

Simon Thomas AM
Chair
Finance Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay CF99 1NA

16 November 2016

Dear Simon

Welsh Government Draft Budget 2017-18

Committee Remit

The Culture, Welsh Language and Communication Committee is responsible for scrutinising Welsh Government expenditure on culture, the arts, the historic environment, the Welsh language, communications, broadcasting and the media.

Ministers responsible and Scrutiny

Within the Economy and Infrastructure Main Expenditure Group (MEG), the Cabinet Secretary for Economy and Infrastructure is responsible for funding in respect of the Arts; Museums, Archives & Libraries; Media & Publishing and the Historic & Natural Environment.

Within the Education MEG, the Minister for Lifelong Learning and Welsh Language is responsible for funding in respect of the Welsh Language, with a specific remit for the implementation of the Welsh medium Education Strategy, funding the Office of the Welsh Language Commissioner and funding to support the implementation of the Welsh Government's Welsh Language Strategy.

Both Ministers attended our meeting on 2 November to answer Members' questions. In advance of this, each Minister provided the Committee with a Memorandum on the Draft Budget for 2017-18 in relation to their specific



funding responsibilities. A copy of each memorandum is attached for your Committee's information.

Summary of Baseline Provision and Budget Proposals

Culture (Revenue)

Total baseline revenue provision in these areas in 2016–17 is £81.3 million (plus £3 million annually managed expenditure [AME]). It is proposed that this should increase by £2.9 million to £84.5 million (plus £3 million AME) in 2017–18.

Culture (Capital)

Baseline capital provision in 2016–17 is £9.3 million. It is proposed that this should increase by 9.5 million to £18.7 million in 2017–18, and then fall by £12.8 million (to £5.9 million) in 2018–19 and then by £0.3 million to (£5.6 million) in 2019/20 before increasing by £1.6 million (to £7.2 million) in 2020/21.

Welsh Language

Total baseline revenue provision for the Welsh Language is £25.6 million. It is proposed that this should increase by £10.6 million to £36.1 million. There is no capital provision.

Committee's Overall View on the Budget Proposals

The Committee welcomes the overall increases in the budgets for both Ministers' portfolios. The –2017–18 cash increase in capital funding in the Culture portfolio of over 100% and the cash increase of over 40% in the Welsh Language budget are particularly noteworthy, although a very significant part of the latter increase appears to be straightforward transfers of existing funding within the Education MEG. When this is taken into account, the actual cash increase is around 19%, which is, nevertheless, still significant.

The increase of over 3.5% in the Culture revenue budget is also very welcome, particularly given general budgetary pressures.

Specific Issues Arising from Scrutiny of Ministers



Culture

Cadw – Capital Programme and Income Target

There is a planned reduction in Cadw's capital budget of £1.5 million, from the 2016–17 baseline of £4.8million to £3.3 million in the 2017–18 draft budget, a reduction of 32 per cent in cash terms.

The Cabinet Secretary explained that reductions in the capital budget could be partly offset by additional income that Cadw has been asked to generate (for 2016–17 Cadw has an income generation target of £6.2 million). This additional income, although generated as revenue, would be available to support both revenue and capital programmes. We have asked for further information on what the income generation target for 2017–18 is.

We are concerned at the level of reduction in what is in any event a relatively small capital programme. We are also concerned at the possibility that resources may be directed to sites that are relatively more successful in generating income at the possible expense of less 'popular' sites. It seems unlikely that the additional income that Cadw is being expected to generate will offset the whole of the cut and the Cabinet Secretary indicated that at least part of it will be added to revenue rather than capital spending.

We have written to the Cabinet Secretary asking that he sets out in more detail how much of Cadw's self-generated income is recycled into supporting Cadw's work as well as a breakdown of how this income will be spent this year and the plans for the next financial year. We will publish the Cabinet Secretary's response when it is received.

