary pressures which are likely to persist and may worsen this financial year, the Welsh

Government considers bringing forward its second supplementary budget so that funding can be allocated to priority areas as a matter of urgency.

Response: Accept

The budget protocol agreed by the Finance Committee and the Welsh Government sets out the commitment to publish two supplementary budgets each year. Consideration is given to the timing of each supplementary budget to ensure it reflects changes to budgets as a result of decisions of the Welsh Government, but also to capture changes that arise as a result of decisions by the UK Government.

The first supplementary budget of a financial year is normally published following the conclusion of the UK Government's Main Estimate which may also confirm changes arising from the UK Government's Spring Statement in March and which were notified too late to include in the Welsh Government's Final Budget.

The second supplementary budget is normally published following the conclusion of the UK Government's Supplementary Estimate. Because this supplementary budget is the last opportunity during the financial year to regularise changes as a result of UK Government decisions, the timing is critical to ensure spending proposals approved by the Senedd include those changes. The UK Supplementary Estimate is usually concluded in early February.

Allocative decisions, either from the Welsh Government reserve or reprioritised within MEGs to address emerging pressures, can be made in advance of a supplementary budget and regularised in a forthcoming supplementary budget.

Recommendation 3

The Committee recommends that the Welsh Government provides details of consequential funding made to Wales by the UK Government and publishes any differences between figures provided by the Welsh and UK Governments in light of any UK autumn fiscal event and following receipt of UK supplementary estimates.

Response: Accept

All details of consequential funding will be provided to the Committee and set out within the Welsh Government's supplementary budget published toward the end of the financial year.

Recommendation 4

The Committee recommends that the Minister continues to press the UK Government to commit to providing continued funding to support local authorities, households hosting Ukrainian refugees and the education sector for the next financial year and beyond, as soon as possible.

Response: Accept

We have raised concerns directly with the Chief Secretary to the Treasury and the Chancellor to the Exchequer regarding the funding arrangements for Ukrainian resettlement schemes.

Ahead of the forthcoming UK Budget, we will continue to press that these arrangements are reviewed to ensure they can meet the escalating demands, with additional funding provided to help meet the costs of accommodating people fleeing the war in Ukraine. Urgent certainty of funding beyond the current financial year is also needed to enable us to plan ahead with our partners to ensure all the necessary public services can be provided.

There should also be parity across the two visa schemes to meet the additional pressures on public services. Financial support must continue for those hosts who have welcomed Ukrainian people into their homes, to ensure this vital source of accommodation and community continues to be available. We are also pressing for support this year and beyond for those arriving under the Family Scheme where no funding has been provided.

Recommendation 5

The Committee recommends that the Minister provides a breakdown of funding being provided by the UK and Welsh Governments to support and host Ukrainian refugees, within future annual and supplementary budgets.

Response: Accepted in part

We will include information on Welsh Government provision and on specific provision from UK to the Welsh Government for supporting and hosting provision for people seeking sanctuary from the war in Ukraine in future annual and supplementary budgets.

We cannot provide information on funding UK Government is making to people in Wales for hosting people from Ukraine as these payments are being made direct from UK Government to Local Authorities in Wales.

Recommendation 6

The Committee regrets the UK Government’s approach of using contributions from devolved budgets towards funding its military support for Ukraine and calls on the Minister to raise this issue with counterparts elsewhere in the UK to ensure that devolved budgets are protected from being used to fund non-devolved areas in future.

Response: Accept

A Written Statement¹ was published on 30th June 2022, outlining the Welsh Government’s position on this funding. We have already made a substantial contribution to the humanitarian effort in Ukraine and will continue to provide support to the Ukrainian people.

It is right the UK should continue to provide much-needed military support. However, defence and foreign affairs are reserved matters. The UK Government’s approach of using contributions from devolved budgets towards funding its military support for Ukraine is a novel, worrying and potentially divisive approach by HM Treasury. Funding for these areas should rightly be met by UK Government.

Ultimately, because of the exceptional circumstances, we have accepted this situation in light of our ongoing commitment to support Ukraine and the Ukrainian people but we have been clear that this should not set a precedent.

We continue to make representations to UK Government, a letter issued on 27th June 2022 to the Chief Secretary to the Treasury conveying disapproval at the way in which UK Government has sought to use contributions from devolved budgets in this way. These are concerns shared with the Scottish Government and Northern Ireland Executive which they have also raised separately with the Chief Secretary to the Treasury.

We will continue to work with the other devolved governments to ensure that devolution settlements are respected and that devolved budgets are protected from being used to fund non-devolved areas.

Recommendation 7

The Committee recommends that the Minister provides details of the potential impact of the UK Government’s broader efficiency review of the Civil Service,

¹ [Written Statement: Funding for Military Support for Ukraine \(30 June 2022\) | GOV.WALES](#)

including any assessments made by the Welsh Government of likely cuts to UK Civil Service workers in Wales, so that its impact on well-paid and secure jobs can be measured and mitigated.

