

Jeremy Miles AS/MS
Gweinidog y Gymraeg ac Addysg
Minister for Education and Welsh Language



Llywodraeth Cymru
Welsh Government

Eluned Morgan AS/MS
Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

Julie Morgan AS/MS
Dirprwy Weinidog Gwasanaethau Cymdeithasol
Deputy Minister for Social Services

Lynne Neagle AS/MS
Dirprwy Weinidog Iechyd Meddwl a Llesiant
Deputy Minister for Mental Health and Wellbeing

Ein cyf/Our ref: MA/JMEWL/0370/24

Jayne Bryant MS
Chair of Children, Young People and Education (CYPE) Committee

4 March 2024

Dear Jayne

Thank you for the Committee's report on the 2024-25 Welsh Government Draft Budget, published on the 5 February, outlining 19 recommendations for the Welsh Government.

We acknowledge the work undertaken by the Committee on their scrutiny of the Draft Budget and welcome this report. Please find enclosed the Welsh Government response to your recommendations in advance of the vote on the Final Budget on 5 March.

Yours sincerely,

Jeremy Miles AS/MS
Gweinidog y Gymraeg ac Addysg
Minister for Education and Welsh Language

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

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

Gohebiaeth.Jeremy.Miles@llyw.cymru
Correspondence.Jeremy.Miles@gov.wales

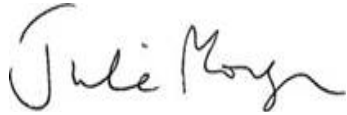
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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.



Eluned Morgan AS/MS

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WELSH GOVERNMENT RESPONSE TO THE RECOMMENDATIONS FROM THE CHILDREN, YOUNG PEOPLE AND EDUCATION COMMITTEE'S REPORT: SCRUINTY OF THE WELSH GOVERNMENT'S DRAFT BUDGET 2024-25

FEBRUARY 2024

We thank the Committee for their work undertaken on the scrutiny of the 2024-25 Draft Budget. We are grateful to the Committee for their feedback on the written evidence papers and during the oral evidence sessions on 11 and 17 January 2024. This report sets out the Welsh Government response to the 19 recommendations outlined in the Committee's report.

1. Cross Cutting Recommendations

Recommendation 1

The Welsh Government must produce a Children's Rights Impact Assessment of its Draft Budget to demonstrate its compliance with the Rights of Children and Young Persons (Wales) Measure 2011, as set out in the Welsh Government's own Children's Rights Scheme.

Response: Reject

We are committed to fulfilling the legislative requirements for impact assessments, including where these relate to the assessment of our financial decisions.

The duty on Ministers is to have due regard to children's rights, rather than to complete a Children's Rights Impact Assessment. We believe that the approach we are taking in respect of the Strategic Integrated Impact Assessment (SIIA) and children's rights meets our legal obligations, in giving due consideration to the United Nations Convention on The Rights of the Child, alongside meeting our wider commitments.

We therefore do not consider it is necessary, and nor would it be helpful, to publish a separate Children's Rights Impact Assessment of our Budget. We continue to maintain that the SIIA, which takes an integrated approach, enables us to better understand the intersectional and unintended impacts of spending decisions and to maximise the impact of available funding, reducing the disproportionate effect on any one specific group or area.

To consider an area of impact in isolation risks unintended consequences such as the negative impact in one area being driven by a positive impact in another. In this current context difficult decisions could not be avoided. Ministers will also make decisions informed by ongoing and iterative impact assessment both as policy is developed and actioned including in relation to budgetary decisions. .

We will continue to engage with our Budget Improvement Impact and Advisory Group (BIIAG), to explore how the Welsh Government can better reflect children's rights in our improvements to budget and tax processes.

Recommendation 2

The Welsh Government must set out to how it will ensure effective in-year monitoring of outcomes against financial expenditure, and how it will use this information to be agile in reprioritising financial spend if necessary when the intended outcomes are not being realised.

Response: Accept in Principle

We already outline substantive information throughout the financial year through our Draft, Final and Supplementary Budget publications. We report the monitoring and delivery of outcomes through the Programme for Government report. In addition, throughout the year we publish a range of information through our website on the monitoring and outcomes of policy areas. We are happy to consider improvements through our work on the Budget Improvement Plan recognising that such changes must be proportionate and should also be considered through any changes to the Budget Protocol.