In addition, it is not entirely clear what the impact will be on Cadw if it fails to meet its income generation target. We have also sought an assurance that all additional income generated by Cadw will be ring-fenced and used to support Cadw's work. We have also written to the Cabinet Secretary on these points and will publish his response.

Arts Council of Wales – Income Generation



Funding for the Arts is primarily channelled through the Arts Council of Wales: £31.2 million revenue out of £31.7 million allocated in this area in the draft budget. Revenue funding in this area increases by 3.5% in cash terms compared to the 2016–17 revised baseline. This increase is to be welcomed following a number of years of cuts.

Despite this increase in funding for the Arts Council, the Cabinet Secretary has asked the Council to “*accelerate its work to help its portfolio organisations, and the wider sector, to increase their self-generated income*”. In evidence, the Cabinet Secretary outlined ambitious targets for increasing income generation for the organisations supported by the Arts Council.

The Arts Council has a target of increasing the value of private sector income to the arts in Wales by 20 per cent between 2015 and 2018. In the longer term, the Cabinet Secretary outlined the view that about a third of a cultural organisation’s income should be self-generated, a third from government (through the Arts Council) and a further third coming from fundraising, charitable donations etc.

Like Cadw, it is not entirely clear what the impact will be on Cadw if it fails to meet its income generation target. We also have to express some scepticism as to whether the ‘three thirds’ funding model is realistic in the Welsh context because it has historically proved difficult to attract philanthropic funding to the same extent as in more affluent parts of the UK.

Again, we have written to the Cabinet Secretary and will publish his response.

Welsh

Welsh in Education BEL

All the increased spending on the Welsh language is contained in this BEL, which increases by £10.6 million. However, as noted earlier, £5.7 million of this apparent increase involves straight transfers between budgets within the Education MEG.

The transfer is made up of the following:



- £5.4 million for Coleg Cenedlaethol Cymraeg. (For clarity, the Finance Committee may wish to recommend that this funding line is separately identified in the final budget as it for a very specific purpose which is somewhat different in its nature from the remainder of the BEL.);
- £0.5 million from the Education Standards Action for supporting young people's informal use of Welsh; and
- £0.2 million to the Qualifications Action for Welsh for Adults examinations.

There is also a budget reduction of £0.15 million within the BEL with the shortfall made up by unspecified savings.

This leaves £4.85 million according to the Minister's Memorandum (para 14) to support *'the further development of Welsh for Adults, and in particular the provision of Welsh language courses for the workplace, with the remainder used to support other initiatives to promote the use of Welsh'*. How this funding will be used will be decided in line with the priorities of the new Welsh language Strategy, which is being consulted on.

The £4.85 million along with the £0.15million reduction are together claimed as *'an additional £5 million in 2017-18 allocated as a result of a budget agreement with Plaid Cymru.'* It seems clear that claiming that an additional £5 million has been allocated to this BEL may be somewhat misleading. The additional amount is £4.85 million. The Government may intend to spend £5 million but it will only be able to do so by making reductions elsewhere in the budget. It would be better if this was clearly spelled out in the budget.

Whatever the level of additional funding (which we accept is significant) we are concerned that the use to which it will be put is currently unclear and ill-defined. We appreciate that the new Welsh Language Strategy once it is in place will guide the spending decisions and that it would, to some extent, be putting the cart before the horse to make firm decisions before the final strategy has been decided.

Nevertheless, it does not seem unreasonable that there should be a greater degree of clarity on potential options for using this money before the Assembly



approves the final budget. This should include some clear assessment of the objectives for how (and how much of) the new funding will support the work of the National Centre for Learning Welsh as well as the evaluation process by which the success of this new spending will be judged.

In response to questions the Minister also suggested that part of this funding may be used to set up a new agency for the promotion of the Welsh language or to create a similar function within an existing body. Again, there is no detail. However, the Minister has indicated his intention to write to the Committee once he is in a position to take decisions on this, which he hopes will be before the final budget comes before the Assembly in December.

