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Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref MA(P) JH/1070/16

Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales
Cardiff
CF99 1NA

6 March 2016

Dear Jocelyn,

**Finance Committee's Report: Scrutiny of Welsh Government Draft Budget
2016-2017 (February 2016)**

I am pleased to respond to the Finance Committee's report on its scrutiny of the Draft Budget 2016-17 (February 2016).

I enclose a note at Annex A, which responds to the recommendations contained in the report.

*Best wishes,
Jane*

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Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business

Welsh Government Response to Recommendations in Finance Committee Report: Scrutiny of Welsh Government Draft Budget 2016-17

Preventative Spend

Recommendation 1: The Committee still wishes to see a firm and consistent definition of preventative spend agreed and recommends information is included in Welsh Budgets to show both the proportion of the Welsh Budget that is being directed towards preventative spend and how this is increasing over time. (Page 24)

The Welsh Government agrees on the importance of prevention and early intervention, particularly in times of continuing financial constraint. In this regard, we have continually sought to provide greater clarity on how our spending plans support preventative interventions.

As the Minister for Finance and Government Business said in giving evidence during scrutiny, we are working closely with the Third Sector to develop an agreed definition of preventative spend. Part of this approach involves setting up a Working Group to test the methodology developed by the Early Action Task Force. In preparing for this Budget, we have used the framework of the Well-being of Future Generations Act to shape our proposals. We must continue to build on this, using the findings of the Working Group to help to inform future spending decisions.

Recommendation 2: The Committee recommends that the Welsh Government work with public services in Wales to identify and understand variations in the way services are delivered, with a view to encourage and promote new practice as it emerges.

The First Minister has stressed that the Welsh Government's public service reform agenda is centred on improving services for everyone in Wales, emphasising the importance of wholesale integrated change so that we work and act as one public service. We are using a range of complementary approaches to promote and share good practice about how public services are being delivered differently, and where there is scope to do more.

The Public Service Leadership Panel, chaired by the Minister for Public Services, has been considering how good practice can be shared and put into effect across public services in Wales. For example, the Panel is looking at how to develop capacity and capability across public service in the use of randomised control trial methodologies, in order that they can be used as a way of identifying the most effective interventions.

Other work in place to develop the effective delivery of our public services includes the Effective Services for Vulnerable Groups initiative (ESVG), which brings together public service practitioners to consider some of the

most challenging issues facing public services. The Group is chaired by Jeff Farrar, Chief Constable of Gwent Police, and their work on domestic violence, for example, is now reflected in the national framework under the Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015.

We are also working closely with NHS Wales to address variations in healthcare delivery through the prudent healthcare approach. The Welsh Government and NHS Wales recently published “Securing Health and Well-being for Future Generations, which set out priorities for action over the next 12 months. These include developing the “Choosing Wisely” campaign for Wales to help clinicians and the public to make informed decisions about tests, treatments and medications based on best evidence.

Our Budget decisions support a range of programmes designed to encourage and promote new practice. We are increasing funding for the Intermediate Care Fund to £60m in 2016-17, enabling even greater collaborative working across health, social services and housing to improve the planning and provision of more integrated services. During her Summer Budget Tour, the Minister for Finance and Government Business saw at first hand examples of the good work that is happening across Wales to deliver services as efficiently as possible and these are highlighted in the Budget Tour 2015 Report ‘Investing in the Wales We Want’.

The Invest to Save Fund is also making an important contribution in encouraging and promoting new practice which can make cost savings across public services. On 23 February, I announced the latest projects to receive support from within the £20 million available to the Fund in 2016-2017. Since the introduction of the Fund, over £140 million has been invested in 154 projects benefiting all parts of the public sector. We continue to monitor and evaluate all projects and to encourage the spread of good practice.

Health Finance

Recommendation 3: The Committee recommends the Welsh Government commit to a visibly supportive approach where service transformation is needed and sought by the NHS, and also ensuring there is clear and effective dialogue with and involvement from the public and front-line professions to understand and influence any service changes. (Page 32)

Service planning as a core activity requires all health boards and trusts in Wales to maintain a high level of continuous engagement with their local communities and staff. Being clear about their plan for the organisation, how it will be delivered, what resources are available and how delivery will

be managed are essential if boards and trusts are to discharge their responsibilities effectively. The Welsh Government fully supports this process through the NHS Wales Planning Framework and the robust monitoring of the approaches taken by boards and trusts to ensure effective engagement has been achieved.