Recommendation 3

The Welsh Government must set out the detail of how it monitors outcomes for children for all the programmes funded through both the Children and Communities Grant and the new Local Authority Education Grant and publish this data on an annual basis.

Response: Accept in Principle

The Children and Communities Grant (CCG) includes the following programmes:

- Childcare and Play (formerly Out of School Childcare) including Training and Support Programme
- Families First
- Flying Start
- Out of Court Parenting Support Grant
- Promoting Positive Engagement for Young People at risk of offending
- St David's Day Fund
- Playworks Holiday Project (from 2024-25)
- Early Intervention Parenting Support Grant (from 2024-25)

A range of information is collected as part of the monitoring and evaluation arrangements for the grant. This is done for individual programmes within the grant,

and is proportionate to the scale of each programme. These arrangements include management information collected via data monitoring returns from local authorities and the grant monitoring process as set out in the CCG grant terms and conditions. Information about outcomes is collected through more formal research and evaluation projects.

For example, for a larger scale programme such as Flying Start, statistical releases are published annually, and large scale evaluations are carried out and published in accordance with Government Social Research protocols. The forthcoming national evaluation of Flying Start is exploring techniques like data linking to enable a robust outcome assessment of the Flying Start programme.

For the new Local Authority Education Grant, we will be monitoring outcomes of our programmes through newly developed grant terms and conditions.

We have streamlined the monitoring requirements of our pre-16 education programmes, in line with Welsh Government's objective to reduce the administrative burden on local authorities, and parallel to the workstream for reducing workload and bureaucracy in our schools across Wales.

Our terms and conditions require reporting against high-level outcomes set out in each of the four elements of the new LAEG - School Standards, Equity, Reform and Cymraeg 2050.

We will use this information to help us monitor outcomes for children across our funded programmes. Although this will not be published routinely from a collective grant funding perspective, it will be used to evidence impact of funding in various policy areas which is likely to result in information being published as part of other frameworks across Welsh Government.

The recommendation has been accepted in principle as there are no plans for annual reporting for the CCG or LAEG.

2. Health and Social Care

Recommendation 4

The Welsh Government must provide the Committee with the mental health modelling report undertaken by the Welsh Health Specialised Services Committee when finalised.

Response: Accept in Principle

The modelling was commissioned by the Welsh Health Specialised Services Committee to inform their Strategy for Specialised Mental Health Services. The Strategy will be published shortly and we will share a copy with the Committee once it is available.

Recommendation 5

The Welsh Government must provide us with an update of the work being done on the Healthy Weight, Healthy Wales strategy with Public Health Wales to establish an overall evaluation framework for the strategy.

Response: Accept

A scoping study has been undertaken by Alma economics to assess the evaluability of the Healthy Weight, Healthy Wales strategy, including looking at approaches to the evaluation of other strategies comparable in terms of their complexity or subject matter. The recommendations from the study are under review and the next steps will be taken forward through the 2024-26 Delivery Plan which is currently in development. We will share a copy of the outcome of that review with the Committee when it is available.

Recommendation 6

The next Healthy Weight, Healthy Wales delivery plan must include a clearer focus on the prevention of childhood obesity, including action and associated costings and targeted at families and the early years.

Response: Accept

The 2024-26 delivery plan for the Healthy Weight, Healthy Wales strategy is currently in development. Whilst current plans have a focus on Early Years, it is envisaged that the 2024-26 Delivery Plan will build on current action and have a renewed focus on the prevention of childhood obesity. A copy of the final plan will be shared with the Committee when it is completed.

Recommendation 7

The Welsh Government must provide us with a written update detailing its communication plan with recipients of the Sustainable Social Services Grant as it relates to children which is due to end in 2024-25.

Response: Accept

A written update regarding planned communications with recipients of grants under the Sustainable Social Services Third Sector Grant Scheme will be shared with the Committee once the communications plan has been finalised.

Recommendation 8

The Welsh Government must provide us with a copy of the Children's Rights Impact assessment on the decision to reduce the Social Care Workforce Grant by £11 million.

Response: Reject (not applicable)

We have referenced in earlier recommendations our commitment to fulfilling the legislative requirements for impact assessments, and do not feel it is necessary to publish separate, individual Children's Rights Impact Assessments.

