



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

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Welsh Assembly Government

Draft Budget 2011-2012



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Foreword

We present our spending plans for the next three years against the backdrop of the most challenging financial times since devolution. The UK Government's Spending Review last month announced the deepest cuts to public expenditure in a generation. This settlement comes on top of a history of underfunding, as demonstrated by the independent Holtham Commission.

We have taken a distinctive Welsh approach in preparing our Draft Budget. We have been planning for a tough financial settlement for some time and that preparation has stood us in good stead. It has enabled us to reach principled, fair and sound decisions in setting our Draft Budget. Our approach has been informed by the principles that shaped our work when budgets were increasing, which have at their heart our commitment to fairness and our vision for Wales as a self-confident, sustainable and healthy nation. Our commitment to the principles of sustainable development and alleviating the impacts of climate change underpin the development of this Draft Budget.

In determining our strategic priorities, the focus has been on protecting frontline services, protecting the vulnerable, promoting equality of opportunity and outcomes, as well as supporting the economic recovery wherever possible. With reducing budgets, this is a difficult task and difficult choices have had to be made. We have approached these choices on the basis of the best evidence available and have assessed the equality impact of our decisions throughout the process in order to ensure that our spending plans maximise opportunities to meet the needs of people and communities most likely to be adversely affected by the Spending Review.

In shaping our plans for future spending, we have listened to the experiences of those working at the sharp end of public service delivery, their trade unions and the Third Sector, and particularly those who use our public services. We have sought their views on the challenges we have faced in drawing up these spending plans. Where can we make savings? How can we improve services with less money? What are the opportunities to secure efficiencies and innovation in the delivery of services? We have also sought the views of the private sector as our key delivery partners in leading Wales out of recession.

From the outset, we have made it clear that we will look to protect investment in schools, skills and secondary and community healthcare and to maintain universal benefits, ensuring access to vital services and provision. Despite the challenges that we have faced, we have delivered a Draft Budget which reflects these commitments. However, our careful and prudent planning has enabled us to also prioritise investment in other frontline services and target support to mitigate the impact on the most vulnerable in our society.

Health and Social Services have been protected from budget reductions. Our decision to protect the health budget from cash reductions over the three year period protects those vital services that we all depend on at some point in our life. But it also means that we can protect important services for the elderly, children and vulnerable groups by not inflicting cuts that are too deep in other

areas of public services. The settlement for local government will now provide a level of protection for social services which is akin to the level of protection we have afforded schools, skills and community and secondary healthcare at 1% above the settlement from the UK Government. We have also targeted support to housing services for vulnerable groups and reduced the impact of the budget reductions on transport, especially for rural bus services.

We strongly believe that promoting economic growth is the best way to restore the health of our public finances and this must be our overriding priority. That is why we took a different approach to the UK Government earlier this year by protecting our capital investment to proceed with projects in areas such as health, education, housing and social care. These projects will make a real difference to the construction sector and will have enhanced our continuing efforts to lead Wales' economic recovery.

We cannot underestimate, however, the challenge we face in relation to our capital spending plans. The scale of the UK Government's cuts to the Assembly Government's capital budgets risk a major impact on the economic recovery in Wales. That is why capital projects that provide fiscal stimulus must remain a priority for the future. Individual Ministers will reflect this in their capital programmes.

The scale and speed of these cuts make it all the more important that we continue to drive efficiency and innovation with many excellent examples of collaboration, innovation and efficiency. The Assembly Government has a good track record of delivering efficient services to deliver for the people of Wales in the most effective way possible. We have led the UK on this agenda. We now need to draw on and extend these experiences.

This challenge requires a collaborative and joined up response. For the past year, we have been developing a pan-public sector response to the challenge of falling budgets. That is essential if we are to avoid resorting to 'salami slicing' and cutting services and frontline jobs with those in greatest need often taking the biggest hit. That is unacceptable to the Assembly Government. We are committed to doing everything we can to narrow the equality gap not to widen it.

These are tough times and difficult choices will need to be made. Through adopting clear priorities with careful planning, cross-sector dialogue and renewed focus on efficiency and innovation we have delivered a Draft Budget which continues to support Wales' economic recovery and continues to deliver better outcomes for the people and communities of Wales.

Jane Hutt AM

Minister for Business and Budget

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1. Public Spending Context

- 1.1** The Draft Budget for 2011-12 sets out the spending plans of the Welsh Assembly Government for the next three years from 2011-12 to 2013-14. These plans are based on the settlement announced by the UK Government in October's Spending Review, which represents the most challenging allocation since devolution.
- 1.2** In real terms, our total DEL budget in 2011-12 will fall by £860m compared with this year, and will be £1.8bn lower by 2014-15. These reductions follow the in-year cuts of £162m to our budget which were announced by the UK Government in June and are additional to the reductions to non-devolved budgets such as welfare (£18bn at the UK level), which will also be felt across Wales. Taken together, these amount to the most significant cuts to public spending in at least a generation and contrast sharply with the previous decade of growth.

