

# Scrutiny of the Welsh Government Draft Budget 2019-20

27 November 2018

The amount of money allocated to support children and young people in Wales is the focus of our annual scrutiny of the Welsh Government's Draft Budget. We consider the steps Welsh Ministers take to prioritise resources, assess the affordability of services, achieve value for money, and deliver a clear and transparent Draft Budget for Wales.

## Our approach

1. This year we have sought to build on our scrutiny of the Welsh Government's Draft Budget 2018-19, and the financial scrutiny we have mainstreamed into our policy and legislative scrutiny during the Fifth Assembly.
2. Matters affecting children and young people cut across Government portfolios, however we have focused our scrutiny on the Main Expenditure Groups (MEGs) most relevant to children and young people:
  - Education MEG;
  - Health and Social Services MEG;
  - Local Government and Public Services MEG.
3. This year we have also undertaken concurrent scrutiny with the Finance and Equality, Local Government and Communities (ELGC) Committees. The purpose of this work was to consider, in a cross-cutting way, the processes adopted by the Welsh Government to assess the impact of its financial decisions on certain population groups.
4. In previous reports on Welsh Government Draft Budgets we have highlighted our concerns about inadequate attention being paid to the rights of children and



young people in important financial decisions. Our calls for the Welsh Government to undertake a Child Rights Impact Assessment (CRIA) on its Draft Budget as a matter of course have been rejected on the basis that a wider integrated impact assessment is undertaken in relation to the Draft Budget. The purpose of our concurrent work with the Finance and ELGC Committees was to explore, from our respective perspectives, how robust the integrated impact assessment process has been to date, and establish what improvements could be made from a children's and equalities' perspective for the 2020-21 budget round.

## Our evidence

5. On 8 November, we took oral evidence as a CYPE Committee from:
  - the Cabinet Secretary for Education, Kirsty Williams AM, and the Minister for Welsh Language and Lifelong Learning, Eluned Morgan AM;
  - the Cabinet Secretary for Health and Social Services, Vaughan Gething AM and the Minister for Children, Older People and Social Care, Huw Irranca-Davies AM.
6. These sessions were informed by written evidence from the relevant Welsh Ministers<sup>1</sup> and drew on evidence submitted to other Assembly committees<sup>2</sup>.
7. On 15 November, we took oral evidence concurrently with the Finance and ELGC Committees from:
  - the Children's Commissioner for Wales and the Equality and Human Rights Commission;<sup>3</sup>
  - the Cabinet Secretary for Finance, Mark Drakeford AM, and the Leader of the House and Chief Whip, Julie James AM (Cabinet lead for equality).<sup>4</sup>

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<sup>1</sup> Written evidence was received from the Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning and the Cabinet Secretary for Health and Social Services and the Minister for Children, Older People and Social Care.

<sup>2</sup> We drew on evidence submitted to the Finance Committee's overarching consultation on the Welsh Government Draft Budget 2019-20 and evidence submitted to the Equalities, Local Government and Communities Committee relating to school budgets within the Local Government settlement.

<sup>3</sup> Written evidence was received from the Children's Commissioner and the EHRC.

<sup>4</sup> Written evidence was received from the Cabinet Secretary for Finance and Leader of the House.

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## 1. Transparency, accountability and impact

Our report on the Welsh Government Draft Budget 2018-19 highlighted our concerns about the adequacy of the assessment of the impact of budget decisions on children and young people.<sup>5</sup> It also outlined our significant concerns about the lack of a child focus in the then Health, Wellbeing and Sport MEG, and what we believed to be a lack of transparency in relation to the allocation of resources to children and young people.<sup>6</sup>

**8.** In response to last year's report, the Welsh Government rejected our call to produce a children's rights impact assessment (CRIA) on its Draft Budget as a matter of course. However, it agreed to consider for future budgets how to better present information on how spending plans impact on services for children and young people.<sup>7</sup>

### Transparency and accountability

**9.** In the Welsh Government Draft Budget 2019-20 (the Draft Budget 2019-20), funding to deliver the Minister for Children, Older People and Social Care's portfolio responsibilities for children sit within three different MEGs. Only £13 million of this funding appears to be within the responsibility of officials within the Health and Social Services department, compared to £287 million within the responsibility of officials outside his department.<sup>8</sup>

**10.** We asked the Minister why this split between responsibility for policy and funding exists, to what extent it is a barrier to effective oversight and control of delivery, and why the new Children and Communities Grant (totalling £113 million)

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<sup>5</sup> CYPE Committee, [Scrutiny of the Welsh Government Draft Budget 2018-19 Report](#), 1 December 2017, pp3-5.

<sup>6</sup> CYPE Committee, [Scrutiny of the Welsh Government Draft Budget 2018-19 Report](#), 1 December 2017, pp18-19.

<sup>7</sup> CYPE Committee, [Welsh Government response to the CYPE Committee's Scrutiny of the Welsh Government Draft Budget 2018-19 Report](#), January 2018.

<sup>8</sup> Calculations based on figures provided in the Cabinet Secretary for Health and Social Services and Minister for Children, Older People and Social Care's written evidence on the Draft Budget 2019-20, 8 November 2018.

sits within the Local Government and Public Services MEG when its contents fund programmes within his policy portfolio. The Minister told us:

“...one of the advantages of this cross-Government working is that we don’t have a split between where the funding sits and where the policy responsibility lies. So, even though I have to wander down the corridor and have a word with Alun in local government, or somebody else, that’s easy enough to do, and we’re small enough as a Government to do that as well. So, even though the funding sits in different MEGs and in different budget lines, it doesn’t split the responsibility for policy. So, I’ve got control of policy and funding, irrespective of whether budgets sit in the HSS MEG. So, the arrangements that we have that you see in the budget lines are purely administrative in nature.”<sup>9</sup>

**11.** When asked for his view on the merging of the proposed child health plan into an all-age *A Healthier Wales*, the Minister stated

“I think it’s appropriate and I think that one of the challenges around transparency now is, as we move towards more integration of services, it does then cause that issue of: can you still see whether the money goes and what the outcomes are? But I think we can.”<sup>10</sup>

## Impact assessments

**12.** A CRIA has not been published alongside the Draft Budget 2019-20. When asked about the decision only to publish a Strategic Integrated Impact Assessment (SSIA), the Cabinet Secretary for Health and Social Services stated:

“...we still think it’s [the SSIA] the right way to approach [the budget]; it’s the right way to try and deliver on the vision that we set out in ‘A Healthier Wales’ to try and make sure that we are delivering more integration and seamlessness in our provision, and then to assess and plan the system on that more integrated basis [...] We think that the approach we’re taking is the right one, and I accept that there may well be a divergence of view.”<sup>11</sup>

**13.** As noted in the introduction to this report, we met concurrently with Members of the Finance and ELGC Committees on 15 November to consider the Welsh Government’s process of assessing the impact of its budgetary decisions.

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<sup>9</sup> CYPE Committee, RoP [para 272], 8 November 2018.

<sup>10</sup> CYPE Committee, RoP [para 221], 8 November 2018.

<sup>11</sup> CYPE Committee, RoP [para 230], 8 November 2018.

Members representing each of the three committees agreed that they would consider the evidence gathered in this session and produce a joint output in due course. The aim of this output will be to inform the development of the Welsh Government Draft Budget 2020-21, and future Draft Budgets thereafter, to ensure that robust and transparent processes are in place to assess the impact of financial decisions.

## OUR VIEW

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Budget allocations are one of the primary ways the Welsh Government can evidence its stated commitment to children's rights. Our detailed views on the Welsh Government's assessment of the impact of its decisions on these allocations will be contained in the joint output we plan to publish in due course with colleagues from the Finance and ELGC Committees, to inform the 2020-21 budget round.

Nevertheless, we remain concerned that the tools we hoped would assist us in tracing allocations for children and young people – including more transparent children and young people budgeting, a CRIA and a child health plan – are not available to inform our scrutiny of the Draft Budget 2019-20.

We note the Welsh Government's work in relation to its strategic integrated impact assessment, and the various Cabinet Secretaries' and Minister's assurances that consideration of children's rights has formed a key part of its preparation. Nevertheless, we do not believe that the information provided within or alongside the Draft Budget 2019-20 demonstrates adequately the evidence that underpins these assertions. We reiterate the conclusion of our predecessor committee of the Third Assembly in its 2009 Children's Budgeting in Wales report:

“A Government could have the best stated policy in the world, but if we do not know where the resources are going, we will not be able to trace whether the investment has been made. Ultimately, for Governments to demonstrate what their real priorities are, we need to be able to follow the money.”<sup>12</sup>

**Recommendation 1.** That the Welsh Government, in light of repeated calls by the CYPE Committee and the Children's Commissioner for Wales, reconsider its position in relation to children's budgeting and assessing the impact of its

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<sup>12</sup> Third Assembly Children and Young People Committee, [Children's Budgeting in Wales](#), October 2009.

budgetary decisions on children's rights. This should be informed by revisiting the conclusions and recommendations of the 2009 report of the Children and Young People Committee on Children's Budgeting in Wales. Future impact assessments should demonstrate meaningful, evidence-based conclusions.

## 2. Education

The 2019-20 Draft Budget includes an allocation of £1.662 billion resource (revenue) and £206 million capital within the Educational Departmental Expenditure Limit (DEL). It remains the third largest allocation within the overall Draft Budget, behind Health and Social Services, and Local Government and Public Services, respectively.

### The relative position of education

Information as published in the Draft Budget 2019-20

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**14.** Funding for education comes from two main sources: the Education MEG (comprised of the Education Resource DEL and the Education Capital DEL) and the Local Government Settlement which provides schools' core budgets via local authorities.

**15.** In the Draft Budget 2019-20 the Education DEL resource funding increases by £13.3 million from the First Supplementary Budget for 2018-19 (published June 2018). This is a 0.8 per cent increase in cash terms but a 0.7 per cent (£12 million) decrease in real terms.