In relation to this recommendation and as a result of the UK Government recently announcing an increase to their funding for local authorities, Welsh Government are now expecting a consequential allocation for Wales of around £25 million for 2024-25, which will be confirmed at the UK Spring Budget on 6th March. We intend to use some of this allocation to reverse the proposed reduction to the social care workforce grant, and return the grant to £45 million for 2024-25, as per this financial year.

Recommendation 9

The Welsh Government must provide us with an update on its latest estimate of the cost and subsequent profit for private children's social care services in Wales that it is aiming to address through the eliminate profit provisions in the Social Care Bill.

Response: Accept

This information will be published as part of the Regulatory Impact Assessment that will accompany the introduction of the Social Care Bill.

Recommendation 10

The Welsh Government must publish a more detailed plan than is currently available as to the transition of 1880 children and young people out of independent placements by 2026.

Response: Accept in Principle

It is important to recognise that we are not promoting like for like replacement of one provider by another. The shape and scale of provision needs to be different, including models of care, wrap-around support and models of ownership. The system simply cannot continue to operate in the way it currently does if we are to provide the best outcomes for our children and young people.

We are investing an additional £68 million into the sector over the three years 2022-2025 to help local authorities build capacity in-house and not-for-profit residential and foster care provision, help move children out of residential care back into a family setting, and provide locally based and designed services, including specialist provision for children with more complex needs and above all improving outcomes for children.

This is a complex and ambitious change, and we are giving detailed consideration to the transition to the new arrangements to prevent or mitigate disruption to children and young people as far as possible. The intention is that the requirement to be not-for-profit will apply to new providers entering the market in the first instance. It will then be widened to include any existing for-profit providers.

We aim to fulfil this commitment by the end of this Senedd Term and our clear expectation is that local authorities must use the next 3 years to rapidly accelerate their care reduction policies and programmes as well as to develop sufficient alternative placements.

3. Education and Welsh Language

Recommendation 11

The Welsh Government must remain vigilant to future demand for the budget lines it has reduced within the Education and Welsh Language MEG and closely monitor whether it needs to revise its projections of demands so as to avoid any unanticipated future 'shocks' to budgets.

Response: Accept

Careful financial management is essential given the extraordinary financial pressures facing public services. All budgets, including demand led budgets, will continue to be monitored and challenged within the Education and Welsh Language MEG on a monthly basis during 2024-25 to consider latest forecasts and to ensure a balanced position can be achieved by year end.

Student support is the most significant demand led budget in the MEG. It is forecast and monitored through various analytical models managed by an expert analytical team and regularly updated to reflect the latest available data. The level of support provided is reviewed annually and subject to strong governance arrangements, particularly focussing on affordability and future planning requirements based on published data.

Recommendation 12

The Welsh Government must clarify the current level of the 2023-24 budget and therefore the change that the 2024-25 Draft Budget brings to the level of resource and capital available in the Education and Welsh Language MEG. It must clarify whether this an increase of £15 million as the Minister told the Committee or £42 million as the figures announced in October 2023 imply.

Response: Accept

The October 2023 announcement by the Minister for Finance and Local Government resulted in the reprioritisation of funding from the Education and Welsh Language MEG of just under £75 million fiscal resource (revenue) and £40 million capital. There were no changes to non-fiscal resource (non-cash) budgets as part of this exercise. The changes were formalised in the Second Supplementary Budget 2023-24 published on 20 February.

Taking only these changes into account, the overall Education and Welsh Language MEG resource budget published in Draft Budget 2024-25 (£2,237.198 million) is £42 million higher than the 2023-24 Final Budget after the October statement adjustments (£2,195.092 million). The increase of £15 million confirmed by the Minister for Education and Welsh Language at the Committee session on 17 October referred

specifically to the fiscal resource (revenue) budget increase, with a budget of £1,718.770 million published in Draft Budget 2024-25 compared to an adjusted 2023-24 budget of £1,703.425 million. The remaining £27 million increase relates to the non-fiscal resource budget, with a budget of £518.428 million in Draft Budget 2024-25 compared to 2023-24 Final Budget of £491.667 million.