Table 1.1 The Welsh budget settlement in the Spending Review¹

	£m – cash terms				
	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue	13,445	13,269	13,340	13,483	13,521
Capital	1,674	1,268	1,188	1,064	1,106
Total	15,119	14,537	14,528	14,547	14,626

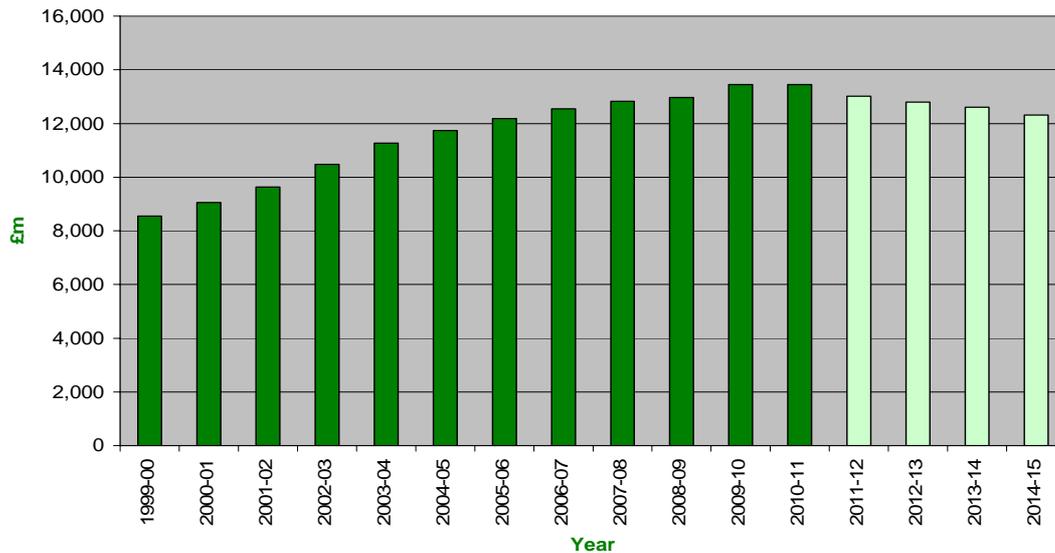
	£m – real terms				
	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue	13,445	13,015	12,795	12,602	12,311
Capital	1,674	1,244	1,139	994	1,007
Total	15,119	14,259	13,934	13,597	13,318

- 1.3** There has been significant growth in the Welsh near-cash² budget since the establishment of the National Assembly for Wales. After peaking in 2009-10, and being held constant in 2010-11 in real terms, our budget is set to contract significantly from 2011-12 onwards. By the end of the Spending Review period our near-cash budget will be slightly above 2005-06 levels in real terms. We cannot underestimate the challenge which we now face in managing these reductions without incurring adverse impacts.

¹ 2010-11 figures are Wales DEL as at the Supplementary Budget approved by the National Assembly for Wales in July.

² Accruals measures of transactions that normally turn into cash flows soon, for example, pay, current procurement, revenue grants and subsidies.

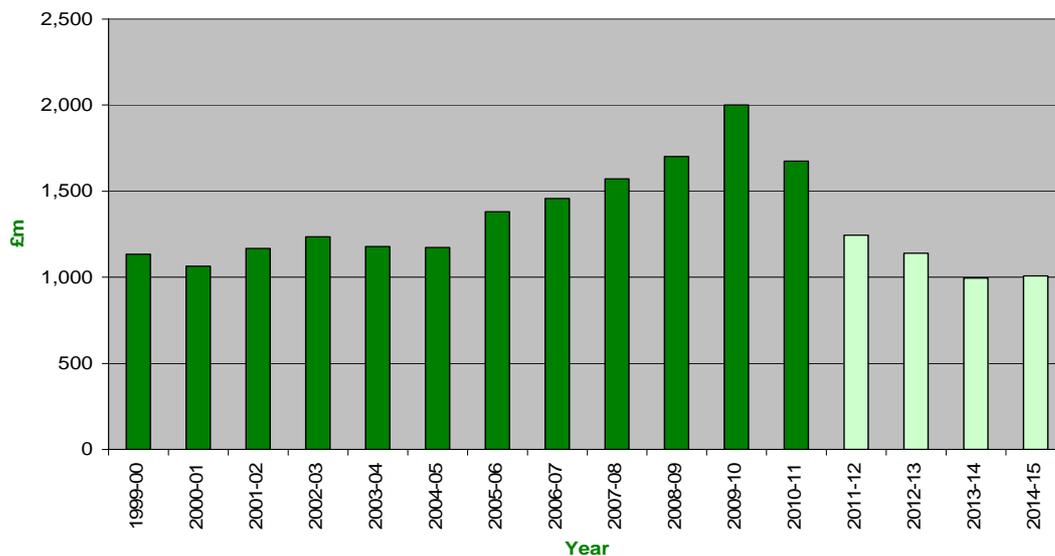
Chart 1.1 – Wales Near-Cash Resource Departmental Expenditure Limit in Real Terms Since Devolution (2010-11 prices)



1.4 The challenge in respect of capital budgets is even more acute. Following a decade of significant, though uneven, growth to our capital budgets, we now face a real terms reduction of 26% in 2011-12 compared with our current year budget which was already lowered by decisions we made to accelerate capital expenditure as an economic stimulus.

1.5 By 2014-15, our capital budget will reduce by 40%. This will be almost half 2009-10 levels in real terms, and will be at its lowest level since devolution. This will have a major impact on the private sector and on our ability to invest in schools, hospitals and the critical infrastructure that is needed to support the fragile economic recovery. It also contrasts with our approach of protecting capital spending in the current year in order to fuel economic growth ourselves in these difficult times.

Chart 1.2 – Wales Capital Departmental Expenditure Limit in Real Terms since Devolution (2010 – 11 prices)