**16.** Education DEL capital funding increases by £2.9 million from 2018-19. This is a 1.4 per cent increase in cash terms but a 0.2 per cent (£0.3 million) decrease in real terms.

**17.** With the delivery of pre-16 education (i.e. schools' core budgets) funded predominantly by the Local Government Settlement (which sits in the Local Government and Public Services DEL), the majority of the Education budget (£1.114 billion) funds the further and higher education sectors, as well as student support. It also funds activity including work on education standards (via the Education Improvement Grant and commitments to raising school standards), the Pupil Development Grant, Welsh in education, work-based learning, and curriculum and teaching reforms.

## Teachers' pay and pension contributions

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**18.** The Welsh Government's written evidence on the Draft Budget 2019-20 stated that the:

"...total teachers' pay award announced by UK Government was £23.5m over two years. For 2018-19, £8.7m will be made available via a specific grant within the Education MEG. For 2019-20, funding of £13.7m has been included in the Revenue Support Grant (RSG) for maintained schools from nursery to year 11, with £1.074m allocated as a specific grant for teachers in post-16 education (school sixth forms)."<sup>13</sup>

**19.** Responding to questions on 8 November 2018, the Cabinet Secretary for Education said that no money had been received from the UK Government to fund the increased employers' pension contributions arising from the pay award. The Cabinet Secretary described this situation as "extremely concerning".<sup>14</sup>

**20.** When asked in Plenary about this issue, the First Minister stated:

"I share concerns of others in the public sector that the proposed changes to public sector pension schemes risk diverting further funding from front-line services. The UK Government is responsible for these changes and we have made it clear that they must fund the increase in pension contributions.

[...] we have already made it clear that local authorities are first in the queue [for additional funding], although there is a queue in terms of funding, but that depends on whether we do get consequentials. What is not fair, nor is it right, is a situation to arise where the UK Government imposes extra costs on local authorities that the Welsh Government is then expected to fund."<sup>15</sup>

## Further announcements since our scrutiny of the Draft Budget 2019-20

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**21.** On 20 November 2018, the Cabinet Secretary for Finance, Mark Drakeford AM, announced an "additional" £7.5 million in each of 2018-19 and 2019-20

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<sup>13</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning's written evidence on the Draft Budget 2019-20, 8 November 2018, p2.

<sup>14</sup> CYPE Committee, RoP [para 18], 8 November 2018.

<sup>15</sup> Plenary, RoP [paras 3-5], 13 November 2018.



financial years to “help local authorities meet the cost pressures associated with implementing the teachers’ pay award”.<sup>16</sup>

## OUR VIEW

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We recognise the increase of £38.095 million in the draft Education Resource DEL 2019-20 compared to the indicative 2019-20 budget, and welcome the Welsh Government’s reversal of its original intention to cut Education resource spending in 2019-20. However, we note that this represented a real terms decrease of 0.7 per cent when compared to the First Supplementary Budget 2018-19 (published June 2018).

This placed Education alongside Local Government and Public Services as the two portfolio areas (other than central services and administration) which saw a real terms decrease in revenue funding in the Draft Budget 2019-20. This was particularly important due to local government’s role in funding schools and was in contrast to health and social services, economy and transport, and energy, planning and rural affairs, all of which saw a real terms increase in their revenue funding in 2019-20.

We therefore welcome the announcement on 20 November 2018 of additional funding for local authorities to meet the cost pressures of implementing the school teachers’ pay award. We request further clarity, however, on the detail underpinning this announcement.

**Recommendation 2.** That the Welsh Government clarify:

- the rationale and specific purpose behind the additional £7.5 million in each of 2018-19 and 2019-20 for the teachers’ pay award, given the amounts that have already been announced in the Draft Budget 2019-20;
- whether this additional funding is intended to cover employers’ pension contributions (for which funding had not yet been secured) or to meet pressures not foreseen or accounted for in the £8.7 million and £13.7 million allocations made in the Draft Budget for 2018-19 and 2019-20 respectively;
- which MEG and BEL the £7.5 million will be allocated to in the Second Supplementary Budget 2018-19 and Final Budget 2019-20;

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<sup>16</sup> Written statement, Cabinet Secretary for Finance, Mark Drakeford AM, 20 November 2018.



- what consideration was given to allocating the additional funding to alleviate pressures on schools' core budgets rather than specifically for the teachers' pay award (acknowledging the two are intrinsically linked).

**Recommendation 3.** That the Welsh Government further reflect, and provide an updated assessment following the Final Budget 2019-20, on the sufficiency of the overall level of revenue funding available for education, in light of the real terms decrease in revenue funding in the Draft Budget 2019-20 (via the Education and Local Government and Public Services DELs respectively).

## The approach to school funding

**22.** Aside from specific funding provided via the Education MEG, schools receive the vast majority of their funding from local authorities. Local authorities finance school budgets from the money provided to them by the Welsh Government in the Local Government Settlement, and what they raise from council tax. The Welsh Government's funding for local government is un-hypothecated, which means local authorities determine how much funding they give to schools relative to the other services they provide.

**23.** The Welsh Government publishes notional calculations of costs it believes local authorities will face when providing standard levels of services. These are referred to as Standard Spending Assessments (SSAs). The Welsh Government emphasises that SSAs are not spending targets but demonstrate how much is notionally included within the Local Government Settlement to provide any given service.

*Table 1 School Services sector Standard Spending Assessment amounts by financial year*

Financial year	SSA amount	+/- since previous announcement	Source
2018-19	£2.206 billion	n/a	Final Local Government settlement 2018-19 (Dec 2017)
2018-19 (adjusted)	£2.218 billion	+ £12 million <sup>17</sup>	Provisional Local Government settlement 2019-20 (Oct 2018)
2019-2020	£2.227 billion	+ £8.9 million <sup>18</sup>	Provisional Local Government settlement 2019-20 (Oct 2018)

<sup>17</sup> Welsh Government, [Provisional Local Government Settlement](#), table 8 NB The adjustment of the original 2018-19 amount is due to the additional £8 million to local authorities for the school teachers' pay award and £4 million for the higher costs of providing free school meals as a consequence of WG's changes to eligibility criteria – both to be funded from the Education MEG rather than the Local Government Settlement. The Welsh Government has shown the amounts in the adjusted 2018-19 level for comparative baseline purposes.

<sup>18</sup> Welsh Government, [Draft Budget Outline Narrative](#), para 4.20 NB The Welsh Government has stated that there is £13.7 million in the 2019-20 settlement for teachers' pay and £7 million for free school meals.

**24.** Much discussion has occurred during this budget round about the 1.3 per cent real terms decrease in revenue funding for Local Government and Public Services. In its evidence to the ELGC Committee, the Welsh Local Government Association (WLGA) warned strongly of the adverse impact of the 2019-20 Draft Budget and provisional Local Government Settlement on local authorities and schools specifically.<sup>19</sup> Debbie Wilcox, Leader of the WLGA, warned in a letter to the Cabinet Secretary for Education in October 2018 of a potential education “funding gap” of between £57 million and £119 million.<sup>20</sup> Teaching unions have also warned that the sector is “...at the very edge of its capacity”<sup>21</sup>, “...school(s) are at budget breaking point”<sup>22</sup>, and the situation must be considered a “crisis”<sup>23</sup>.

## OUR VIEW

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We note that the Welsh Government’s approach to channelling additional funding for schools has varied over recent years. In the Fourth Assembly, it provided additional funding to protect school budgets by one percentage point above the change in the Welsh block grant. The majority of this funding (£107 million of £146 million between 2010-11 and 2015-16) was allocated via the local government settlement rather than targeted funding streams in the Education MEG.<sup>24</sup>

At the beginning of the Fifth Assembly the additional £100 million allocated to raise school standards was allocated through the Education MEG to initiatives the Welsh Government believed supported school improvements most effectively. Conversely, in the 2018-19 Draft Budget, local government funding for specific education grants (including the School Uniform Grant and Minority Ethnic and Gypsy Traveller grants) was reprioritised towards un-hypothecated funding to maintain funding for school budgets in the Local Government Settlement at 2017-18 levels. We expressed our concerns about this in last year’s report, and welcome the Welsh Government’s reinstatement of this grant funding with money from reserves. However, we have highlighted that this

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<sup>19</sup> ELGC Committee, RoP [para 19], 25 October 2018 and [written evidence from the WLGA to the ELGC Committee](#), October 2018.

<sup>20</sup> This letter was released to the public domain via a [WLGA tweet](#) on 9 October 2018.

<sup>21</sup> [National Education Union Cymru’s written evidence to the Finance Committee](#), September 2018.

<sup>22</sup> Ibid.

<sup>23</sup> “Crisis” is a translation of Undeb Cenedlaethol Athrawon Cymru (UCAC’s) use of the word “argyfwng” in its [written evidence to the Finance Committee](#), September 2018 (available in Welsh only).

<sup>24</sup> National Assembly for Wales Research Service, [School Funding in Wales Research Briefing](#), August 2018, p17.

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exposed the shortcomings of the initial decision in the 2018-19 budget to take money from these hypothecated grants.<sup>25</sup>

In light of the growing concerns surrounding funding for schools, we are consulting on our school funding inquiry. We aim to report in time to inform the 2020-21 budget round. In the meantime, we recognise the challenge of striking a balance that enables local government to fund (via the Local Government Settlement) the services for which it is responsible while maintaining sufficient central funding to deliver Welsh Government priorities.<sup>26</sup> Nevertheless, we are not clear what criteria the Welsh Ministers have and will adopt to decide how that balance is struck. We believe that more transparency in this area could help allay concerns about decisions to channel funding via Education MEG grants or the Local Government Settlement.

**Recommendation 4.** That the Welsh Government develop and publish clear criteria explaining the basis for allocating funding to schools either via un-hypothecated local government funding or hypothecated allocations under the Education MEG.

