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*Dea Jocelyn,*

**FINANCE COMMITTEE'S REPORT: SCRUTINY OF WELSH GOVERNMENT FIRST SUPPLEMENTARY BUDGET 2015-16**

Thank you for your letter of 10 July enclosing a copy of the Finance Committee's report on the Welsh Government Supplementary Budget 2015-16.

I enclose a note at Annex A, which responds to the recommendations contained within the Committee's report on the First Supplementary Budget 2015-16.

*Best wishes,  
Jane*

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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.

## **Annex A - Response to Recommendations in Finance Committee Report**

### **NHS Funding**

**Recommendation 1. The Committee recommends that the Minister provide the Committee with an update on how work to put NHS finances on a sustainable footing is progressing, and confirms the Government expectations of the financial performance of NHS organisations in 2015-16.**

As the Minister for Health and Social Services has confirmed, he was able to approve the three-year plans for Cardiff and Vale and Abertawe Bro Morgannwg University Health Boards in September, bringing the total number of approved plans in 2015-16 to seven out of a total of ten NHS organisations

Three-year plans could not be approved for Betsi Cadwaladr and Hywel Dda University Health Boards, or the Welsh Ambulance Services Trust in 2015-16. These organisations have prepared and are working to one-year operational plans.

The Minister for Health and Social Services recently gave evidence to the Finance Committee on the NHS Finance (Wales) Act planning arrangements, describing the improvements in planning processes that had arisen as a result of that legislation. We will continue to only approve those plans that are robust and merited that recognition. In his evidence to the Committee, the Minister stated that he considered it unlikely that Betsi Cadwaladr UHB would be in a position to submit an approvable plan in 2016-17, and there remained doubts about the ability of Hywel Dda UHB to submit an approvable plan as well. There was however, more confidence that WAST will have an approvable plan next year.

**Recommendation 2. The Committee recommends that the Government provide details of the impacts that the additional allocations for reforming the NHS in this supplementary budget have had. Given that the Assembly will have dissolved ahead of the elections by the end of the 2015-16 financial year, the Committee would be grateful if an update could be provided in time for the second supplementary budget 2015-16. This will enable the Committee to be confident that the additional allocations have contributed to the NHS reforms that it was intended to help drive forward.**

The allocations made to Health and Social Services in the First Supplementary Budget support our key ambition to shift more services from hospitals and improve access to preventative, integrated community, primary and social care in line with our primary care plan. The Minister for Health and Social Services will be reporting on the use of these funds by the end of the financial year.

### **Additional mental health funding**

**Recommendation 3. The Committee is pleased to see additional funding provided to mental health, particularly for children and young people. However, the Committee would recommend that firm targets are linked to the additional allocations to ensure that the money directly benefits those that need it most and that service provision is measurably improved.**

The additional funding we have made available for adult mental health services in the First Supplementary Budget was allocated to LHBs with requirements as to how that money should be utilised, and the outcomes we expect to be delivered. Local Health Boards are required to report back to us at the end of the financial year to inform us of the tangible outcomes they have achieved through the use of this additional funding. The Minister for Health and Social Services also made a statement on Mental Health Services on 7 October 2015 which provided further details on our Mental Health strategy.

### **Additional education allocations**

**Recommendation 4. The Committee recommend the Minister provide further detail as to how it is intended to fund Schools Challenge Cymru in 2015-16, given that it is an important initiative to improve performance in underperforming secondary schools across Wales.**

Up to £20 million was made available for Schools Challenge Cymru for the second year of the programme, the actual level of support required is determined following the receipt of School Development Plans. As at the First Supplementary Budget, a total of £15.6 million had been provided from our central reserves with the necessary balance to be managed from within the Education and Skills MEG.

**Recommendation 5. The Committee recommends that in future budgets the Minister allocates the full budget for Schools Challenge Cymru at Draft Budget stage to avoid uncertainty around future funding arrangements for the programme.**

Future funding of Schools Challenge Cymru will be set out in our Draft Budget Proposals for 2016-17.

### **Full devolution of business rates**

**Conclusion 2. The Committee requests further details from the Minister as to why the cost to the Welsh Government of the Wales Retail Rate Relief Scheme is not affected by full devolution of business rates in the same way that small business rate relief is. It would be particularly useful for the Committee to understand why the use of a grant scheme means that the cost of the scheme is not directly affected by full devolution of business rates.**

The Wales Retail Relief Scheme operates within the Economy, Science and Transport MEG, providing grant support to Local Authorities to offset the reduction in their business rates revenues arising from applications for the scheme. It does not provide a direct relief through the Non Domestic Rate Pool as, for instance, the Small Business Rates Relief does.

The Wales Retail Relief Scheme is a DEL backed grant scheme to which funds have been allocated from reserves. Although the levels of support provided are linked to overall business rate policy, it is not directly affected by the full devolution of business rates which transferred NDR pool backed expenditure from DEL into AME.