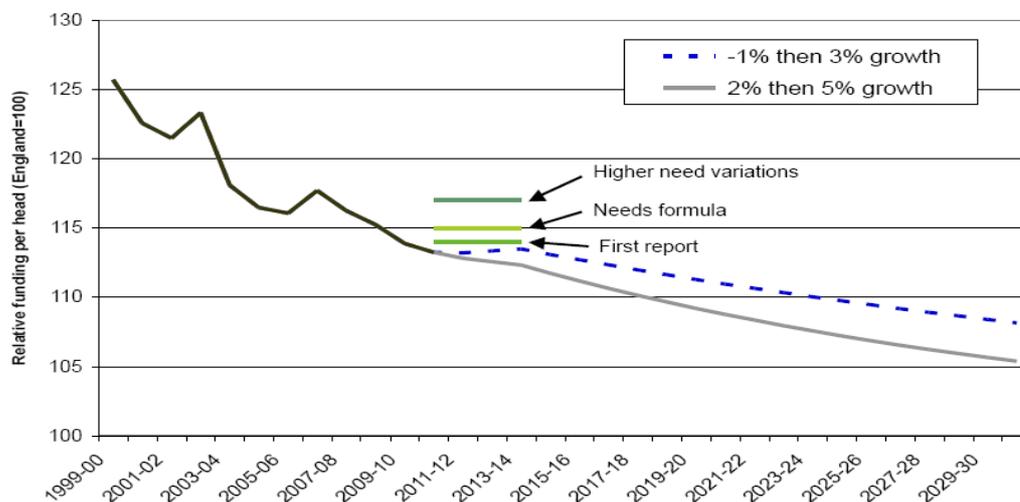


1.6 The Welsh Assembly Government has always said that it will play its part in reducing the deficit and we recognise that a credible budget strategy is vital in returning the public finances to a sustainable footing. However, we believe that these cuts, particularly in relation to capital, are not justified and run the risk of jeopardising the fragile economic recovery, threatening devastating and long-term consequences for the economy in Wales as a whole, but especially for the most vulnerable in our society.

Fair Funding

1.7 The Holtham Commission has demonstrated conclusively that Wales is underfunded by around £300m a year as a result of the Barnett formula. All parties within the Assembly support the need for a funding floor that would prevent this situation from getting worse. In the lead up to the Spending Review we worked hard to make our case to the UK Government and they have not refuted our evidence. We are therefore extremely disappointed that the UK Government has chosen not to implement a floor. Their failure to do so means that our budget will be reduced in real terms over the period of the Spending Review and we are likely to see further convergence towards English levels of spending over the medium term. This demonstrates how important it is for us to continue to press for progress on this issue.

Chart 1.3 - Welsh relative funding projections – two scenarios of nominal spending growth³



Source: Commission calculations

³ The chart shows public expenditure per head of the population on devolved services in Wales, relative to expenditure per head on the same services in England. It also includes the Holtham Commission's estimates of the relative level of funding that Wales requires to deliver the same level of services as England, given its needs. Under the current funding regime, the chart demonstrates that Wales has become underfunded relative to its needs, that this situation will persist over the next few years and the gap between Wales' needs and its level of funding will increase over the medium term. The lower growth assumption used in the Commission's chart is very similar to the actual settlement for Wales over the next few years. The Welsh Assembly Government will therefore remain underfunded relative to providers of comparable services in England over the period covered by this Budget.

- 1.8** Contrary to UK Government statements, the budget settlement announced in the Spending Review is not significantly more favourable to Wales than to England. Based on the Treasury's own figures, analysis of the Welsh settlement and comparable English programmes, shows that cumulative cuts in real terms are actually marginally worse for our revenue budgets (7.5% reduction compared with 7.2% reduction for England) and almost as bad for our capital budgets (40.9% reduction compared with 43.2% for England)⁴. Of course, the above figures underestimate the actual reduction to Welsh budgets because Treasury have used a lower baseline spend in their calculations.
- 1.9** Of the devolved administrations, we have received the worst settlement on both our revenue and capital budgets. Treasury figures show that we have received an 11.3% reduction to our overall budget in real terms compared to reductions of 10.6% and 10.7% for Scotland and Northern Ireland respectively. These differences arise because of the arbitrary nature of the Barnett formula and serve to further demonstrate the need for reform. It is therefore vital that we continue to argue for the introduction of a funding floor as an urgent first step to mitigate the worst of this problem, followed by the introduction of a needs-based regime over the medium term.
- 1.10** If a funding floor had been implemented at the departmental level we would have received at least an additional £300m over the Spending Review Period. This increase would still have meant an overall real terms reduction of 10.5% over four years but would have meant that the reduction in the Welsh budget was broadly comparable with Scotland and Northern Ireland.

⁴ Comparison based on comparable programmes in England, excluding Olympics.

2. Delivering *One Wales*

- 2.1 *One Wales* set out our programme of Government for the current Assembly term. *One Wales* continues to set our priorities and has shaped our approach to the Draft Budget.
- 2.2 We are now in the fourth year of *One Wales* and are proud of what has been achieved in health, education, sustainability and other policy areas to help ensure that all our communities can share in excellent public services.
- 2.3 We have made marked progress in delivering our *One Wales* commitments. The successful delivery of the ambitious agenda set out in *One Wales* shows what we as a Government can achieve when we work with our partners across Wales to provide services that matter to our citizens.
- 2.4 Over the last 3 years, there have been a number of significant achievements:

Creating a strong and confident nation

- 2.5 **Holtham Commission report:** A key commitment of the *One Wales* programme was to establish an independent review of the way Wales receives its funding from the UK Government. The Commission has produced two high quality reports giving a thorough analysis of the scope for devolution of additional powers to Wales as well as a demonstration of how a funding regime based on the needs of the people of Wales could be made to work in practice. The Government motion welcoming their second report received unanimous cross-party support.
- 2.6 **The Strategic Capital Investment Framework:** Around £470m of public funding has been allocated over the past 3 years in order to improve services, boost the economy and support schools, hospitals, affordable homes and improvements to infrastructure across Wales.
- 2.7 **Improving local services:** Supported by a £60m Invest-to-Save Fund and Local Service Boards, the Efficiency and Innovation Programme is delivering a collective, joined-up response to ensure public services are improved, spread best practice and ensure value for money is achieved for people in Wales.