Response: Accept in principle

The budget for the Welsh Government civil service is set by the First Minister and Cabinet as part of the annual budget process and the efficiency targets announced by the UK Cabinet Office do not therefore apply. The planned reductions, which were not discussed with the First Minister, follow a period of substantial growth over the past six years. Headcount figures from the Annual Civil Service Employment Survey for Welsh Government, Scottish Government and UK Government Departments show that between 2016 and 2021, Civil Service headcount figures increased across all the administrations. However, while both UK Departments and Scottish Government saw substantial percentage increases of up to 45% growth, Welsh Government saw the smallest increase at 5%.

The UK Government announced its efficiency review and reduction of civil service numbers by 90,000 without providing any information in either last autumn's spending review or the subsequent Spring Statement regarding the impact of this reduction. If UK Government goes ahead with its plan to cut 90,000 civil service jobs, there will inevitably be negative consequences for public sector workers in Wales, the delivery of public services and the wider economy given the significant numbers of civil servants based in Wales from UK Government departments and agencies.

These consequences will be felt at a time when the economy will, according to the Office for Budget Responsibility and the Bank of England, still be struggling to recover from the pandemic, the ongoing costs of Brexit and negative productivity performance.

The Welsh Government would seek to minimise the impacts of any proposal to cut civil service jobs in Wales, working in social partnership with our trade union colleagues. A substantive analysis of the impact will require greater information from UK Government in relation to its formal proposals, and this is as yet not forthcoming.

Recommendation 8

The Committee recommends that the Minister makes representations to the UK Government to ensure that any decisions to cut Civil Service staff will not have a detrimental impact on Welsh public services.

Response: Accept

Wider public sector pay issues were discussed with the Chief Secretary to the Treasury at a meeting of the UK Finance Ministers on 14th June. Subsequently devolved government Finance Ministers wrote to the Chancellor on 18th July 2022.²

We will continue to make representations to UK Government through the established channels, to ensure any decisions taken by UK Government to cut civil service staff does not have a detrimental impact on Welsh public services.

Recommendation 9

The Committee recommends that a further breakdown of the funding provided to local authorities to support the Welsh Government's free school meals policy is provided in future budgets so that its implementation can be evaluated in future budget rounds.

Response: Accept

A breakdown of top level capital and revenue funding allocations by Local Authority will be provided in future budgets, where available.

The revenue funding allocations will include the methodology of calculations including the agreed unit rate. This is the rate per pupil, per meal that Welsh Government intend to fund local authorities in delivering the Universal Primary Free School Meal offer.

As set out to the Committee by the Minister for Finance and Local Government in her letter of 26 July, indicative revenue grant funding allocations for 2022-23 and offers of grant have been made to all local authorities on the following basis:

- Local authorities will retain the duty related to the provision of food for those eligible for a free school meal under benefits-related criteria. The Welsh Government grant funding will support the expansion of a free meal offer to all those newly eligible as a result of the commitment.
- The unit rate per meal provided through the grant has been set at £2.90.
- Funding allocations are based on 86% uptake of the offer among newly eligible learners according to each local authority's plans for rollout in the first year of delivery (calculations are based on the difference between all pupils on Pupil Level Annual School Census (PLASC) 2021 minus those eligible for free school meals under income/benefit-related criteria or through Transitional Protection arrangements, which represents the anticipated total expansion).
- A fee to cover additional administration costs incurred as a result of their administration of the offer is also included in grant allocations. For the first year, it has been agreed that this will be set at 6% of each local authority's grant

² [Joint Devolved Finance Ministers' letter to Chancellor of the Exchequer Nadhim Zahawi MP | GOV.WALES](#)

allocation. This is normal with programmes of this scale and reflects the complexity in rolling out this offer.

- Funding will be distributed as part of the Local Authority Education Grant on a demand-led basis. Local authorities will need to prepare termly claims on the actual numbers of meals served. Any variances less than or greater than 86% meals served will be adjusted in the allocation for the next term.
- A review of the unit rate will be undertaken during the first year of delivery, using real-time data on costs/uptake provided by local authorities, in order to develop a deeper understanding and, where appropriate, refine the rate for future years.

To date, capital funding has been provided on a formula basis. The formula ensures equitable distribution of capital across Wales and provides local authorities with the freedom to prioritise locally, according to greatest need. This also ensures that the funding is made available at the earliest opportunity and the amount of funding sets the parameters in which to deliver the ambition.

Recommendation 10

The Committee recommends that the Welsh Government develops a strategic long-term approach to workforce planning and training across the public sector to mitigate future staffing pressures with the long-term aim of making public services sustainable and affordable.

Response: Accept in principle

The Workforce Partnership Council (WPC) brings together social partners across the devolved public sector with the purpose of enabling employers and trade unions to look constructively at workforce matters. The WPC is developing their current work programme which includes driving forward work on agile and flexible working and strengthening equality action plans, whilst appreciating local autonomy and local delivery practices. The WPC continues to be a forum for disseminating good practice and sharing learning across organisations.