## School reserves

**25.** Welsh Government data published in October 2018 shows that the level of school reserves has increased in the latest year (2017-18) following a decrease in 2016-17.<sup>27</sup> While not reaching 2015-16 levels, an upward trend in reserves held by schools has been observed.

Table 2: School reserves by financial year

Financial year (FY)	Net level of school reserves	Per pupil level of school reserves	% change compared to previous FY
2015-16 (as of 31 March 2016)	£64 million	£142	N/A
2016-17 (as of 31 March 2017)	£46 million	£102	-28%
2017-18 (as of 31 March 2018)	£50 million	£111	+10%

Source: Statistics for Wales, [Reserves held by schools in Wales at 31 March 2018](#), October 2018

**26.** The School Funding (Wales) Regulations 2010 set maximum thresholds for the level of reserves a school may hold without the local authority intervening.<sup>28</sup>

<sup>25</sup> CYPE Committee, [Correspondence to the Cabinet Secretary for Education](#), 6 July 2018.

<sup>26</sup> CYPE Committee, RoP [para 11], 8 November 2018.

<sup>27</sup> Welsh Government, Statistics for Wales, [Reserves held by schools in Wales at 31 March 2018](#), 17 October 2018.

<sup>28</sup> Welsh Government, [School Funding \(Wales\) Regulations 2010](#).

For primary schools this is £50,000 and for secondary schools it is £100,000. The regulations provide local authorities with powers to either direct schools to spend money above this threshold or otherwise recover the money.

**27.** Evidence received from the Welsh Government shows that in the last financial year (2017-18), the number of schools holding reserves above the statutory threshold (the trigger point enabling local authorities to intervene) rose by approximately 100 compared to the previous financial year (2016-17), from 394 to 497.<sup>29</sup> The Cabinet Secretary for Education stated that this increase is “sector specific” with the additional schools holding reserves above the statutory threshold being mainly in the primary sector.<sup>30</sup> She went on to acknowledge that while there may be a specific and legitimate reason for a school to hold a certain level of reserves, she was “concerned” by current levels, and “particularly worried” about those held over a long period of time.<sup>31</sup> She concluded by stating:

“...if a school has had consistently high levels of reserves over a long period of time, then I think we need to understand better what is going on [...] We are discussing with colleagues in local government how often they have used that power [to direct schools to spend the money or recover it] and what their policy is for using the powers they have under the 2010 regulations to address these issues of reserves.”<sup>32</sup>

## OUR VIEW

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In November 2016 the Cabinet Secretary for Education warned schools that if they were “hanging on” to their reserves for a “rainy day”, that money needed to be spent because “it [was] raining”.<sup>33</sup> In light of current financial challenges, we are concerned that the latest figures show the number of schools holding reserves above the statutory threshold has increased by 26 per cent from 2016-17 to 2017-18.

While the Cabinet Secretary for Education’s written evidence stated that the Welsh Government does not monitor whether local authorities use their powers in this area, we were pleased to hear her state in her oral evidence that her

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<sup>29</sup> CYPE Committee, RoP [para 22], 8 November 2018 and NAW Research Service analysis of [StatsWales](#) data.

<sup>30</sup> CYPE Committee, RoP [para 21], 8 November 2018.

<sup>31</sup> CYPE Committee, RoP [para 22], 8 November 2018.

<sup>32</sup> CYPE Committee, RoP [paras 22-23], 8 November 2018.

<sup>33</sup> CYPE Committee, RoP [para 32], 10 November 2016.

officials were now discussing the matter with local authorities and looking at what is being done to address the issue.

**Recommendation 5.** That the Welsh Government:

- work more proactively with local government to reduce the number of schools holding reserves above the statutory threshold;
- provide assurance, following discussion with local government, that all schools holding reserves above the statutory threshold are doing so for a legitimate reason and have a clear plan to spend the money appropriately.

## Teachers' professional learning

**28.** The Draft Budget 2019-20 allocates an additional £15 million to teachers' professional development as compared to the First Supplementary Budget 2018-19 (published June 2018). This £15 million has been allocated via the Education MEG, from reserves.<sup>34</sup>

**29.** The decision to hypothecate the additional funding was criticised by the Leader of the WLGA, Debbie Wilcox, who told the ELGC Committee:

“...the key question here is why is this money is not in the revenue support grant? [...] That's all very well developing teachers but we're making teachers redundant because we can't afford to pay for them. It's ludicrous and it exacerbates the ways that the impact of these cuts will divert remaining resources away from the classroom.”<sup>35</sup>

**30.** When asked on 8 November why this money has been allocated as a hypothecated grant rather than provided via the un-hypothecated Local Government Settlement, the Cabinet Secretary for Education stated:

“...when times are tough in school budgets, oftentimes schools are saying, 'I haven't got the opportunity to release said member of staff to go and do their professional development', because, obviously, that costs money to backfill, or 'I haven't got the resources to be able to support that member of staff to pursue the professional learning opportunities that they want to do.' We need to make sure that there

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<sup>34</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning's written evidence on the Draft Budget 2019-20, 8 November 2018, p5.

<sup>35</sup> ELGC Committee, RoP [para 19], 25 October 2018.

are resources available for schools to do just that, because very often [...] when budgets are tight, some of these opportunities are the first to go within schools.”<sup>36</sup>

**31.** On 13 November 2018 the Cabinet Secretary for Education made a Plenary statement in which she announced that in addition to the £15 million provided in the Draft Budget 2019-20, £9 million would be provided during this financial year (2018-19) to begin work on delivering “a National Approach to career-long professional learning that builds capacity from initial teacher education and is embedded in evidence-based research and effective collaboration”.<sup>37</sup> She further stated that this additional funding’s aim is to develop “the professional learning culture and infrastructure to ensure that curriculum reform becomes a reality”.<sup>38</sup>

## OUR VIEW

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We recognise the concerns raised about the resource available to local government to fund schools adequately. This is reflected in our recommendation 3 which calls on the Welsh Government to further reflect, and provide an updated assessment following the Final Budget 2019-20, on the sufficiency of the overall level of revenue funding available for education, in light of the real terms decrease in revenue funding in the Draft Budget 2019-20 (via the Education and Local Government and Public Services DELs respectively).

Nevertheless, we welcome the action taken to respond to calls in our 2017 report on teachers’ professional learning and education to ensure the whole workforce is prepared for significant forthcoming changes to the curriculum.<sup>39</sup> We firmly believe that our workforce has to be our strongest asset if we are to deliver the once-in-a-generation opportunity afforded by the new curriculum.

**Recommendation 6.** That the Welsh Government confirm:

- if the additional £9 million allocated to teachers’ professional learning for this financial year (2018-19) has been provided from reserves or elsewhere (and if elsewhere, providing detail);

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<sup>36</sup> CYPE Committee, RoP [para 50], 8 November 2018.

<sup>37</sup> Plenary, RoP [para 131], 13 November 2018.

<sup>38</sup> Ibid.

<sup>39</sup> CYPE Committee, Report on the Teachers’ Professional Learning and Education inquiry, December 2017.

- if the additional £9 million in 2018-19 will be allocated to the Teacher and Development BEL (as with the additional £15 million in 2019-20) and, if so, whether there will be a second transfer into the 2018-19 Teacher and Development BEL of £9 million on top of the £8 million already planned to finance the teachers' pay award for school years 1 to 11.

## Infant class sizes

**32.** During the Fifth Assembly the Welsh Government is making £36 million - £16 million revenue and £20 million capital - available to deliver the Cabinet Secretary for Education's commitment to reduce infant class sizes.

**33.** When questioned about the improvements in educational outcomes resulting from this investment, the Cabinet Secretary for Education stated that it was too early to say when these would be realised.<sup>40</sup> However, she explained that discussions with headteachers suggested they were confident the investment to reduce infant class sizes would "make a difference" to children and staff,<sup>41</sup> and stated that schools would be asked to report back on the spending's impact.<sup>42</sup>

## OUR VIEW

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We believe that a core requirement for financial planning is being able to demonstrate evidence of the value for money that is likely to be achieved, and is subsequently realised, by investing in specific areas. This becomes even more important when the prioritisation and affordability of services is challenged by the wider economic climate. We are concerned at the apparent lack of tangible evidence underpinning the investment in reducing infant class sizes to improve educational attainment.

**Recommendation 7.** That the Welsh Government provide an outline of the evidence on which the investment to reduce infant class sizes has been based, including considerations of opportunity cost, and an ongoing evidence-based assessment of the impact of the investment on educational outcomes in Wales.

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<sup>40</sup> CYPE Committee, RoP [para 65], 8 November 2018.

<sup>41</sup> CYPE Committee, RoP [para 71], 8 November 2018.

<sup>42</sup> CYPE Committee, RoP [para 67], 8 November 2018.



## Funding via regional consortia

**34.** A number of grant-funded initiatives are funded through the four regional consortia, amounting to £230 million of the Education MEG for pre-16 education.

### Regional Consortia School Improvement Grant

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**35.** The Welsh Government's written evidence states that, following a review, only two grants to consortia remain: the Pupil Development Grant (PDG) and the Regional Consortia School Improvement Grant. The Cabinet Secretary for Education explained the reasoning for this "streamlining" as follows:

"...school funding can be very complicated and sometimes not, perhaps, as transparent and easy to understand as people would like, and that's because there is a plethora of individual grants, funding streams and mechanisms that get money to the front line. We were in a situation where we had 16 separate grants being distributed to regional consortia, and that's not helpful when you're trying to be strategic in spending money and trying to have some kind of transparency about how that money is being used."<sup>43</sup>

**36.** The Cabinet Secretary for Education stated her commitment to giving clear instructions to regional consortia on what the money should be used for, what outcomes are expected, and ensuring regular review of consortia expenditure.<sup>44</sup>

## OUR VIEW

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We note the Welsh Government's work to streamline the grants allocated to regional consortia and recognise the complexity of the school funding landscape the Cabinet Secretary for Education describes. We look forward to identifying possible improvements to the system as part of our inquiry into school funding.