A healthy future

- 2.8 In excess of £1.2bn extra has been allocated to the NHS over the past three years, which has helped to create:

- A new **oral health programme** aimed at young children ('Designed to Smile') extended across Wales.
- Reform of the **school nursing service** (launched in May 2010).
- The **Carers Legislative Competency Order** has been made and the first proposed Carers Measure has undergone the Assembly committee process. This proposed Measure will place a duty on relevant authorities to consult with carers on the provision of services and to provide carers with appropriate information and advice.
- The piloting of a multi-purpose **wellbeing centre in Cardiff** and a **'health park' in Merthyr Tydfil**.
- An **improvement in the provision for long-term conditions** such as diabetes, coronary heart disease and chronic obstructive airways disease.
- Pioneering an integrated health and social care model for families whose complex needs increase the vulnerability of their children. The service started in Newport, Wrexham and Rhondda Cynon Taf/Merthyr Tydfil on 1st September 2010.

A prosperous society

2.9 Business Rate Relief Scheme: An extra £7m per year is committed for an enhanced Business Rate Relief Scheme and a new investment fund to encourage enterprise and business growth, with £278m over three years.

2.10 Economic Renewal: A New Direction': a radical new scheme launched in July 2010 outlines an overhaul of the way the Welsh Assembly Government supports businesses and the economy of Wales. The new approach will see a fundamental shift away from direct and generic support for businesses and will link resources to wider objectives within the Welsh economy - investing in infrastructure, skills, R&D and improving the conditions within which businesses operate.

Living communities

2.11 Social Housing Grant: making affordable housing a reality for more people with over £30m extra invested.

2.12 Mortgage Rescue Scheme: by helping those who faced losing their homes during the recession, the scheme has helped stop 680 adults and 351 children from becoming homeless since its launch in 2009.

2.13 Review of Housing Related support: making the most effective use of our investment in services to help protect vulnerable people from

becoming homeless or entering more expensive health and social care services, promoting community safety in disadvantaged areas and committing an additional £24m to Supporting People since 2006-07.

Learning for life

- 2.14 Foundation Phase:** the holistic developmental curriculum based on the needs of the individual child to meet their stage of development. It is a play-based curriculum which places greater emphasis on experiential learning and use of the outdoors. The Foundation Phase curriculum became statutory for 3 to 5-year-olds from September 2009, and roll out will continue in 2011-12.
- 2.15 Welsh Baccalaureate:** The Welsh Assembly Government introduced the Welsh Baccalaureate to transform learning for young people in Wales. It provides broader experiences than traditional learning programmes, to suit the diverse needs of young people. It combines personal development with existing qualifications like 'A' levels, NVQs and GCSEs to make one wider award that is valued by employers and Universities.
- 2.16 Free Breakfasts:** 66% of all primary schools in Wales are now offering nutritious free breakfasts to their pupils, helping to improve the health and concentration of children at school.
- 2.17 Apprenticeships:** £25m has been invested to expand the apprenticeships programme over the last three years. A further £20m in the current financial year supports Pathways to Apprenticeships and provides additional SkillBuild places in response to the economic climate.
- 2.18 Improving Skills Levels:** The £48m, part-European funded ProAct programme helped make upskilling a real alternative to redundancy and now through Skills Growth Wales is providing the skills and knowledge to support companies' growth. In addition the ReAct programme helped provide new skills to 12,000 people (8% of all job seekers recipients).

A fair and just society

- 2.19 Extra help for pensioners with their Council tax,** with £4m per year from 2009-10.
- 2.20 Extra help for disabled and older people on low incomes who pay for their homecare,** with £8.5m per year from 2007-08 (rising to £10.1m from 2009-10) provided to local authorities to reduce or remove their charges. Further changes are planned from 2011-12 stemming from the **Social Care Charges Measure**, including a maximum weekly charge of £50 for all of the services covered by the Measure that a service user receives.

- 2.21** A new **Children's Bond** for all children entering school in Wales, with an investment of £2.5m per year from 2009-10.
- 2.22** £6m extra over three years for **more alcohol and drug rehabilitation places**.
- 2.23** Expanding the provision of **affordable childcare**, with more than £120m.
- 2.24** £1.5m to enable every secondary school in Wales to have **access to credit unions** – fifteen credit unions are receiving support to develop their work with schools.

A sustainable environment

- 2.25** £93m invested in **enhanced recycling services** and more than £8m extra for **improving flood defences**.
- 2.26** £30m to **improve home energy efficiency** in some of the most deprived areas of Wales, reducing carbon emissions and fuel costs and providing jobs and training.
- 2.27** £795m for the **Rural Development Plan** for 2007-13, to support the countryside and rural communities, encouraging sustainable management of agriculture and the environment.

A rich and diverse culture

- 2.28** More than £36m of extra investment over three years in the **Welsh language, sport and the arts**.
- 2.29** Continued **free access to museums**, attracting 1.64 million visits in 2009 (+9.4% above target).
- 2.30** Expansion of the **free swimming scheme**, allowing children under 16 to enjoy free swimming at weekends as well as holidays.
- 2.31** An additional £1m a year invested in **sports coaching in Wales**, to help provide over 1,500 extra coaches and improve coaching standards in communities, clubs and elite sport.
- 2.32** Investment is not, however, an end in itself. Improving the long-term outcomes for the people and communities of Wales is at the heart of *One Wales* and these policies and the action we have taken are making a lasting difference to people and communities in Wales:
- Our sustained investment in health services is delivering clear benefits to citizens. Life expectancy has continued to rise and is now at an all-time record high.

- We have prioritised the promotion of healthy lifestyles. The percentage of adults who smoke in Wales was lower in 2007, 2008 and 2009 than it was in earlier years.
- Unemployment has risen much less in Wales since the financial crisis than it did during the previous recession in the early 1990s.
- Despite the difficulties caused by the recession, on average people in Wales are more affluent than they have ever been. Gross weekly earnings have risen steadily and are now at an all time record high.
- As a result of our investment in skills and education, the Welsh skills base is at an all time high. The proportion of the 16-64 population with no qualifications has fallen to below 15%, the lowest ever, while the proportion with degree level qualifications is higher than it has ever been.