Strengthening existing partnerships and collaborative working is also important to improving services. Specific Welsh Government improvement programmes, such as the Mid-Wales Healthcare Collaborative, have been established with aim of improving the delivery of healthcare services over the short, medium and long term. The Mid- Wales Healthcare Collaborative will develop innovative solutions to care delivery which will have wider learning opportunities for other rural areas.

There are a range of service transformation projects under-way in the NHS, including:

- Providing modern primary care resource centres in Llangollen, Flint and Blaenau Ffestiniog.
- Building three new purpose-built Midwife-led maternity units in West Wales. Specialist neonatal services, which now meet national standards, are now concentrated in Carmarthen.
- New Front of House development at Prince Philip Hospital in Llanelli to allow the implementation of the new model of unscheduled care services at the Hospital. Due to be completed in May 2016.
- Cwm Taf University Health Board has recently opened a new acute medicine centre at the Royal Glamorgan Hospital to improve the quality of care delivered locally and to help ease pressures on its A&E department.
- Changes to stroke services in Aneurin Bevan and Cwm Taf which enable more patients to return home more quickly and be supported through their rehabilitation in their own home.

These examples show that we are focusing significant investment across Wales to transform service delivery, particularly in providing more services that are closer to patients' homes.

Local Government Finance

Recommendation 4: If the trend of health service spending continues to be an increasing proportion of Welsh Government spend throughout the rest of the Spending Review period, the Committee is concerned that many non-statutory services will become unsustainable unless alternative delivery mechanisms are put in place and recommends the Welsh Government commit to undertaking work to limit the impact of cuts in these areas. (Page 37)

Developing alternative and sustainable models to deliver services in different ways is important for non-statutory services and statutory services

alike. We are investing in both, to ensure that the most effective and complementary range of services are available and because it will help us all to prepare for a period of further financial constraint.

In March 2015, the Minister for Finance and Government Business launched the 'Community Asset Transfers in Wales: a best practice guide' complementing an existing sector specific Toolkit. The Guide and Toolkit establish 'ground rules' to govern individual transfers from Local Authorities to community, third sector and social enterprise organisations; and it promotes a partnership approach. This supports our ambition to empower people to secure and maintain the services that are important to them, also helping to foster decision making at a community level.

We have also established an External Advisory Group on Community Asset Transfers to inform the development of further guidance and policy in this area. During its last meeting in January, the Group discussed how Rhondda Cynon Taf County Borough Council had received in excess of 80 applications for Community Asset Transfers, highlighting the demand and interest in safeguarding assets and services of value to communities across Wales. The Minister for Finance and Government Business visited a number of Community Asset Transfer sites across Wales during her 2015 Budget Tour and saw at first hand the progress we are making in this area.

In our 2016-17 Budget, we have also taken the opportunity to provide local authorities with increased flexibility to use their resources to deliver both statutory and non-statutory services, transferring £30 million Outcome Agreement Grant funding into the Revenue Support Grant. The Minister for Public Services has also recently consulted on an Action Plan for Alternative Delivery Models in Public Services and will consider whether changes are required to the Action Plan.

Local Government Settlement Formula

Recommendation 5: The Committee acknowledges that this year's settlement has an adverse effect on rural authorities such as Powys and recommends a funded floor is introduced in the Final Local Government settlement to limit the maximum cuts in individual authorities in order to protect service delivery. (Page 40)

Recommendation 6: Whilst recognising that the local government settlement will always result in some authorities having a more favourable settlement than others, the Committee recommends that the Welsh Government commit to undertaking a fundamental review of the funding formula and the data used for the local government settlement. (Page 41)

The Final Budget published on 1 March provides for the additional one-off allocation of £2.5m to include as a top up to the Local Government

Settlement 2016- 17. The additional funding will mitigate the impact of reductions on those authorities receiving the greatest year on year reductions and caps the reductions to those authorities at 3 per cent.

The local government settlement is distributed according to a needs based formula. The partnership arrangements with Local Government including the Distribution Sub Group and the Finance Sub Group ensure that the formula is agreed with Local Government. The formula continues to be reviewed and developed to ensure it and the underlying data remain fit for purpose.

Higher Education

Recommendation 7: The Committee recommends the allocations to Higher Education are revisited in light of the evidence received by Finance Committee and the concerns raised by the relevant policy committees. (Page 48)

Building on concerns raised during the scrutiny process, the Final Budget published on 1 March reflects an adjustment of £21.1m within the Education and Skills MEG from the Higher Education Funding Council for Wales (HEFCW) to the Welsh Government in respect of the tuition fee grant transfer. This was in line with representations made by the sector.