The Education capital budget is £16 million higher in Draft Budget 2024-25 (348.402 million) compared to the 2023-24 Final Budget after the £40m reduction announced in October (£332.186 million).

Recommendation 13

The Welsh Government must monitor closely the consequences of its decisions in the Draft Budget and local authorities' provision for school budgets, and consider what more it can do to ensure as much money as possible is invested in education. The Welsh Government should provide the Committee with an update by October 2024.

Response: Accept

For 2024-25 we prioritised protecting core frontline public services, including schools, through protecting the indicative rise of 3.1% for the local government settlement.

Following confirmation of consequential funding, a further £14.4 million has been allocated to local government through the revenue support grant for 2024-25 to support pressures in both social care and education, including teachers' pay. This means that the overall level of revenue funding shows an increase of 3.3% over 2023-24, with no individual authority increase lower than 2.3%.

Funding that goes directly to schools has been prioritised.

For 2024-25 the amalgamation of pre-16 local authority education grants provides the same level of funding against similar grants provided to local authorities in 2023-24; this is also a 3.2% rise against the 2024-25 indicative budget for those same grants.

Recommendation 14

The Welsh Government must continue to closely monitor the level of reserves held by schools, in particular variation between schools and between local authorities in order to ensure that as much money is being spent on the front-line as is prudent and appropriate and to support schools struggling to balance their budget. The Welsh Government should provide the Committee with an update by October 2024.

Response: Accept

Schools are responsible for managing their own finances. Reserves relate to any shortfall in expenditure relative to the schools' individual budget share plus/minus any balance brought forward from the previous year. The level of reserves held by an individual school at any point in time will depend on a number of factors.

The Welsh Government has proposed a review of the School Funding (Wales) Regulations 2010 and has been working with stakeholders to seek their views. This includes reviewing provision around the prescribed levels of surplus balances and local authorities' abilities to take action where required.

We know that the high level of reserves reported in recent years is a temporary position due to school closures and reduced activity during the pandemic. We are now seeing schools using these reserves to manage the increasing pressures being faced as a result of inflation and the cost-of-living crisis. We will continue to monitor the level of school reserves across Wales.

Recommendation 15

The Welsh Government must ensure that effective monitoring systems are in place for the Local Authority Education Grant and ensure that the amalgamation of funding does not result in any dilution of previously ring-fenced activities and interventions.

Response: Accept in Principle

We have developed our monitoring arrangements for the new Local Authority Education Grant (LAEG) in line with the Welsh Government's objective to reduce the administrative burden on local authorities, and parallel to the workstream for reducing workload and bureaucracy in our schools across Wales.

The grant terms and conditions will ensure local authorities meet the high-level outcomes set in line with our education policy priorities, which will include areas of activity previously ring-fenced. However, this new grant approach will be providing flexibility at a local level to enable local authorities to best meet the needs of their learners without the many bureaucratic restrictions government grants sometimes impose, including onerous monitoring systems.

In line with the Programme for Government commitment to reduce the administrative burden on local authorities, we have developed the monitoring arrangements for the new LAEG in a way which ensures a suitable level of monitoring for the Welsh Government, whilst entrusting our local government partners to deliver on key education priorities.

Recommendation 16

The Welsh Government must explore all options to minimise any adverse impact on the progress of the Sustainable Communities for Learning programme from static or decreasing budgets, especially in light of inflation and rising construction costs.

Response: Accept in Principle

Recent Sustainable Communities for Learning budgets reductions have been mitigated through the flexible use of intervention rates across ongoing Band B schemes to minimise any impact on the programme to date.

Delivery partners with significant cash flow planned for 2023-24 were asked to fund a higher proportion of the capital costs themselves, in the short term, with no overall impact to the overall contribution or disruption to active projects. This approach allowed us to maintain confidence in the programme from a delivery partner and wider construction industry perspective.

It also allowed continued submissions of new business cases and funding requests, which we have been able to support.

As construction costs have increased it has highlighted the cost difference between the smaller primary school projects and that of secondary school or college projects. Circa 10% difference in costs per meter square can be attributed to the scale of projects with primary schools and smaller projects including projects such as childcare provision costing more to build.

A Review of school design guidance/space requirement has also been undertaken in consultation with a sector wide stakeholder group. Due for publication this spring and specific to the requirements of priorities in Wales, the new guidance will assist local authorities in designing new schools in a space and cost efficient manner.