2.33 We know that the challenges we face in the coming years will be even greater given our reduced budget. But we must remain focused on what we want to achieve for the people of Wales. The investment we have made in communities and public services over the last three years means that we can respond to the difficulties ahead from a stronger position.

3. Strategic Priorities

- 3.1** The strategic priorities informing the allocations in the Draft Budget reflect our core values as set out in the *One Wales* programme and our continued determination to build upon the significant achievements to date.
- 3.2** Our longer term approach in Wales seeks to limit the impact on the most vulnerable in our society, progresses policies that tackle inequalities, safeguards frontline services, provides stability and resilience for the future and continues to support our economic recovery. In developing these proposals, foremost in our minds has been the need to safeguard and improve the services upon which we all rely. Many of these services become more important in an economic downturn – especially for the most vulnerable in society.
- 3.3** Despite this being the most challenging budget for a generation, we are continuing to take a distinctive Welsh approach to safeguard essential and universal services delivered in Wales. Our spending plans reflect our commitment to maximising resources in those services which matter most to the people of Wales.

Protecting Frontline Services

- 3.4** The priority for investment has been frontline public services. With difficult choices, one choice that is not difficult is to ensure that the maximum amount of money is spent on public services and the impact on frontline services is minimised. From the outset, we have said that we are committed to protecting investment in schools, skills and community and secondary healthcare.
- 3.5** Despite the significant challenges we faced as a result of the scale of the cuts to our budgets, we have protected funding for schools and skills by an additional 1% above changes to the Wales DEL. The protection for schools and skills budgets means that these budgets in the Children, Education and Lifelong Learning MEG will be more than £30m higher in 2013-14 than in 2010-11. We are committed to ensuring that our spending plans reflect our strategic priorities and in education, we are also continuing the roll-out of the Foundation Phase to provide a new and more effective way of learning for 3 to 7 year olds. This is supported through additional funding increasing to £21.6m over the three years from 2011-12.
- 3.6** We have also protected education spending within the Revenue Support Grant in the Social Justice and Local Government MEG by 1% above changes to the Wales DEL. This means cash growth over the three years of more than 3%. Education funding within the Revenue Support Grant will be over £60m higher in 2013-14 than in 2010-11.

- 3.7** We believe our commitment to protecting investment in schools and skills is central to making Wales a highly attractive place to live, invest, employ and grow and supporting Wales through the economic recovery. Our **Economic Renewal Programme** recognises that the foundation of any economy is its working population and education and skills at all levels are vital for economic growth and prosperity in Wales.
- 3.8** In health, we have protected the overall health and social services budget from cash reductions in 2011-12 and 2012-13 with a small cash rise in 2013-14. We are in no doubt that health services in Wales are highly valued and cherished by those working on the frontline and those who benefit from the care and treatment they receive. Our aspiration is for a world-class health service that is available to everyone, irrespective of whom they are or where they live in Wales, and at the time when they need it.
- 3.9** Our health services must inspire confidence in the people of Wales that they will receive the best care available. It would not be the responsible thing to do to reduce investment in the health service at a time when those services become even more important. This settlement is not without challenge. We believe that this degree of protection, together with the work being undertaken as part of the '*Delivering a Five-Year Service, Workforce and Financial Strategic Framework for NHS Wales*', will enable the NHS to continue to deliver high quality public services within the baseline going forward.

Support for Vulnerable Groups

- 3.10** In order to lessen the impact of budget reductions on the most vulnerable in our society we have taken additional steps to prioritise investment in other frontline services.
- 3.11** In housing, we have targeted support for the most vulnerable in our society by mitigating the impact of the cuts on housing revenue budgets, most notably Supporting People. Lack of good quality housing affects people's health and well-being and influences their long-term life chances. We have also made additions to the Economy and Transport MEG in order to reduce the impact on public transport, especially in relation to rural bus services.
- 3.12** The local government settlement means that we are in a position to extend the same degree of protection to social services as we have to schools, skills and secondary and community healthcare. This means that funding for social services allocated to local government in the Revenue Support Grant will rise by more than 3% across the next three years. This means that funding will increase by £35m a year by 2013-14 to ensure the provision of vital social services. We have also maintained investment in social services funded through the Health and Social Services MEG.

Universal Benefits

3.13 It was clear from the feedback from the Ministerial led 'Community Counts' and 'Your Services, Your Say' tours in the summer that people value their entitlement to universal benefits, providing them with vital access to services that they need when they need it. We know that this type of provision leads to tangible and long-term benefits for people and communities throughout Wales.

3.14 In developing our spending plans, an upfront commitment has been to maintain investment in universal benefits - free prescriptions, free school breakfasts, free school milk, concessionary fares and free swimming. Budgets for these areas will grow by 3.7% over the three years.

- **Free prescriptions ensure that people on low incomes are not deterred from taking regular medication that would help them to live healthier lives, because of the cost of paying for regular prescriptions and enables them to return to and stay in work with long-term chronic conditions.**
- **Free school breakfast and free school milk initiatives provide primary school children in Wales with access to a healthy start to the day. In 2009-10, 106,340 pupils received free milk across all schools in Wales. While over 51,000 pupils received at least one free school breakfast prior to the week of the last school census, also providing free childcare for parents and carers.**
- **Concessionary bus travel for the elderly and the disabled and their carers provides access to public transport for those who need it most. Currently, over 650,000 people in Wales are benefitting directly from this policy.**
- **Free swimming initiatives encourage participation in physical activity, improving the overall health and well-being of the citizens of Wales. In 2008-09, it is estimated that an additional 270,000 swims were undertaken as a direct result of this policy.**

Other Priority Areas

3.15 Supporting rural communities through these difficult financial times is also a priority. That is why we have largely protected investment for the Rural Development Plan which provides vital support to rural communities in Wales.