We urge the Cabinet Secretary for Education to ensure that, in combining a number of smaller grants to form the larger Regional Consortia School Improvement Grant, focus on the individual elements is not lost. This is a theme we highlighted in our inquiry into the Education Improvement Grant in 2017

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<sup>43</sup> CYPE Committee, RoP [para 99], 8 November 2018.

<sup>44</sup> CYPE Committee, RoP [para 102], 8 November 2018.

with regard to support for Minority Ethnic and Gypsy, Roma and Traveller learners.<sup>45</sup>

**Recommendation 8.** That the Welsh Government provide clarity on whether each of the smaller grants contained within the new larger Regional Consortia School Improvement Grant is ring-fenced.

## PDG Access

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**37.** The PDG Access fund sits within the wider PDG Action (discussed in more detail in the next chapter). PDG Access was introduced in 2018-19 to replace and broaden the School Uniform Grant, providing support to pupils eligible for free school meals on entry to primary and secondary school. In 2019-20, the PDG Access fund has been allocated £1.8 million, doubling it to £3.6 million.<sup>46</sup>

## OUR VIEW

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We welcome the reinstatement of this funding in light of the significant concerns we expressed earlier this year about the discontinuation of the School Uniform Grant. We also welcome the extension of the use of the funding to enable parents to purchase other items to allow their child to fully participate in education or activities related to education, and its extension to those entering primary as well as secondary school.

**Recommendation 9.** That the Welsh Government share, once available, its plans about how the additional £1.8 million for PDG Access in 2019-20 will be used, and how expenditure and outcomes will be monitored for affordability and value for money.

## School improvement

### Raising school standards

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**38.** The Welsh Government has committed £100 million to raising school standards during the Fifth Assembly. £25.5 million is allocated in 2019-20.<sup>47</sup>

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<sup>45</sup> CYPE Committee, *Inquiry into the Education Improvement Grant: Gypsy, Roma and Traveller, and Minority Ethnic Children*, 2017.

<sup>46</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning's written evidence on the Draft Budget 2019-20, 8 November 2018, p4.

<sup>47</sup> A provisional breakdown of the £25.5 million is provided in Annex D of the Cabinet Secretary for Education's written evidence.

**39.** In our Draft Budget 2018-19 report, we recommended that the Welsh Government guard against this money becoming a “miscellaneous” budget line for initiatives without a natural budget home, or which would otherwise be insufficiently resourced.

**40.** In her evidence, the Cabinet Secretary for Education explained that, in response to our concerns, she had asked officials to undertake an internal review of whether the £100 million was aligned to strategic priorities. She welcomed our suggestion that strategic alignment should be clear.<sup>48</sup>

## OUR VIEW

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We welcome the review of the £100 million Raising School Standards funding and the Cabinet Secretary for Education’s acknowledgement of the constructive contribution made by committee scrutiny in this regard.

### School governance

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**41.** The School Governance BEL is reducing from £36,000 in 2018-19 to zero in 2019-20.<sup>49</sup> This follows the ending of funding for Governors Wales in 2018-19, and the conclusion of the contract with the Independent Investigation Service in July 2018.

**42.** In our report on the Draft Budget 2018-19, we called on the Welsh Government to review the impact of revised support arrangements for governors in Wales and to ensure that effective support remained in place.<sup>50</sup> When asked about the implications of the zero budget in 2019-20, the Cabinet Secretary stated:

“...training for governors is very important, but in the constraints of the budgets that we are ourselves faced with, we’ve had to look at prioritising resources. Governor support is available, both at a local education authority level and at a regional consortia level and, therefore, whilst I very much appreciated the work that Governors Wales has previously done, we’re not in a position where we can duplicate services available. But governors training is really important,

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<sup>48</sup> CYPE Committee, RoP [para 93], 8 November 2018.

<sup>49</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning’s written evidence on the Draft Budget 2019-20, 8 November 2018, p5.

<sup>50</sup> CYPE Committee, Scrutiny of the Welsh Government Draft Budget 2018-19 Report, 1 December 2017, pp11-12.

and some of this work will be being taken forward by the National Academy of Educational Leadership.”<sup>51</sup>

## OUR VIEW

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We agree with the Cabinet Secretary for Education that school governors have a significant role to play in school improvement and it is therefore important that sufficient advice, support and training is available. We note her confirmation that local authorities, regional consortia and the National Academy of Educational Leadership will provide this support, although the extent to which independent support will be available is not clear.

**Recommendation 10.** That the Welsh Government monitor closely the impact of the removal of the standalone School Governance BEL in order to avoid any impairment to the support available to governors and unintended consequences for school improvement.

### Welsh-medium provision

**43.** The Draft Budget 2019-20 includes a cost-neutral £2 million transfer from the Welsh in Education Action to the Welsh Language Action. When asked about the rationale for this transfer, the Minister for Welsh Language and Lifelong Learning attributed it to promoting the Welsh language in line with the Welsh Government’s Cymraeg 2050 strategy.<sup>52</sup>

**44.** When questioned about resource to increase Welsh medium capacity within the teaching workforce, the Minister stated that “it would always be good to have more money”, that more work was needed, but that initiatives were in place to increase the number of people entering the profession to teach in Welsh.<sup>53</sup>

**45.** In relation to capital investment, the Minister for Welsh Language and Lifelong Learning stated that £30 million had been allocated from her budget to sit alongside the £60 million allocated to support the childcare offer. She stated that the purpose of this £30 million capital allocation was “to help with promoting the Welsh in education strategic plans”. We noted that Welsh-medium and childcare capital funding has been combined to maximise the number of

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<sup>51</sup> CYPE Committee, RoP [para 31], 8 November 2018.

<sup>52</sup> CYPE Committee, RoP [para 74], 8 November 2018.

<sup>53</sup> CYPE Committee, RoP [para 80], 8 November 2018.

projects that can be supported and therefore value for money. The Minister explained:

“There’s an understanding now that, actually, if you really want to increase the number of people going into Welsh education, you’ve got to start off really, really early, and the time to do that is to increase the childcare offer. [...] We’ve worked with the Minister responsible for childcare. We’ve put £30 million down; he’s added to that pot £16 million, specifically to help that childcare offer through the medium of Welsh.

[...] So, what we’ll see as a consequence now is, in terms of additional Welsh learners, we are expecting 41 projects to be supported, and that means an increase of 2,800 pupils into the Welsh language system. So, what we’ve done is unite education and the childcare offer together, so that’s been a very constructive co-operation.”<sup>54</sup>

## OUR VIEW

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We note the movement of funding from the Welsh in Education Action to the Welsh Language Action. We welcome the Welsh Government’s work to promote the Welsh language, but would be eager to ensure that this resource transfer does not lead to a loss of emphasis on Welsh-medium education as a vehicle for meeting the Cymraeg 2050 target. We welcome the creative and efficient combination of childcare capital and Welsh-medium capital to maximise value for money, and to address some of the concerns we raised in our Stage 1 report on the Childcare Funding (Wales) Bill.

**Recommendation 11.** That the Welsh Government ensure:

- the movement of £2 million resource from the Welsh in Education Action to the Welsh Language Action does not lead to a loss of emphasis on Welsh-medium education as a vehicle for meeting the Cymraeg 2050 target;
- the opportunity to align the aims of the childcare offer with those of Cymraeg 2050 continue to be pursued in the manner demonstrated by the innovative use of cross-portfolio capital funding.

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<sup>54</sup> CYPE Committee, RoP [paras 198-199]. 8 November 2018.

## Post-16 education

Information as published in the Draft Budget 2019-20

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**46.** The Draft Budget 2019-20 includes £420 million as part of the Post-16 Education Action. Funding under this Action delivers sixth form, further education institution (FEIs) and adult community learning (ACL) activity. No further information about how the allocation will be broken down for the different activities was provided by the Welsh Government in its published information.

**47.** When asked on 8 November to provide more detail on the breakdown of the £420 million, the Minister for Welsh Language and Lifelong Learning stated:

“We’re still in that period now where people are deciding where they’re going to go. So, I don’t think it would be appropriate for us to separate this out, because, actually, there is a real fluidity between those different institutions. But just to give you a broad picture of where we’re at: on the whole, what we’ve got is that there is about £309 million for further education colleges, about £92 million for sixth forms and about £4 million for adult learning. But, as I say, we won’t know the exact details, probably, until later on this month, in terms of where people have settled.”<sup>55</sup>

**48.** The Minister went on to indicate that she would be announcing changes to the funding formula for further education at the end of November with a view to ensuring “fairness across the whole of Wales”.<sup>56</sup> She also explained her aim of changing the focus in further education “so that we’re responding to the skills needs of the economy”.<sup>57</sup>

**49.** When asked how the Welsh Government expects further education institutions (FEIs) to meet inflationary pressure in the further education sector, including pay awards, the Minister for Welsh Language and Lifelong Learning referred to the agreement with the UK Government to provide additional funds in relation to sixth form. She described the lack of a similar agreement for FEIs as “a little bit of a headache”.<sup>58</sup> She explained that negotiations were ongoing, numbers were being considered to assess “to what extent we [Welsh Government] will be able to help out”, but that it was still too early to confirm.<sup>59</sup> The Minister stated that

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<sup>55</sup> CYPE Committee, RoP [para 133], 8 November 2018.

<sup>56</sup> CYPE Committee, RoP [para 139], 8 November 2018.

<sup>57</sup> CYPE Committee, RoP [para 141], 8 November 2018.

<sup>58</sup> CYPE Committee, RoP [para 163], 8 November 2018.