Benchmark costs going forward have been split to reflect this change to minimise impact or disparity to the sectors. However, achieving Net Zero Carbon in operation in smaller projects is proving to be less challenging than that of secondary schools and colleges and therefore increases in cost may be seen in this element going forward. Welsh Government Programme officials are working with delivery partners and industry specialists to ensure a balanced cost/benefit approach, in accordance with the UK Green Buildings Council's published guidance, is taken towards the delivery of Net Zero Carbon schools in Wales.

Additional funding was made available with 100% of costs relating to achieving Net Zero Carbon being funded by Welsh Government, in part, reducing the additional burden on delivery partners.

Future projects within the Sustainable Communities for Learning will be through a 9-year rolling programme allowing the Welsh Government and delivery partners to be more flexible and reactive to cost increases as well as changes in local priorities. This

approach has been taken to minimise the impact of any future restrictions on the programme as well as any opportunities that may arise through additional funding becoming available.

Recommendation 17

The Welsh Government must consider further how its decisions in the Draft Budget affect its commitment and objectives in respect of life-long learning, with particular reference to part-time learning and postgraduate grants, and look for ways to mitigate the impact of reductions.

Response: Accept

Postgraduate study

The replacement of the base and contribution to costs grants for postgraduate Master's study with repayable loans is not expected to have a significant impact on participation. The support available to students resident in Wales remains significantly greater than that available to those resident in England. Loan repayment terms are generous. Similarly, the ending of the targeted bursaries for certain postgraduate students is not expected to reduce participation in Master's study noticeably, except among those aged over 60 years.

Postgraduate qualification has become more relevant to today's economy and labour market but it is not comparable to the importance of undergraduate education for developing life chances. Participation in undergraduate study remains the Welsh Government's priority. The decision to undertake advanced study is one for the individual to make, and much of the return is thought to accrue to the individual rather than to society more widely. Whilst the Welsh Government remains willing to facilitate advanced study and recognises its benefits, the policy of providing a contribution to the costs of study is the correct one and cannot be seen other than in the wider context of ensuring that everyone who has the potential to benefit from higher education should be able to, with the consequent prioritisation of resources to undergraduate study which that implies.

The Welsh Government will keep this policy under review and monitor participation in postgraduate Master's study by those resident in Wales.

The removal of the age related bursary operated by the Higher Education Funding Council for Wales means that there is currently no Government subsidy for advanced study by this age group. The Welsh Government recognises that people are working longer, that older people are an important part of the economy and labour market, that lifelong learning is conducive to well-being, and that, as our *'Age friendly Wales: our strategy for an ageing society'* states, older persons should have access to the educational resources of society. We are reviewing age restrictions as they relate to our provision of statutory student support and will accelerate this work.

Further Education

Officials have convened a sector wide meeting to agree clear priorities for part-time learning in further education. Allowing local flexibility for individual institutions to move delivery between those priority areas will ensure some mitigation of learner impact on a local level.

Recommendation 18

Subject to its consideration of recommendation 17¹, the Welsh Government must consider how it can further support adult learners and post-graduate students, in the context of the importance of lifelong learning to both individuals and to society and the economy as a whole.

Response: Accept

Postgraduate study

Please see the response to Recommendation 17.

Further Education

The Tertiary Education and Research Act (Wales) 2022 introduced a new duty to secure proper facilities for further education and training for adults. The precise scope of this duty will be set out in forthcoming secondary legislation. This duty will create a stronger statutory obligation on the government and the new Commission to ensure sufficient investment in lifelong learning, particularly for those who stand most to benefit from it. The forthcoming regulations will be designed so that we continue to provide sufficient lifelong learning opportunities in basic and essential skills for those without lower-level qualifications, and to provide a basis for progression into further learning, training or employment.

Recommendation 19

The Welsh Government must, without undue delay, publish its statement of priorities and funding letter for the Commission for Tertiary Education and Research and provide clear direction and transparency on its expectations for how the Commission's budget will be used.

Response: Accept

The Statement of Priorities for the Commission for Tertiary Education and Research Commission will be published shortly.

The funding letter will be confirmed prior to the establishment of the Commission.

¹ Amendment to the CYPE Committee report which referred to recommendation 16.