3.16 We have a strong and proud cultural heritage. We have unique assets which enrich the fabric of our society and make us the nation we are today. It is essential that we do not sacrifice this heritage and its future legacy in the short term interest of finding budget reductions. We have supported economic development through continued investment in the

tourism industry. The budget settlement for heritage reflects our commitment to supporting the tourism industry, protecting our unique Welsh culture, language and heritage for generations to come.

- 3.17** Even for areas of strategic priority, the protection afforded will not avoid the need to take tough decisions or to deliver savings. Nevertheless, our prioritisation does mean that key policies can continue to deliver benefits to the people of Wales. For example, we are protecting funding for our £22m Home Energy Efficiency Programme which aims to reduce fuel poverty and help the most vulnerable in our society whilst contributing to lower carbon emissions.
- 3.18** In addition to the Welsh Assembly Government's overarching strategic priorities, each individual Minister has reviewed the spending plans in their own portfolios to ensure alignment with the strategic aims of the Budget. The Departmental chapters in the latter part of this document set out in detail how each Minister has approached this task and the strategic priorities they have identified in their spending plans.

Promoting Economic Growth

- 3.19** The economy in Wales is continuing to recover from the effects of one of the most severe global economic crises in living memory. Our Draft Budget has been planned to support this recovery by promoting economic growth. We have taken a distinctive approach in Wales by working collaboratively with our partners in a spirit of shared responsibility to support Wales' economy recovery. The distinctive Welsh actions we have already taken, such as ReAct and ProAct, and the Team Wales approach adopted by the Economic Summits has helped to safeguard jobs and support businesses during the recession.
- 3.20** We are committed to maintaining and building on the excellent dialogue with the private sector developed during the Economic Summits and to do the most that we can to support this sector in these difficult times. Earlier this year, we confirmed our commitment to protect our capital programme in-year ensuring that investment in health, housing, education and social care continued. This investment is one of our key actions to help the Welsh construction sector and a key component of our Economic Renewal Strategy.
- 3.21** Our 2011-12 Draft Budget protects the spending on skills and through the '*Skills for Economic Renewal*' programme we are ensuring that our spending plans support economic development. The commitment to increase apprenticeship opportunities will continue through the Pathways to Apprenticeship programme with a special focus on youth engagement and employment and tackling long term unemployment.
- 3.22** We are also looking to use an additional £47m capital this year, over and above current capital budgets, to fund capital projects brought forward

from future years – thereby reducing pressures in those years and maintaining our planned capital investment in so far as we can in the face of budget reductions. Going forward we will be using our capital spend strategically to promote economic growth and doing the most we can to limit the impact of the UK Government's substantial cuts on our capital budgets.

3.23 This Budget supports the implementation of the Economic Renewal Strategy which aims to target our resources at areas where they add the most value – by investing in infrastructure, research and development, and improving conditions within which businesses operate. We are also seeking to maximise the benefits of the European Structural Funds Programmes by ensuring alignment with Welsh Assembly Government policies and strategies. European funding is playing a vital role in helping Wales face the recession, providing us with resources to back up our tailor made policies. Structural Funds are a key pillar in helping achieve the important structural reforms needed in our economy and labour market and enable us to complete our journey towards a stronger and sustainable economy in Wales.

Impact on the Private Sector

3.24 We are taking full account of the impact of our decisions on the private sector. In practice, the number and location of private sector jobs affected by reductions in the Welsh Assembly Government's budget will depend crucially on the detail of the way the reductions are implemented over the coming years. Many of these details have yet to be determined. As decisions are made, full account will be taken of the impact on the private sector, and every effort will be taken to avoid unnecessary or disproportionate effects. But our scope for action has been severely constrained by the decisions that have been made by the UK Government on the scale and speed of the overall reductions in spending.

Equality Impact

3.25 With reducing budgets, it is not possible to maintain all spending at its 2010-11 levels. What we can do is to manage our spending reductions in ways that protect, as far as we can, devolved services to the most vulnerable in society, avoid disproportionate impacts in terms of equality, and make the most effective contribution to tackling the long-term causes of poverty and inequalities in Wales. That is what this draft budget seeks to do.

3.26 Consideration of potential equality impacts has informed decisions at two levels: the corporate decisions made by Cabinet on overall allocations between major spending areas, as well as the decisions made by individual Ministers on the more detailed allocation of funding within

Ministerial portfolios. The process of considering equality issues does not stop with publication of the Draft Budget. Ministers will be doing further work where appropriate, to take equality issues into account in detailed spending and delivery issues within the allocations published in the Draft Budget. In addition, we will be reminding local authorities and sponsored bodies that they need to give due regard to equality impact in the decisions they take in spending money allocated by the Assembly Government.

3.27 These considerations have been central to the resource allocation process. In considering equality, the Welsh Assembly Government's Inclusive Policy Making process has been used to identify potential impacts that need to be taken into account. This is the Welsh Assembly Government's version of Equality Impact Assessment, and has been developed to ensure that the Welsh Ministers exercise their functions having due regard to equality of opportunity for the citizens of Wales in accordance with section 77 of the Government of Wales Act 2006, and public sector equality duties required in accordance with the Race Relations (Amendment) Act 2000, Disability Discrimination Act 2005 and Sex Discrimination Act 1975 as amended by the Equality Act 2006. Regard has been paid to all of the equality groups potentially affected: not just gender, disability and race, but also age, religion and belief, sexual orientation and pregnancy and maternity.

3.28 In developing these budget proposals, we have focused on the long term implications of our decisions, as well as the short term equalities impact. We are confident that taken together, these spending plans are a robust response to a difficult budget. The protection that we have afforded to education will help children in Wales have the best start in life, which will improve their life chances overall. The protection to the Health and Social Services budget will help ensure that all groups have access to quality healthcare and that they can enjoy the best possible health to play a full role in their communities and the economic life of Wales. Safeguarding our investment in social services will protect people when they are at their most vulnerable and help avoid unnecessary burdens on other public services. These protections, taken with steps to ameliorate the impact of budget reductions on rural transport and to continue investment in social housing, illustrate how the Assembly Government is seeking to mitigate impacts on the most vulnerable in our society.