<sup>59</sup> CYPE Committee, RoP [para 163], 8 November 2018.

she hoped a resolution would be reached in time for consideration of the Final Budget 2019-20.<sup>60</sup>

**50.** The Cabinet Secretary confirmed that the planned 2019-20 reduction of £9.8 million for sixth forms in Wales would no longer occur, with funding transferred from the Prosperity for All BEL (£7.2m) and general reserves (£2.6m) to make up the shortfall.<sup>61</sup>

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### Further announcements since our scrutiny of the Draft Budget 2019-20

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**51.** On 20 November, the Minister for Welsh Language and Lifelong Learning made a Plenary statement outlining the headlines of a new further education funding formula. The Minister explained that this formula would see further education funding become fundamentally linked to the skills needs identified by the three Regional Skills Partnerships:

“If colleges introduce plans that do not reflect [Regional Skills Partnership] recommendations, they will not be approved. Furthermore, my officials will ensure that delivery is in line with those plans and will adjust funding when appropriate.”<sup>62</sup>

**52.** In relation to pay awards, the Minister confirmed in her Plenary statement:

“...that the Welsh Government will be providing funding to enable further education lecturers to be awarded a pay deal in 2018-19 and 2019-20 that is commensurate with that received by school teachers.”<sup>63</sup>

**53.** The Minister added that this pay deal would also be extended to other further education staff “who are in the support services, some of whom are on very low incomes”.<sup>64</sup> During her statement the Minister did not specify how much additional funding would be made available to the sector to meet the pay deal.

## OUR VIEW

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We believe that budget transparency is key to ensuring the Welsh Government’s investments deliver services that are affordable and provide value for money.

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<sup>60</sup> CYPE Committee, RoP [para 163], 8 November 2018.

<sup>61</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning’s written evidence on the Draft Budget 2019-20, 8 November 2018, p3.

<sup>62</sup> Plenary, RoP [para 284], 20 November 2018.

<sup>63</sup> Plenary, RoP [para 294], 20 November 2018.

<sup>64</sup> Plenary, RoP [para 301], 20 November 2018.



While we recognise that final figures under the Post-16 Education Action may not be available until the end of the Draft Budget scrutiny process, we believe indicative figures could and should be provided for the Assembly's consideration as a matter of course.

We welcome the reversal of the previously planned decrease in sixth form funding. We also welcome the Minister's statement that additional funding will be provided to the further education sector to provide a pay deal commensurate with school and sixth form teachers, and its extension to other further education staff. We look forward to:

- understanding more about the level of additional funding to be provided for FEIs and for the negotiations to formally conclude;
- more detail about how the Minister will ensure that the skills requirements of the economy are prioritised in accordance with the new further education funding formula.

**Recommendation 12.** That the Welsh Government:

- clarify, for the purpose of transparency and effective scrutiny, the breakdown of the Post-16 Education Action across sixth forms, further education institutions, and adult community learning for both the 2018-19 and 2019-20 financial years;
- outline the level of extra funding to be provided to further education institutions following the Minister's statement of 20 November, and confirm that this will fully fund the pay deal.

## Higher and further education

**54.** The Higher Education Action amounts to £141.142 million in 2019-20. It comprises the entirety of the £141.052 million revenue allocation to the Higher Education Funding Council for Wales (HEFCW) and £0.090m for depreciation of capital. HEFCW capital funding, amounting to £10 million (taking the overall amount available to HEFCW to £152.142 million), sits in the separate Estate and IT Provision Action.<sup>65</sup>

**55.** The Post-16 Learner Support Action totals £552.611 million in the Draft Budget 2019-20. The most significant BEL within this Action is the Student Support Grant

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<sup>65</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning's written evidence on the Draft Budget 2019-20, 8 November 2018, Annex B.

(£425.742m).<sup>66</sup> This BEL funds the main higher and further education grants, including the tuition fee grant which is now being phased out in response to the Diamond Review's recommendation to refocus undergraduate student financial support from tuition fee support to living cost support. The savings expected to result from the full-implementation of the Diamond reforms, which began in September 2018, are expected to be re-invested back into the higher and further education sectors as a Dividend.

## HEFCW funding

**56.** For the 2018/19 academic year, HEFCW funded four main types of activity from its allocation: core, ongoing strategic priorities, as outlined in its remit letter, from its resource funding; HEFCW running costs; additional commitments set out by the Welsh Government using hypothecated funding; and the capital programme.

*Table 3: HEFCW funding requirements 2018/19*

HEFCW core strategic priorities	HEFCW running costs <sup>67</sup>	Additional commitments	Capital
Research: £78.9m	£3.4m	Fee mitigation: £10m	£10m
Part-time teaching: £25.5m		Interim Masters bursary: £8.8m	
Full-time teaching: £15.2m			
Strategic initiatives: £2.3m			

Source: HEFCW, [Circular: HEFCW's Funding Allocations 2018/19](#), May 2018, p5

**57.** For the 2017/18 and 2018/19 academic years, HEFCW reported it had insufficient funds to meet its four core strategic priorities and had therefore been required to reduce the amount of funding paid to universities. In 2017/18 this amounted to a £22.5 million shortfall, and in 2018/19, a £12.5 million shortfall.<sup>68</sup> It is likely, therefore, that un-hypothecated increases in the HEFCW BEL for 2019-20 will be used to make up these shortfalls before funding is available for additional priorities, although, as an arms-length body, this is a matter for HEFCW.

**58.** Compared to plans for 2019-20 in the Final and Supplementary Budgets 2018-19, HEFCW's resource budget has increased by £11.382 million. This additional funding has come from the following places and is hypothecated as outlined:

<sup>66</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning's written evidence on the Draft Budget 2019-20, 8 November 2018, Annex B.

<sup>67</sup> Calculated on a financial year basis.

<sup>68</sup> HEFCW, [Circular: HEFCW's Funding Allocations 2018/19](#), 30 May 2018.

- the Student Support Grant BEL (£5 million), to fund the second year of the Masters interim bursary scheme;
- the Work-Based Learning BEL (£5 million), to fund the second year of Degree Apprenticeships;
- a transfer from the EU transition fund in reserves (£1.382 million), to fund Global Wales II.<sup>69</sup>

**59.** The Welsh Government provides funding to HEFCW on a financial year basis, whilst HEFCW allocates its funding to the higher education sector on an academic year basis. This means:

- the HEFCW BEL for 2019-20 should not be considered as commensurate with the resources available for allocation to providers by HEFCW for the 2019/20 academic year;
- the current 2018/19 academic year funding from HEFCW to the sector is partly based on an indicative 2019-20 Welsh Government budget developed by HEFCW;
- given that the Draft Budget 2019-20 allocates more to the Higher Education Action than either planned in the Final Budget 2018-19 or HEFCW's indicative 19-20 calculations, HEFCW will have more budget than anticipated. It may release this funding into the 2018/19 or 2019/20 academic years, or in part to both.

**60.** As an arms-length body, the majority of HEFCW's funding is un-hypothecated, enabling it to allocate the money as it determines but in accordance with its annual remit letter from the Welsh Government. However, the additional £11.382 million allocated in the Draft Budget 2019-20 is hypothecated as detailed in paragraph 58 above. When asked about the reason for this, the Cabinet Secretary for Education stated:

“...again, it's this balancing act, isn't it, about being able to give a steer so that Government strategic objectives and priorities are delivered on, and a free-for-all.”<sup>70</sup>

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<sup>69</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning's written evidence on the Draft Budget 2019-20, 8 November 2018, p4.

<sup>70</sup> CYPE Committee, RoP [para 115], 8 November 2018.

## Diamond and Reid Reviews

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**61.** As part of the Diamond reforms, the Cabinet Secretary for Education committed to reinvest student grant savings back into the higher and further education sectors.<sup>71</sup> This is referred to as the so-called “Diamond Dividend”.

**62.** In 2019-20, £10.561 million is to be transferred from the Student Support Grants BEL to the HEFCW BEL for the postgraduate bursary (£5m) and the remaining £5.561 million “reprioritised”<sup>72</sup> within the Education MEG. It is unclear from the Welsh Government’s published information whether this remaining £5.561 million has been allocated to higher and further education as part of the Diamond Dividend or to wider areas within the MEG.

**63.** When asked about the projected scale of the Dividend, the Cabinet Secretary for Education stated:

“We have shared indicative figures with the higher education funding council. Of course, some of these things are a moveable feast because of student numbers, et cetera, but we’ve been able to give indicative figures. [...] being able to give long-term forecasts with absolute certainty is really, really challenging.

[...] my agreement with the First Minister was that the higher education sector would not be disadvantaged by the implementation of Diamond, and we are making good on that promise.”<sup>73</sup>

**64.** When invited to confirm how the Dividend would be used, the Cabinet Secretary said:

“...my intention is, in the first instance, to support expensive subjects, because that’s the feedback from institutions, that that’s where the priority needs to go because the support for expensive subjects has been limited and, in fact, has gone because of budgets previously. So, that’s the first call on the money, to reinvest and support institutions around expensive subjects.”<sup>74</sup>

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<sup>71</sup> Plenary, RoP [para 194], 22 November 2016.

<sup>72</sup> CYPE Committee, Cabinet Secretary for Education and the Minister for Welsh Language and Lifelong Learning’s written evidence on the Draft Budget 2019-20, 8 November 2018, p7.

<sup>73</sup> CYPE Committee, RoP [paras 125 and 129], 8 November 2018.

<sup>74</sup> CYPE Committee, RoP [para 125]. 8 November 2018.

**65.** The Reid Review, which reported in June 2018, considered research and innovation activity and how it should be funded in Wales.<sup>75</sup> Evidence received by the Economy, Infrastructure and Skills Committee’s current inquiry into research and innovation in Wales indicates overwhelming support for the full implementation of the Reid Review’s recommendations.<sup>76</sup> When asked in the Committee for the Scrutiny of the First Minister on 16 November about the financial challenges posed to the higher and further education sector in terms of research and innovation by the Draft Budget 2019-20, the First Minister stated that this was a matter for the Cabinet Secretary but:

“We have a Draft Budget at the moment. We can’t spend on everything. We know that. But we are willing to consider any section of that budget where it may be possible to provide more funding. That’s no guarantee, of course, but having spoken to the FE heads, that’s how we learn exactly where their priorities lie too.”<sup>77</sup>

## OUR VIEW

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Much of the narrative relating to higher and further education in Wales has been shaped by the recent Diamond and Reid reviews. The delivery of all the recommendations of both of these flagship reviews relies heavily on the realisation of the so-called “Diamond Dividend”.