Welsh Language Commissioner's Budget

The Commissioner's budget was reduced by 10% last year and there have been year on year cuts to her budget which has seen a total cash reduction of 25% over the last 4 years. However, an additional non-recurring amount of £150,000 was provided to the Commissioner last year to, as the Minister put it, '*ensure that she is able to carry out her current responsibilities*'.

The draft budget proposes no increase in 2017-18, remaining at £3.0 million. If the Commissioner is not currently able to meet all her responsibilities, we believe there is a case to be made that some level of additional resource is needed.

When we questioned the Minister about this, he made it clear that the Commissioner had not made any request for an increase in her budget. However, following the Minister's appearance before the Committee we were contacted by the Commissioner's office who said in an e-mail:

'Following the discussion on the budget for the Welsh Language in the Culture Committee today, this is a message on behalf of the Commissioner to clarify our budget estimate for 2017/18.

The Commissioner's financial estimate for 2017/18 was sent to the Government on 6 October. There is a statutory duty to send the estimate to the Government at least five months before the relevant financial year.



The Commissioner's budget for 2016/17 was £3,051,000. In the estimate the Commissioner made a case for an additional £150,000 over the next two years. That is, £75,000 more for 2017/18, or a budget of £3,126,000.

I can confirm, therefore that the Commissioner has made a request for more money for 2017/18.

I would be grateful if you could explain this to the Committee.

There is clearly some confusion between what we were told by the Minister and what we have since been told by the Commissioner. The amounts concerned are relatively small but we are concerned that the Minister appeared not to know of this request for additional funding.

We have written to the Minister to seek further clarification and will publish his response when it is received.

Funding within other Ministers' Portfolios

In addition, to the funding for which he is directly responsible, the Minister for Lifelong Learning and Welsh Language identified in his Memorandum (para 25) a number of areas of designated funding aimed at supporting the Welsh language and delivering Welsh language services, which are the responsibility of other Ministers.

It should also be noted that a significant amount of spending in support of Culture and the Welsh language is funded indirectly through other parts of the budget. For instance, a very significant part of the expenditure supporting Welsh language provision in education goes to local authorities through the revenue support grant (RSG). As the Welsh language is mainstreamed across Ministerial portfolios, other budgets will also help support provision for and development of the Welsh language but may not be wholly visible. Support for aspects of the arts, museums and libraries is also spent by local authorities through the RSG.

The Committee accepts the mainstream nature of much of Government spending on Welsh in particular. The Committee is not calling for this other spending to be

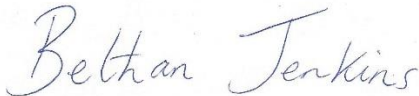


enumerated separately. Disentangling spending in this way would probably be impractical, time-consuming and still not provide a full and accurate picture of overall spending.

Nevertheless, the position is worth noting and the Finance Committees may wish to consider whether the scrutiny of the budget by other Assembly Committees may provide some further information about expenditure supporting Culture and the Welsh language.

I am sending a copy of this letter to Ken Skates and Alun Davies for information.

Yours sincerely

A handwritten signature in cursive script that reads "Bethan Jenkins". The signature is written in black ink on a white background.

Bethan Jenkins AM
Chair



Ken Skates AM
Cabinet Secretary for Economy and Infrastructure
Welsh Government
Tŷ Hywel
Cardiff Bay
CF99 1NA

16 November 2016

Dear Cabinet Secretary

Welsh Government Draft Budget 2017–18

Thank you for attending the Culture, Welsh Language and Communication Committee's meeting on 2 November to discuss the Welsh Government's draft budget proposals 2017–18. You agreed to write to the Committee to provide some further information and there are also one or two areas where the Committee would be grateful for some further clarification.

Cadw – Capital Programme

You confirmed that there would be no reduction to the planned capital expenditure programme as a result of the cut in the capital budget and that income raised at Cadw sites would be used to secure that capital spending. You indicated that you would write setting out which Cadw sites would benefit from capital funded works over the next four years, confirming that there would be no fall in planned expenditure and, further, what additional work there will be at sites if yet more income is generated and allocated to capital expenditure by Cadw.