The current challenges in recruiting and retaining staff in many roles across private and public sector are recognised, as are the differing needs across such a diverse public sector. Academi Wales is the centre of excellence in leadership development for the public and third sectors in Wales and operates squarely against the First Minister's ethos of One Welsh Public Service. Academi Wales has developed a shared set of values and behaviours for public sector leaders, aimed at developing a future where the sectors can all work together with a joint purpose, vision and values. The values and behaviours are firmly based on the Wellbeing of Future Generations Act; and aim to create a stronger Welsh public service.

Whilst a single approach is not considered appropriate, strategic, long-term approaches to workforce planning and training within the various sectors of public service are being developed. Some examples include:

Local Government

In relation specifically to local government, workforce planning and training are matters for individual local authorities reflecting their responsibilities for determining local service delivery. Local Authorities may have a range of approaches to service delivery and to securing efficiency within these approaches, including in house delivery, working with other authorities, contracting or commissioning services or where appropriate moving to digital approaches.

Local Authorities are able to work and plan together jointly through a range of approaches joint committees, corporate joint committees and do so where they identify synergies and efficiencies, for example the Shared Regulatory Services for Vale of Glamorgan CBC, Bridgend CBC and Cardiff CC.

Social Care

In the social care sector, Social Care Wales has worked with Health Education and Improvement Wales (HEIW) to develop a first-ever [workforce strategy](#) across health and social care that can meet the future needs of people in Wales. This is a 10 year strategy and was launched in 2020.

The Social Care Fair Work Forum, convened by Welsh Government in 2020, is looking at how the definition of fair work should be applied for social care workers in Wales and will, through collective discussions between unions, employers and government, set out what good working practices should look like in social care, including in regard to pay, working conditions, employee voice and training, to support attracting more workers to social care.

Introducing the Real Living Wage for social care workers has been a priority for the Welsh Government and a key commitment in the programme for government. Creating a stronger and better-paid workforce is key to delivering better services, and the Real Living Wage provides an important starting point for improved terms and conditions.

Welsh Government

In respect of Welsh Government staff, as part of the Permanent Secretary's WG 2025 organisational development programme, the Welsh Government will be developing a new Workforce Strategy for the organisation which will incorporate a forward-looking, long-term approach to workforce planning. Welsh Government has already invested in a programme of workforce planning and organisational design training for its HR professionals and will be developing a toolkit, guidance and training package for its senior leaders over the next year.

Recommendation 11

The Committee recommends that the Welsh Government provides information about how the additional funding for NHS recovery will be used and the expected outcomes for the additional funding it has committed to provide over this Senedd term.

Response: Accept

We are investing over £200m in the NHS in 22-23 to help in the recovery of services from the impact of the Covid pandemic. Of that, £170 million is recurrent funding covering a range of initiatives and additional capacity, along with £15 million for planned care transformation and £20 million for value-based healthcare pathways.

The Planned Care Recovery Plan was published on 26th April 2022 which sets out our ambition for transforming the way planned care is delivered to ensure patients receive the care and treatment they deserve. The plan, developed in collaboration with clinicians, has a number of challenging but achievable ambitions contained within it. The first of these is to have no open pathways over 52 weeks for first outpatient appointment by the end of 2022, followed by having no open pathways over 104 weeks by the end of March 2023.

We expect these targets to be achieved and progress is being closely monitored via the National Director for Planned Care Recovery.

As well as reducing the number of open pathways over 104 weeks, the funding will be used to address transformation and be used to support patients whilst they wait for treatment to ensure that if they do require surgery, they will be fit enough for it.

A link to the plan is here:

[Transforming and modernising planned care and reducing waiting lists | GOV.WALES](#)

Recommendation 12

The Committee recommends that the Welsh Government provides further information to explain why local health boards were not able to fully utilise the additional funding provided in 2021-22 to support NHS recovery and reduce the waiting times backlog, as well as set out what actions it is taking to address them to ensure current year and future allocations can be appropriately targeted to deliver its ambitions and provide value for money.

Response: Accept

During 2021-22, Welsh Government allocated nearly £250 million to help health boards and the wider NHS address the recovery from the pandemic.

However, the impact of the Omicron wave, during December and into the early part of 2022, affected both the amount of activity health boards were able to carry out locally and the capacity of the independent sector to provide the capacity health boards had secured to support recovery. Both of these factors were acknowledged by the Auditor General for Wales in his report “Tackling the planned care backlog in Wales”.

It is worth noting that despite the increase in Omicron levels, activity did increase during the latter part of the year, though did not reach pre-pandemic levels.

We will monitor progress against our recovery targets through the work of the National Director for Planned Care Recovery. Health boards have developed detailed transformational plans as part of their integrated medium-term plans. These have been scrutinised to ensure that they are effective and offer value for money. Health boards will be expected to demonstrate the additionality that this extra investment has delivered.