We note the Cabinet Secretary for Education’s emphasis of the fact that this Dividend is “not the answer” to all problems, and her reiteration of her agreement with the First Minister that the higher education sector would not be disadvantaged by the implementation of the Diamond Review. We are concerned at the contrast in tone between her statement to Plenary following the review’s publication, where she stated that the Welsh Government would be “delivering a future Dividend for further and higher education”<sup>78</sup> and her seemingly less ambitious statement made on 8 November that the sector “would not be disadvantaged”.<sup>79</sup>

We are further concerned that there is currently a lack of transparency in relation to the Diamond Dividend. Although HEFCW has received indicative projections,

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<sup>75</sup> Welsh Government, [Review of Government Funded Research and Innovation in Wales](#), June 2018.

<sup>76</sup> Economy, Infrastructure and Skills Committee, [Inquiry into Research and Innovation](#), 2018.

<sup>77</sup> Committee for the Scrutiny of the First Minister, [RoP \[para 53\]](#), 16 November 2018.

<sup>78</sup> Plenary, RoP [para 194], 22 November 2016.

<sup>79</sup> CYPE Committee, RoP [para 110], 8 November 2018.

these are not available in the public domain. While we recognise the Cabinet Secretary's description of the Dividend as a "moveable feast" and therefore understand her caution when asked to share figures, given the importance of the Dividend to the sector, we believe projections ought to be available more widely for scrutiny. Furthermore, we believe that more transparent reporting of moneys removed from the Student Support Grants BEL as a consequence of savings is necessary. At the moment, for example, it is unclear whether the £5 million reprioritised to the Education MEG will be used for the higher and further education sector in accordance with previous Welsh Government commitments.

In the longer term, we are concerned that the Cabinet Secretary has indicated that expensive subjects will be prioritised above research and innovation, despite the fundamental place they are afforded in *Prosperity for All* and the recommendations made by the Reid and Diamond Reviews. Furthermore, we note that there has been a decrease in funding for expensive subjects and research for the last two years, but smaller amounts of hypothecated funding made available for other areas. We intend to monitor the levels of hypothecation applied to HEFCW funding and would welcome more information in future budgets about the principles adopted to make decisions between hypothecated and un-hypothecated funding mechanisms.

**Recommendation 13.** That the Welsh Government publish indicative Diamond Dividend projections that show both the projected total size of the Dividend and the projected amount becoming available each year during implementation.

**Recommendation 14.** That the Welsh Government:

- clarify whether the £5 million reprioritised to the Education MEG from the Student Support Grants BEL in the Draft Budget 2019-20 (the so-called "Diamond Dividend") will be used for the higher and further education sector in accordance with previous Welsh Government commitments;
- present clearly in future budgets the specific areas to which any Diamond Dividend is allocated.

**Recommendation 15.** That the Welsh Government provide more information in future budgets about the principles adopted to make decisions between hypothecated and un-hypothecated funding mechanisms for HEFCW.

**Recommendation 16.** That the Welsh Government provide adequate resource in its Final Budget 2019-20 to enable HEFCW to fully fund its strategic priorities as soon as possible and begin funding the recommendations of the Reid review.

### 3. Health, social care and children

Over half the Welsh Government Draft Budget 2019-20 is allocated to the Health and Social Services Main Expenditure Group. Most of the allocations relevant to children and young people within the portfolios of the Cabinet Secretary for Health and Social Services and Minister for Children, Older People and Social Care sit within this MEG. However, like previous years, detail on the level of resource allocated to children and young people within the MEG is lacking.

Allocations for Flying Start and the Childcare Offer sit within the Local Government and Public Services and Education MEGs respectively. However, we deal with them in this chapter as the Minister for Children has lead responsibility for these policies.

#### The relative position of health, social services and children

**66.** In the Draft Budget 2019-20, the Health and Social Services DEL increases by £507 million from the First Supplementary Budget for 2018-19 (published June 2018), to £8.186 billion.

**67.** Health and Social Services revenue departmental expenditure limit funding increases by £499 million from 2018-19. This is a 6.8 per cent increase in cash terms, and a 5.2 per cent increase (£378 million) in real terms. Of all the portfolio areas, it is health and social services that receives the largest (by a significant margin of 2.1 percentage points) real terms percentage rise in revenue departmental expenditure limit funding in 2019-20.

**68.** As in previous years the Draft Budget 2019-20 lacks detail on the level of resource allocated to children and young people, especially in relation to health. This issue is discussed in more detail in the opening chapter of our report.



## Emotional and mental health

**69.** The Draft Budget 2019-20 includes £675 million ring-fenced funding on mental health services for all age groups, making it the largest area of spending in the NHS budget. As with previous years, the Welsh Government has not specified the proportion of overall NHS revenue funding that Health Boards should spend on various aspects of mental health, including children and adolescent mental health services (CAMHS) – this is left to Health Boards to judge in accordance with their assessment of needs and priorities.

**70.** In relation to the monitoring of actual spend on CAMHS by Health Boards, the Welsh Government’s written evidence explains:

- the ring-fence does not distinguish between different mental health services so data on the amount and percentage of Health Boards’ ring-fenced mental health spending allocated for CAMHS is not collected;
- the outcomes delivered by the annual funding of £8 million, made available for targeted CAMHS since 2015-16, are regularly reviewed, and once new or expanded services financed by the additional funding are “fully recruited into and embedded within wider CAMHS services, the funding is subsumed within the wider health board funding allocations”.<sup>80</sup>

**71.** In oral evidence, the Cabinet Secretary for Health and Social Services confirmed that the recurrent annual £8 million to support targeted CAMHS transformation since 2015-16 will be transferred to the overall ring fence for all-age mental health services in future.<sup>81</sup>

**72.** The Welsh Government has indicated that funding will be provided to develop the new whole-school approach to mental health and well-being recommended in our *Mind Over Matter* report. When asked about the exact amount allocated to this, the Cabinet Secretary for Health and Social Services stated that £35 million was available in the “broad area” but that the whole amount was not available for children and young people only. He went on to say:

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<sup>80</sup> CYPE Committee, Cabinet Secretary for Health and Social Services and Minister for Children, Older People and Social Care’s written evidence on the Draft Budget 2019-20, 8 November 2018.

<sup>81</sup> CYPE Committee, RoP [para 245], 8 November 2018.

“We haven’t allocated a specific sum of money to take forward the whole-school approach because we haven’t finished the policy work on what we want to do.”<sup>82</sup>

**73.** In the Draft Budget 2019-20, an additional £0.5 million has also been added to support the pilot child and adolescent mental health services to schools in-reach pilot programme, jointly funding by Health and Education between 2017-18 and 2020-21. This brings the total amount of funding for the programme over the four financial years to £1.9 million.

**74.** In oral evidence, the Cabinet Secretary referred to the youth work sector’s contribution to emotional and mental health, and additional resources allocated in 2019-20 to the sector:

“Although there is an ongoing reform programme around youth services, we do know that this is an area that has been under the cosh because of austerity and difficulties. We’re very keen that this additional resource that’s available for youth services [£2.5 million] is part of our response to mental health in young people, recognising that a well-trained and vibrant youth provision may be the place where young people are going to get that support, and not necessarily in school, not necessarily in the health service, but actually in the wider services that are available for children and young people. So, we’re hoping that this additional resource can help us meet some of those objectives as well to increase support available to children and young people’s mental health.”<sup>83</sup>

## OUR VIEW

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We remain committed to ensuring that the recommendations we made in our *Mind Over Matter* report – to address the preventative to the most specialist of support – are delivered by the end of this Assembly. We welcome the work that the Welsh Government has underway in response to our inquiry, and intend to keep a close eye on the financial resources that will be put in place to deliver the outcomes we expect to see.

We called in our *Mind Over Matter* report for improvements to Health Boards’ transparency and accountability in relation to expenditure on the emotional and mental health services for children and young people. We remain disappointed

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<sup>82</sup> CYPE Committee, RoP [para 238], 8 November 2018.

<sup>83</sup> CYPE Committee, RoP [para 212], 8 November 2018.

that this recommendation was rejected, and that no further progress appears to have been made in relation to making information about expenditure on emotional and mental health services more clearly and publicly available to inform this and future budget rounds.

We welcome the commitment to provide funding to develop and deliver the whole-school approach. We recommended and urge the Welsh Government to progress this work as a matter of priority in order to deliver the step-change in support we have called for.

We are concerned that the recurrent £8 million annual funding intended to deliver the much needed transformation of CAMHS will be transferred into the mental health ring fence. We share the view expressed to us on 22 November by the Children's Commissioner for Wales's that this £8 million, as a minimum, ought to be protected for spending on CAMHS transformation until support reaches the levels required.<sup>84</sup>

We acknowledge the important role that youth work plays in providing support for the emotional and mental wellbeing of young people and would welcome more clarity on the proposed use of the additional £2.5 million allocated in 2019-20 to the Youth Engagement and Employment BEL.

**Recommendation 17.** That the Welsh Government:

- reconsider its position in relation to our call for the publication of more transparent data on budget allocations to – and expenditure on – services supporting the emotional and mental health services for children and young people;
- reverse its decision to transfer the additional annual £8 million to support targeted CAMHS into the overall mental health ringfence until support reaches the levels required and outcomes for children and young people have improved demonstrably;
- clarify as a matter of priority how much funding will be available for the development and delivery of the whole-school approach to emotional and mental health and well-being;
- clarify its aims for the additional £2.5 million allocated in 2019-20 to the Youth Engagement and Employment BEL.

