



Ein cyf/Our ref: DB/PO/0271/24

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru

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3 October 2024

Dear Peredur,

As we approach the end of stage one, we have been reviewing the Bill documentation, including the Regulatory Impact Assessment (RIA) and the correspondence to committees.

Unfortunately, we have identified a factual error in our 26 July Q1(a) response to your letter of 8 July.

I apologise for this and for any confusion this may have caused the committee. Please see below the revised, correct response, which is also expanded in the form of a table, which I hope will ensure that the basis on which the Welsh Government has calculated the ranges cited is as clear as it can be.

I am copying this letter to the chairs of the Health and Social Care Committee and the Legislation, Justice and Constitution Committee.

Q1 (a) The sum of the constituent elements in the RIA suggests the total cost of the Bill ranges from £394.5m to £495.7m. However, this differs from the total cost set out in that RIA summary, which is £429.8m to £455.7m. We've also noted other inconsistencies in the value of costs and benefits in the RIA summary with the tables included in the rest of the RIA. Please could you provide a clarification of the correct figures or an explanation for these differences.

We have reviewed the RIA summary tables and we are content the range of £429.8M to £455.7M presented there is correct.

The range of £394.5M to £495.7M does not feature in the RIA summary but appears to have been calculated by adding up the lowest values from the 'Administrative costs', 'Compliance costs' and 'Other costs' ranges and the highest values from those same ranges in the RIA summary.

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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.

However, to calculate minimum or maximum costs for the eliminating private profit section of the RIA, the estimated costs of different scenarios need to be considered collectively, rather than simply adding all the lowest figures from the ranges together, or all the highest figures from the ranges.

Ranges for the costs and cost-savings under the eliminating private profit section have been calculated using different assumptions (scenarios) for the proportion of existing private sector providers who will opt to remain in the market. These are presented as scenarios A, B and C in the RIA. Market intelligence and stakeholder discussions have led us to believe that an outcome somewhere between Scenarios B and C is most likely and so the figures in the RIA summary tables are based on the range of costs and cost-savings calculated under these two Scenarios.

Comparing Scenarios B and C, private providers' costs (which are shown in the 'Other costs' section of the RIA summary table) are highest under Scenario B and lowest under Scenario C. The reverse is true for public sector administrative costs, where costs are lower in Scenario B and the higher end of the range is calculated under Scenario C.

Therefore, to simply add together the upper end of the private sector cost range and the upper end of the public sector cost range leads to an incorrect total, because they are derived from different scenarios and different sets of modelling assumptions. This is set out in Chapter 7 of the RIA, but we acknowledge it could have been explained more fully in the RIA summary in Chapter 6. We would anticipate laying a revised Explanatory Memorandum (including RIA) following the completion of Stage 2, and can include some additional narrative in Chapter 6's RIA summary table to clarify this point.

There are also £2.3M of administrative cost-savings identified in the RIA summary. The total cost as given in the RIA summary is reached on the basis of the net administrative costs, i.e. the administrative costs less the administrative cost savings.

Taking these two points together, and bearing in mind that the individual values in the RIA summary are subject to rounding, we hope this explains the basis for the calculation of the overall range of estimated costs in the RIA summary.

To set out as clearly as possible how the overall estimated range of costs of the Bill, as provided in the RIA summary, relates to the figures given in the RIA summary's narrative, we have provided a further table below:

	Costs (under the scenario which leads to the overall minimum) in £M, to the nearest £0.1M	Costs (under the scenario which leads to the overall minimum) in £M, to the nearest £0.1M
Administrative costs to Welsh Government	4.5	4.5
Administrative costs to local authorities	185.7	245.5
Administrative costs to health boards	20.5	24.2
Administrative costs to CIW	5.9	5.9
Administrative cost-savings	-2.3	-2.3
Net administrative costs	214.3	277.8
Compliance costs	0.1	0.2
Other costs (to private providers)	215.3	177.7
Total costs	429.8*	455.7

**The estimated total cost figure does not match the component costs exactly in this column, due to rounding*

You also raised concerns about inconsistencies between values in the RIA summary and in the body of the RIA at Chapter 7. Some of the apparent inconsistencies you are concerned about were explained in the earlier letter, but we have identified an error in Table 7.13 of the RIA, which estimates values for profit lost by the private sector in relation to the proposals on eliminating private profit in the care of looked after children. The values included for Scenarios B and C for the financial year 2034-5 are incorrect – these should be -£32,809,000 for both scenarios.

This error is not reflected in the totals given in the RIA summary, which are correct. The correct figures are also given in the ADSS Cymru report, which has been published separately.

We will update the Explanatory Memorandum at the next opportunity, after stage 2 proceedings are completed.

Yours sincerely,



Dawn Bowden AS/MS

Y Gweinidog Plant a Gofal Cymdeithasol
Minister for Children and Social Care