Working with the Third Sector

3.29 The Welsh Assembly Government recognises that this is a difficult time for the Third Sector who play a critical and much valued role in providing vital services to vulnerable groups in Wales. We have worked closely with the Third Sector throughout the budget process. The Minister for Social Justice and Local Government, the Minister for Health and Social Services and the Minister for Business and Budget sent out a joint communiqué with the Wales Council for Voluntary Action in August to

Third Sector organisations to confirm the budget timetable and the value of early dialogue with the Assembly Government to gain an early sense of likely budget settlements.

3.30 The focus of this discussion has been to enable the Third Sector to prepare for a challenging public sector financial outlook, and the Third Sector are well-represented on the Welsh Assembly Government's Efficiency and Innovation Programme also. We continue to support good and early dialogue between the Welsh Assembly Government, Local Authorities, Local Health Boards and Third Sector organisations on likely budget settlements for the Third Sector, and will be sending out a second joint communiqué following the Draft Budget to confirm this continued commitment.

Public Sector Workforce in Wales

3.31 We have consistently said that the pace and depth of the cuts announced in the Spending Review risk a major impact on jobs, services and the economic recovery in Wales. The cuts announced will have a disproportionate impact on Wales and it is estimated that around 30,000 direct public sector jobs will be lost in Wales as a result of fiscal consolidation. Our analysis shows that the impact of these job losses will be felt greatest by women who make up a significant proportion of the public sector workforce in Wales. They will also impact most heavily on areas in Wales where the reliance on public sector employment is greatest.

3.32 In preparing our spending plans, we have been mindful of the need to manage the impact that reducing budgets will have on the public sector workforce in Wales. Under the remit of the Efficiency and Innovation Board and the Workforce Programme, we are working collaboratively, across the public sector in Wales, to develop practical steps to mitigate the impact that downsizing will inevitably have on public sector employees.

3.33 With a team led by Jobcentre Plus Wales and supported by a Steering Group with representation from the Welsh Assembly Government, local government, NHS, Third Sector and Trade Unions we are developing a new approach to facilitating career transition. This new Welsh approach is bringing employers and trade unions together to address some of the big challenges we face, including, as a long term goal, how we move to a unified Welsh public service.

4. Efficiencies and Innovation in the Public Sector

- 4.1** Efficiency and innovation are at the heart of our public service improvement programme. If we are to sustain and improve public services under severe financial constraint then we must embrace new ways of working and make the Welsh pound go further.
- 4.2** *Making the Connections (2004)* set out a clear path to deliver world-class, citizen-centred public services underpinned by the values of social justice and sustainable development. Our response to the current financial climate is aimed firmly at reinforcing these values, and meeting the challenge of change while maintaining an upward trend in public service improvement.
- 4.3** The Assembly Government is providing leadership to the public sector in meeting the challenge of change. Our Public Sector Summits are convening senior leadership across the public sector, together with our social partners, and addressing the opportunities we have identified to deliver better outcomes and greater efficiencies. The Summit in July focused on Health and Social Care and this month we will focus on Education. The Assembly Government is driving a distinctive Welsh approach to public service delivery through our programme of reform and review of health, social services, education, and local government.
- 4.4** So, for example, the Independent Commission on Social Services will shortly report the results of its consideration of how best to achieve integrated social services capable of delivering sustainable services that meet the needs of children, young people, adults and older people in the most effective way. The Education Frontline Resources Review extends the drive for higher attainment, already being vigorously pursued through the School Effectiveness Framework, into an examination of how education funding is allocated to schools, colleges and universities, asking how this can be reshaped to ensure that more money reaches the frontline. The *'Local, Regional Or National? What's Best Delivered Where?'* review of local government service delivery asks what the most effective scale of operation is for frontline and support services – national, regional or local. More detail on these reviews is provided in the Departmental chapters. All share the common purpose of achieving high quality, citizen-centred services, which are financially sustainable in the long term.
- 4.5** Other programmes securing efficiency, innovation and financial stability include, *'Delivering a Five-Year Service, Workforce and Financial Strategic Framework for NHS Wales'* which has been developed as a process to oversee the transformation to an integrated healthcare system and *'Economic Renewal: A New Direction'* which targets our resources at areas where they add the most value – by investing in infrastructure, research and development and improving conditions within which businesses operate.

- 4.6** A common feature in all of these programmes is to generate or identify replicable best practice which can be used across the Welsh public service to realise efficiency with existing funding allocations to secure improved services and better outcomes.
- 4.7** We recognise that there will sometimes be the need to pump-prime innovation, and the Welsh Assembly Government's Invest-to-save Fund complements the efficiency agenda by providing funding to support the delivery of public sector improvement projects that will result in significant cash-releasing efficiency savings whilst ensuring effective citizen-centred services. This £60m Fund is provided over and above core budgets to pump-prime collaborative efficiency projects.
- 4.8** Business cases are being finalised and we anticipate recurrent annual efficiency savings to be delivered when projects are fully implemented.
- 4.9** In addition to the Invest-to-Save Fund, there are a number of projects under ESF Priority 4 (Making the Connections) which will utilise European Structural funding to invest in improving public services through collaboration and capacity building. For example, a project led by Value Wales builds procurement capacity and expertise across the public services which will in turn lead to greater efficiencies.
- 4.10** The Assembly Government will also play our part and we are scrutinising our own organisational efficiency. The 'Managing with Less' programme was launched in February to engage staff in identifying areas for saving money in several areas – including recruitment, promotion, procurement and contract management - and is already delivering real savings on our internal running costs. We have currently achieved savings of more than £6m and are aiming for savings of £10m by the end of 2010-11.