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<sup>84</sup> CYPE Committee, RoP [paras 130-131], 22 November 2018.

## Neonatal services

**75.** Health Board neonatal services are funded through the annual discretionary revenue allocations, with each Board setting out its local priorities with regards to neonatal services in its Integrated Medium Term Plan (IMTP). This IMTP will also detail how much budget the Board intends to allocate to the Welsh Health Specialised Services Committee (WHSSC) to manage level 3 (neonatal high dependency) and level 4 (neonatal intensive care) at an all Wales level on behalf of all Health Boards.

**76.** The Welsh Government has stated that its priorities for neonatal services over the next 12 months include:

- working with the Neonatal Network to secure a 24 hour, 7 day a week neonatal transport service across south Wales;
- ensuring that the correct critical care capacity with the appropriate workforce is in place;
- ensuring that Health Boards' neonatal service plans are sufficiently robust to achieve the all Wales Neonatal Standards.<sup>85</sup>

**77.** When asked about whether adequate funding is available to deliver these priorities, the Cabinet Secretary for Health and Social Services stated that he expects all Health Boards to fund the services “within the significant growth that’s going into the health budget”.<sup>86</sup> In relation to making progress on a 24/7 neonatal transport service across south Wales he explained that relevant Health Boards were at the stage of analysing current expenditure on existing services.<sup>87</sup> No reference was made to services in north Wales.

### OUR VIEW

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We welcome the progress made to develop and publish the third edition of the neonatal standards in the last year. Nevertheless, we are concerned that matters relevant to recommendations made in our predecessor Committee’s report on neonatal services – including those relating to transport, critical care capacity and workforce – are yet to be fully addressed, over six years later.

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<sup>85</sup> CYPE Committee, Cabinet Secretary for Health and Social Services and Minister for Children, Older People and Social Care’s written evidence on the Draft Budget 2019-20, 8 Nov 2018, p13.

<sup>86</sup> CYPE Committee, RoP [paras 398 and 400], 8 November 2018.

<sup>87</sup> CYPE Committee, RoP [para 398], 8 November 2018.

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**Recommendation 18.** That the Welsh Government provide:

- an update on the recommendations of our predecessor committee's report on neonatal services;
- a summary of the investments made in this area and the specific outcomes achieved as a consequence of that funding;
- clarification of the situation in relation to a neonatal transport service in north Wales.

## Perinatal mental health

**78.** Since 2015 the Welsh Government has provided £1.5 million a year for community perinatal mental health services in Wales. No changes are proposed in relation to this funding in 2019-20.

**79.** The Welsh Government's written evidence and Draft Budget detailed proposals point, however, to:

- recognition in the Draft Budget 2019-20 that "further investment is required in this area", not least in relation to plans underway via WHSSC to provide mother and baby unit support in Wales;
- the opportunity Health Boards have had to submit proposals to increase perinatal mental health service capacity from the £7 million mental health transformation fund;
- the £15 million for mental health, including perinatal mental health, included within the new 2019-20 revenue investment of £192 million to deliver the Welsh Government's plan for health and social care, *A Healthier Wales*. [NB a more detailed breakdown of how the £15 million will be split between areas such as the whole-school approach, learning disabilities, wraparound mental health support for the homeless, and perinatal mental health services is not provided].<sup>88</sup>

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<sup>88</sup> CYPE Committee, Cabinet Secretary for Health and Social Services and the Minister for Children, Older People and Social Care's written evidence on the Draft Budget 2019-20, 8 November 2018, p12 and Welsh Government, [Draft Budget Detailed Proposals 2019-20](#), October 2018, para 3.15.

## OUR VIEW

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We are committed to following up on progress in relation to the recommendations we made in our 2017 report on perinatal mental health in Wales. We stand by our argument that ensuring funding is in place to support such services can be justified on an “invest to save” basis given the wide-ranging and significant impact perinatal mental illness can have on mothers, their babies and their wider families.

We welcome the recognition in the Draft Budget 2019-20 that more resources are needed in this area and the indication that relevant discussions are ongoing. However, we are particularly concerned that the shape of provision for mother and baby unit support within Wales has still not been decided – let alone support delivered – over a year after we reported and presented evidence of urgent need.

**Recommendation 19.** That the Welsh Government provide further clarity on when decisions in relation to resources for perinatal mental health – particularly mother and baby unit support for families from all areas of Wales, including the north – will be made.

### Soft drinks industry levy

**80.** The UK Government’s soft drinks industry levy took effect in April 2018. It applies to the production and importation of soft drinks containing added sugar, and its stated aim is to “...contribute to the [UK] government’s plans to reduce childhood obesity by removing added sugar from soft drinks”.<sup>89</sup>

**81.** The Welsh Government’s written evidence on the Draft Budget states:

“The Welsh Government has discretion in how it chooses to use consequential funding from the UK Government. Alongside the introduction of the levy, the UK Government increased expenditure in a number of areas in England. As a result, we received some modest funding which we have already allocated in subsequent budgets in line with our priorities.”<sup>90</sup>

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<sup>89</sup> HM Revenue and Customs, [Policy paper: Soft Drinks Industry Levy](#), December 2016.

<sup>90</sup> CYPE Committee, Cabinet Secretary for Health and Social Services and Minister for Children, Older People and Social Care’s written evidence on the Draft Budget 2019-20, 8 November 2018, p15.

**82.** A response to a written question in April 2018 confirmed that this consequential amounted to £57 million over three years (2016-17 to 2019-20). It also stated that funding had been allocated “across a range of health and educational activities to improve outcomes for children in Wales” by the Welsh Government, including to free school breakfasts, the School Holiday Enrichment Programme, childhood immunisation in primary schools and the transformation fund in health, although an exact breakdown of the £57 million has not been provided.<sup>91</sup>

## OUR VIEW

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As a principle we support the discretion afforded to the Welsh Government in choosing how to use consequential funding from the UK Government. Given the significant and growing issue of childhood obesity, we believe that serious consideration should be given to using this discretion to adopt similar steps to those taken in other parts of the UK to target this money towards tackling childhood obesity directly. This does not mean investing in health services alone – investing in preventative services, for example those provided by local authorities, may also be an option.

**Recommendation 20.** That the Welsh Government in future financial years use any funding consequentials arising as a consequence of the UK Government’s soft drinks industry levy on tackling childhood obesity directly, and demonstrate such allocations clearly in future Draft Budgets so that their impact can be scrutinised.

## Looked after children

### Looked after children and edge of care services

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**83.** The Welsh Government has been targeting funding to interventions or services which try to safely reduce the numbers of children who need local authority accommodation by focusing on prevention and family support services, referred to as “edge of care”. £7 million was moved into the Revenue Support Grant in 2018-19 for edge of care services.

**84.** Giving evidence to us on 8 November, the Minister was positive about the impact of allocations for such services, particularly in light of the fact that Welsh

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<sup>91</sup> Written Assembly Question, [Tabled 4 April 2018 by Lynne Neagle AM](#), answered 11 April 2018 by the Cabinet Secretary for Finance.



local authorities have more children in their care than ever before.<sup>92</sup> Statistics published on 22 November 2018 showed there are more than twice as many children in care in 2018 compared with 1998, with 6,405 children in the care of Welsh local authorities at the end of March 2018.<sup>93</sup>

**85.** Since our scrutiny of the Draft Budget 2019-20, the Minister announced the following in an oral statement on 13 November 2018:

“As part of the draft budget proposals announced by the Cabinet Secretary for Finance for 2019-20, an additional £30 million has been allocated to regional partnership boards to help strengthen these integration arrangements. Today, I’m pleased to announce that £15 million of this funding will be allocated to progress our shared ambition of reducing the need for children to be in care. This is an exciting opportunity to make a real difference to a whole-system change.”<sup>94</sup>

**86.** On 20 November 2018, the Cabinet Secretary for Finance stated that in 2019-20, the Welsh Government would be “allocating the full £2.3m consequential from the UK Autumn Budget for children’s social services – to help prevent children from being taken into care”.<sup>95</sup>

**Recommendation 21.** That the Welsh Government:

- clarify the breakdown of the £15 million in terms of what will go as a grant to local authorities, what will go into the Revenue Support Grant and any other allocations;
- monitor the outcomes of the allocation, particularly the extent to which they are successful in reducing the need for children to be looked after in the longer term.

## Pupil Development Grant

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**87.** The Pupil Development Grant (PDG) provides additional money to schools and regional consortia to boost the educational outcomes of pupils eligible for school meals (eFSM) and looked after and adopted children. Approximately £97 million is allocated to the PDG within the Education Resource DEL for 2019-20.

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<sup>92</sup> CYPE Committee, RoP [paras 332-335], 8 November 2018.

<sup>93</sup> StatsWales, [Children looked after at 31 March by local authority, gender and age](#), 22 Nov 2018.

<sup>94</sup> Plenary, RoP [para 259], 13 November 2018.

<sup>95</sup> [Written statement, Cabinet Secretary for Finance, Mark Drakeford AM](#), 20 November 2018.