The Minister for Finance and Government Business also announced an additional allocation of £10m from Reserves in 2015-16, which will be carried forward to 2016-17, and allocated to the Higher Education Funding Council for Wales. This additional allocation has been made following consideration of the evidence which was provided by the sector during scrutiny.

The package provides £5m to support part -time provision and £5m to continue to build Wales' capacity and excellence, including world-class scientific research, supporting our cross-cutting priorities for growth and jobs and educational attainment.

Tackling Poverty

Recommendation 8: The Committee recommends the Welsh Government reconsider the benefit of area-based approaches to poverty reduction and promotes a more joined up approach to poverty reduction in formation of all policy across all departments. (Page 54)

Tackling poverty is a fundamental priority for the Welsh Government.

The Welsh Government's approach to tackling poverty recognises the benefits of a mix of place-based and universal programmes, and this

approach has been endorsed by the Tackling Poverty External Advisory Group. It is clear that the majority of programmes which aim to help tackle poverty are available across the country, based on need. This includes the Supporting People Programme, Families First, the Pupil Deprivation Grant and the Community Facilities Programme.

These policies form part of the Welsh Government's cross-government approach to tackling poverty. Other examples include our goal of building a stronger economy through creating jobs and growth, and this is central to our efforts to increase the prosperity of people in Wales. Over the last four years, we have created or safeguarded 150,000 Welsh jobs, while employment in Wales is close to a record high.

We recognise that increasing people's employability, improving skills and supporting people into employment play a fundamental role in taking forward the tackling poverty agenda. Sustainable employment remains the best route out of poverty and we are working across a number of different policy areas to support parents to gain the experience, skills and confidence to enable them to secure employment. For example, as of 30 November 2015, the Lift Programme has provided more than 2,700 training and employment opportunities have been provided, with 520 people supported into employment.

Similarly, the Communities for Work programme, part-funded by the European Social Fund, will invest £41 million in supporting those furthest from the labour market back into employment. The programme has commenced roll-out with Job Centre Plus advisors joining all Communities First Clusters. At this very early stage in establishing the new programme we have already engaged with over 1,600 people of which over a 100 have already been supported into employment.

Recommendation 9: The Committee recommends that the Welsh Government ensure that the protection offered to the supporting people budget will result in a protection of front line service delivery. (Page 54)

The 2016-17 Budget reflects how we have worked to mitigate the effect of budget cuts on our core public services, and the people who depend on those services.

Our decision to protect the Supporting People budget next year at the same level as in 2015-16 has been welcomed. We recognise that the Supporting People programme can deliver services most effectively as part of a combination of programmes supporting mainstream services. The Supporting People budget is allocated to Local Authorities as they are best placed to identify local needs and priorities and take funding decisions with their Regional Collaborative Committee. The Minister for Communities and Tackling Poverty and the Minister for Public Services are working to

achieve joint commissioning between the Supporting People and Community Safety Programmes.

In terms of the resources available to support front line services for domestic abuse, the Welsh Government's Domestic Abuse Services Grant has increased to £4.5m in 2016-17 compared to £4.1m in 2015-16. This increase has been agreed to support the implementation of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015, and the budget will be used to provide assistance to organisations which provide direct support to victims of these types of abuse regardless of age, gender and/or ethnicity.

Budget Presentation

Recommendation 10: The Committee believe that the different presentation of year-on-year comparisons has reduced transparency and recommends that the Welsh Government consult with the Finance Committee when making significant changes to budget presentation are made, as has been made in this draft budget. (Page 63)

We welcome the Committee's acknowledgement of the steps we have taken in recent years to improve the transparency of our budget proposals. We have worked closely with the Finance Committee to refine the presentation and quality of budget information and to help the Assembly's scrutiny of our proposals. In this regard, the approach of showing year-on-year comparisons is as a direct result of specific recommendations that the Finance Committee has made previously.

The work has acknowledged the complexity of the information we are presenting at various points of the budget cycle and the variety of purposes for which stakeholders use the information. The approach we have taken at the start of this Spending Review period to remove non-recurrent allocations from the most recently published plans to arrive at a base figure, is consistent with the way we presented the budget following the 2010 Spending Review. In presenting this information, we have provided at Annex C of the Budget narrative a full reconciliation between the last published budget and the base figures.

We are committed to continuously looking at ways to improve the presentation of Budget information and will reflect further on the areas highlighted during scrutiny in the context of future Budgets.

Recommendation 11: The Committee recommends that the information on the forecasts of non-domestic rates and future devolved taxes are an area of focus for the equivalent Committee in the Fifth Assembly. (Page 66)

This is not a matter for the Welsh Government.