Cadw – Income Generation

It is not entirely clear what the impact will be on Cadw if it fails to meet its income generation target. The Committee would be grateful to know how any shortfall will be met if targets are not reached and for an assurance that any additional income generated by Cadw will be ring-fenced so that it is used to support



Cadw's work. In addition, the Committee would also be grateful for further information on:

- the extent to which additional income generated by Cadw in previous years was ring-fenced for use by Cadw;
- a breakdown of how Cadw's self-generated income was used in the current financial year; and
- the income target for 2017-18 as well as how it is planned this income should be used.

Arts Council of Wales – Income Generation

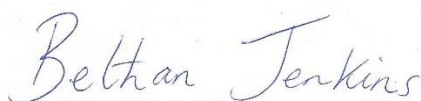
Like Cadw, it is not entirely clear what the impact will be on the Arts Council if it fails to meet its income generation target. The Committee would be grateful to know how any shortfall will be met if targets are not reached.

Committee Members were also somewhat sceptical as to whether the 'three thirds' funding model (i.e. funding is obtained from a third each of public funding, income generation and philanthropic sources) is realistic in the Welsh context because it has historically proved difficult to attract philanthropic funding to the same extent as in more affluent parts of the UK. The Committee would be grateful for your views on this and what plans there are for moving closer to such a model.

Museums Expert Review

Could you provide further details of progress towards a new museums strategy, and the extent to which budget allocations in this area may change depending on the shape this new strategy takes.

Yours sincerely



Bethan Jenkins AM , Chair



Alun Davies AM
Minister for Lifelong Learning and Welsh Language
Welsh Government
Tŷ Hywel
Cardiff Bay
CF99 1NA

16 November 2016

Dear Minister

Welsh Government Draft Budget 2017–18

Thank you for attending the Culture, Welsh Language and Communication Committee's meeting on 2 November to discuss the Welsh Government's draft budget proposals 2017/18. There were a number of areas where you agreed to write to the Committee to provide further information. There are also one or two areas where the Committee would be grateful for some further clarification.

Bilingual Champions

You indicated that an evaluation of the project had been carried out and that you would write to the Committee with more details of the findings.

Agency for the Promotion of Welsh

You indicated that consideration is being given to the establishment of an agency for the promotion of Welsh language and what the structure and role of such an agency might be. You hoped to be able to take final decisions on these matters before the final budget is considered by the Assembly in December. You promised that you would write to the Committee once you were in a position to take decisions.



Strategic Integrated Impact Assessment

You promised to provide additional details of how you intend to deliver on the priorities and commitments on the Welsh language and related outcomes in terms of the integrated strategic impact assessment in the narrative of the Welsh Government's draft budget.

Welsh in Education BEL

In response to questions you indicated that part of the additional £4.85 million the Welsh in Education BEL may be used to set up a new agency for the promotion of the Welsh language or to create a similar function within an existing body. You indicated that you would write to the Committee before the final budget comes before the Assembly in December.

Welsh Language Commissioner's Budget

At the meeting you indicated that the Commissioner had not made any request for an increase in her budget. However, we were subsequently contacted by the Commissioner's office who told us:

'The Commissioner's financial estimate for 2017/18 was sent to the Government on 6 October. There is a statutory duty to send the estimate to the Government at least five months before the relevant financial year.

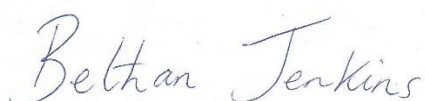
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I can confirm, therefore that the Commissioner has made a request for more money for 2017/18.



There is clearly some confusion between what you told us and what we have since been told by the Commissioner. I would be grateful if you could clarify the position as a matter of urgency.

Yours sincerely

A handwritten signature in cursive script that reads "Bethan Jenkins". The signature is written in a dark ink on a light-colored background.

Bethan Jenkins AM
Chair