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**88.** In 2018-19, £4.5 million pounds was allocated within the PDG on the basis of the number of looked after pupils (3,907) receiving the per-pupil allocation of £1,150. The 3,907 figure did not take into account the number of adopted children, estimated to be between 3,000 and 3,500, even though this element of the PDG is intended to target both looked after and adopted children. In our *On the Money?* report, we recommended that the Welsh Government fund the PDG on the basis of the numbers of looked after children *and* adopted children (with the latter estimated if not precisely known), to ensure that PDG support intended for looked after and adopted children is not spread too thinly.<sup>96</sup>

**89.** When asked about the level of PDG resources for looked after and adopted children, the Minister for Children, Older People and Social Care stated:

“We fully accept the rationale behind the idea that adopted children should receive support through the pupil development grant. They are included. [...] But, including adopted children within the funding formula does bring some complexities, [...] This includes, for example, whether we have robust data on children from adopted families and the need for new data collection to make that happen. There are issues of sensitivity as well, I have to say, around adoptive families.”<sup>97</sup>

**90.** The Minister also said:

“...it is something that the education Secretary said yesterday and has said previously she’s very keen to do. She’s keen to consider the options going forward. It might require some changes in regulations as well in order to do this. But, as she responded yesterday to the debate, she’s live to this issue and we do agree with the principle, the rationale that adopted children should receive appropriate support through the pupil development grant.”<sup>98</sup>

## OUR VIEW

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We remain concerned that the PDG support intended for looked after and adopted children is being diluted, either through adopted children not being successfully targeted or, where they are, the spreading of the money more thinly meaning each eligible child receives less than the intended £1,150 worth of

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<sup>96</sup> CYPE Committee, *On the Money? Targeted funding to improve educational outcomes*, para 259 and recommendation 25, June 2018.

<sup>97</sup> CYPE Committee, RoP [para 348], 8 November 2018.

<sup>98</sup> CYPE Committee, RoP [para 350], 8 November 2018.

support. As noted in our *On the Money?* report, this is a particular concern for us when we consider the UK Government's more proactive approach to identifying adopted children, and its funding of the Pupil Premium in England on the basis of £2,300 per looked after and adopted child.

While we note the Minister's concerns about sensitivity and data collection, we do not believe that these are insurmountable issues. Even if the exact number of adopted children cannot be established, we believe more should be done (as has been the case in England) to estimate numbers in Wales and fund the PDG accordingly. Without such work, the PDG will essentially remain at half the level it ought to be to support looked after and adopted children.

We welcome the Minister's evidence that the Cabinet Secretary for Education is "live to this issue" and that there is agreement "with the principle, the rationale that adopted children should receive appropriate support through the pupil development grant".

**Recommendation 22.** That the Welsh Government:

- undertake the necessary work to establish at least an estimate of the number of adopted children in Wales and fund the Pupil Development Grant accordingly;
- ensure regional consortia work with specialist agencies supporting adopted and looked after children to ensure that funding delivers the support needed to this group of young people.

## CAFCASS

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**91.** Over the last decade, applications for care orders have more than doubled in England and Wales. Where such orders are made, the court will usually make a request for a Children and Family Courts Advisory and Support Service (CAFCASS) worker to be involved in the case as a "children's guardian", to ensure that decisions are made in the child's best interests.

**92.** Despite the increasing demand for their services, allocations for CAFCASS Cymru have reduced in 2019-20 by 1.5 per cent in real terms. When asked about this decision, the Minister for Children, Older People and Social Care stated:

"...as we go forward, what we are going to have to do, and what the work that is going on at the moment is developing is what might be termed a safe draft budget for next year, recognising the demand that they [CAFCASS] are under. So, we're working on that at the moment to

bring forward something that allows them to do timely and high-quality interventions, and that also protects their budget as well.”<sup>99</sup>

## OUR VIEW

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We are concerned that the increase in demand for CAFCASS services in Wales has not been met with the level of resource necessary to secure the sustainability of high quality services in future. We are also concerned by the Minister’s reference to a “safe draft budget for next year”. We welcome the acceptance of our recommendation in our Draft Budget 2018-19 report to produce a CRIA on that financial year’s CAFCASS budget. However, we are disappointed that a similar exercise does not appear to have been undertaken to inform decisions about the 2019-20 CAFCASS budget, despite the increase in demand and real terms decrease in resource for services.

**Recommendation 23.** That the Welsh Government:

- undertake a CRIA on the 2019-20 CAFCASS budget, to include consideration of increasing the revenue allocation, as a matter of priority and share it with us;
- provide clarity and reassurance about the sufficiency of CAFCASS’s budget for 2019-20 in light of the Minister’s reference to a “safe draft budget for next year”.

## Child poverty

**93.** Latest figures show that more than a quarter of children in Wales live in poverty.<sup>100</sup> The Welsh Government’s leaflet summarising its Draft Budget 2019-20 states that additional revenue funding includes a “package of £12.5 million to tackle child poverty”.<sup>101</sup> When asked why this package was not referenced explicitly in his written evidence, the Minister for Children, Older People and Social Care explained:

“We’ve been consistently clear as a Government that we regard actions to tackle child poverty as cross-Government commitments. So, in terms of the budgetary discussion today, the additional £12.5 million isn’t

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<sup>99</sup> CYPE Committee, RoP [para 340], 8 November 2018.

<sup>100</sup> [Latest Household Below Average Income statistics](#), published 22 March 2018.

<sup>101</sup> Welsh Government, [Draft Budget Leaflet](#), October 2018.

mentioned in my paper because it's not in my portfolio. That's the simple reason."<sup>102</sup>

**94.** When asked to provide a breakdown of the £12.5 million, the Minister's official outlined as follows:

- free school meals for children eligible under the new system as a consequence of the introduction of universal credit – £ 7million;
- the discretionary assistance fund (DAF) – £2 million;
- pupil development grant access fund – £3.5 million.<sup>103</sup>

## OUR VIEW

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In our last Draft Budget report we stated our concerns about the lack of Welsh Government targets on child poverty and what we believed was a lack of clarity on how much money would be allocated to – and spent on – child poverty. We welcome the fact that £12.5 million has been allocated to tackle child poverty but would request further detail in future budget rounds about the breakdown of such funding and its desired outcomes.

We also note that the discretionary assistance fund is not specifically targeted at children and applicants must be aged 16 or over.<sup>104</sup>

While we note that child poverty is a responsibility that cuts across Welsh Government, we are concerned that there is a lack of strategy and leadership in this area. We do not think this is helped by the fact that no single Welsh Minister takes a lead on child poverty, and no specific child poverty line exists within the Welsh Government draft budget. The status of the Welsh Government's 2015 Child Poverty Strategy is also unclear.<sup>105</sup> This is despite the Welsh Government's acknowledgement in December 2016 that its ambition to eradicate child poverty by 2020 was no longer achievable,<sup>106</sup> and the UN Committee on the Rights of the Child urging UK and Welsh Governments to allocate the maximum

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<sup>102</sup> CYPE Committee, RoP [para 363], 8 November 2018.

<sup>103</sup> CYPE Committee, RoP [para 375], 8 November 2018.

<sup>104</sup> Welsh Government, [Discretionary Assistance Fund Eligibility Criteria](#).

<sup>105</sup> Welsh Government, [Child Poverty Strategy](#), March 2015.

<sup>106</sup> Welsh Government, [Child Poverty Strategy: Assessment of Progress 2016 Summary Report](#), December 2016.

extent of available resources for the eradication of child poverty and to re-establish concrete targets within an agreed timeframe.<sup>107</sup>

**Recommendation 24.** That the Welsh Government:

- clarify the status of its 2015 Child Poverty Strategy and, if in force, which Cabinet member is responsible for delivering it;
- develop a refreshed child poverty strategy to give direction to its activity to eradicate child poverty in Wales. This strategy should indicate clearly where individual responsibilities for actions lie within the Cabinet. Future budget information should reflect clearly allocations to deliver this strategy and improve outcomes in this area.

## The Children and Communities Grant

**95.** In last year's budget, three revenue budgets (Flying Start, Communities First, and Families First) were combined into one Spending Programme Area. The Welsh Government also sought to amalgamate all grants paid to local authorities in support of early intervention, prevention and support and piloted this in seven local authorities.

**96.** In 2019-20, the Welsh Government's written evidence states that this approach will be revised and that a Children and Communities Grant totalling £113.05 million will be created, comprising:

- £73.77 million for Flying Start;
- £35.98 million for Families First;
- £2.30 million for the Out of School Childcare Grant;
- £1.00 million for the St David's Day Fund.<sup>108</sup>

**97.** In oral evidence, the Minister's official confirmed that the £5 million reduction in the 2019-20 childcare offer allocation from £45 million to £40 million (in response to predicted take up levels and current projections) had been used to

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<sup>107</sup> United Nations Committee on the Rights of the Child, [Concluding observations on the fifth periodic report of the United Kingdom of Great Britain and Northern Ireland](#), June 2016.

<sup>108</sup> CYPE Committee, Cabinet Secretary for Health and Social Services and Minister for Children, Older People and Social Care's written evidence on the Draft Budget 2019-20, 8 November 2018, p5.

contribute to reversing the predicted reduction of £13 million to the Children and Communities Grant in 2019-20.<sup>109</sup>

**98.** In recent evidence to the Health, Social Care and Sport Committee's inquiry on the impact of the Social Services and Well-being (Wales) Act 2014 in relation to carers, third sector representatives expressed concern that local authorities were relying increasingly on money allocated to Families First to cover gaps in provision resulting from tight local government settlements. It was suggested that Families First money was being diverted from third sector providers for this purpose.<sup>110</sup>

## OUR VIEW

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Our views on the funding arrangements for Flying Start, including its affordability and value for money, are outlined in our report of February 2018. We look forward to following up on the progress on our recommendations in 2019.

In amalgamating a number of smaller grants into one large grant, we believe it is important to maintain transparency. In order to maintain robust scrutiny, we are keen to ensure that we can continue to trace where revenue (and capital where relevant) is being allocated to or from. We urge the Welsh Government to ensure that allocations for the component grants within the wider Children and Communities Grant remain clear to see, and to monitor closely whether support provided via the Grant is being used to make up for shortfalls elsewhere in local government funding.

**Recommendation 25.** That the Welsh Government:

- ensure there is no reduction in the transparency of information provided in relation to the component grants that make up the Children and Communities Grant;
- monitor closely whether support provided via the Grant is being used to make up for shortfalls elsewhere in local government funding.

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<sup>109</sup> CYPE Committee, RoP [para 311], 8 November 2018.

<sup>110</sup> Health, Social Care and Sport Committee, RoP [paras 152 and 157], 21 November 2018

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