The Efficiency and Innovation Board

- 4.11** As a Government, we acknowledge that we cannot achieve the necessary changes alone. That is why the Welsh Assembly Government, Welsh Public Services, Trade Unions and voluntary organisations across Wales are now working together as part of the Efficiency and Innovation programme. All partners are committed to finding new solutions to provide better services with less money.
- 4.12** The Efficiency and Innovation Board which manages the programme is chaired by the Minister for Business and Budget, and comprises public service leaders from local government, the Third Sector, NHS Wales and the Welsh Assembly Government's social partners, including the Wales TUC General Secretary. The Board brings together some of the most senior leaders in Wales providing leadership to joint working across all sectors within the Welsh public services. Its role is to facilitate and enable a more effective, efficient and sustainable Welsh public service, that delivers for the people of Wales.

- 4.13** The programme will help to deliver the efficiency and innovation we are determined to secure across our public services by:
- Enabling the outcomes of the service reviews that are finding ways to save money and improve services;
 - Complementing efficiency work already being undertaken in public service organisations by developing and adopting national approaches to common challenges, such as procurement and asset management.
- 4.14** The Assembly Government is providing leadership to the public services of Wales in this way in recognition of the challenges they face in a difficult financial climate. The programme itself is not the whole answer. It sits in the context of the wider public sector reforms and reviews that the Assembly Government has initiated across the breadth of mainstream service delivery and complements the discussions which we recognise will also be taking place at a local and national level between employers and trade unions.
- 4.15** The programme has identified seven priority areas where joint action across public services will maximise benefits and savings.
- 4.16** Separate workstreams have been set up for each priority area:
- collaborative procurement and commissioning;
 - national asset management;
 - public service ICT;
 - transforming the business;
 - new models of service delivery;
 - workforce delivery; and
 - leadership.
- 4.17** Each of these workstreams is chaired by a Chief Executive from the public service in Wales and the membership of the boards includes similar levels of executive leadership where Chief Constables, Chief Executives and Directors, Auditors and Senior Civil Servants are working together.
- 4.18** We are continuing to work with the workstreams, and to use other available evidence to provide reliable estimates of savings that may be delivered. To do this the workstreams are looking at a broad range of best practice from within Wales and more widely across UK public services and beyond.
- 4.19** A group of experts has been convened to scrutinise and validate the potential savings figures and provide a robust methodology to define and measure efficiency. The group's membership is drawn from across the Welsh Assembly Government, NHS Wales, local government and the Wales Audit Office.

4.20 Since the Welsh Assembly Government and all other public service organisations are setting balanced budgets, the method of realising these savings will be through organisations' own operations and business planning approaches. The programme will generate a range of potential savings opportunities through the use of existing tools such as Public Service Broadband Aggregation and *xchangewales* and by encouraging the adoption of innovative models of service design and delivery as they emerge from our work.

4.21 The **Collaborative Procurement and Commissioning** workstream, is bringing together the £4.3bn spent annually by public services on goods and services and driving savings through more efficient processes, less duplicated effort, and better supplier performance. At the same time the workstream is considering the longer term impact of what and how we buy.

How is this being delivered?

One of the key deliverables is *xchangewales*. This is a ground breaking programme that allows all public sector organisations in Wales to source, tender, evaluate, order and pay for goods and services at a click of a button.

The web based tools help to improve efficiency, increase productivity and lower the costs of doing business for both buyers and suppliers. Much of the public sector is already signed up or actively reviewing potential benefits. 7 local authorities are live and the tools are in the process of being rolled out across the NHS.

Denbighshire Council has approved its business case for *xchangewales* adoption which could deliver £1.5m savings over a 5 year period for the authority. The workstream is looking at business cases for *xchangewales* in another 6 local authorities. The workstream aims to help every eligible public service organisation in Wales to gain an e-procurement solution.

4.22 The **National Asset Management** workstream aims to realise the efficiencies and benefits that can be derived from proactive, strategic estate management and its role in providing high quality support for the delivery of public services.

How is this being delivered?

The asset management workstream has commissioned nine projects that will test a number of more widely applicable approaches including asset reviews, co-location, agile working and accommodation sharing. This is in addition to its focus on bringing the entire public service asset base onto the Office of Government Commerce's Electronic Property Information System which will help identify opportunities for roll out of these projects more widely.

One of nine pilot projects sponsored by the workstream is in Carmarthenshire where a Local Area Asset Review is being developed across the county. The local authority is currently loading all its property onto the ePIMS. The Asset Review is being carried out in conjunction with public sector and Third Sector partners. This will release surplus assets and generate efficiencies in relation to buildings-related expenditure.

Following this kind of approach the local authority has realised nearly £500,000 per annum revenue savings and over £1.2m capital receipts from vacating 8 buildings and decanting staff to a new office campus created from a former hospital acquired from the Welsh Assembly Government. The campus also provides co-location benefits for a wide range of organisations including NHS Wales, Swansea University and private sector companies.

The local authority is also conducting an asset review in conjunction with public and Third Sector partners, which has so far identified over £23m of potential capital receipts and numerous co-location and joint working opportunities.

- 4.23** The **Public Services ICT** workstream is supporting the delivery of significant savings through four overlapping themes of technological advancement: buying better, using smarter, working together and working differently.

How is this being delivered?

One of the products being promoted is Public Sector Broadband Aggregation (PSBA). This is a network bought once for the whole of the public sector in Wales. PSBA is a better network – more secure, faster, reliable and future proof. It costs less to upgrade and puts the whole public sector in Wales on one platform. The network itself typically costs 20% less than other inferior networks in place. Roll out so far in NHS Wales, a number of Local Authorities and Higher Education bodies have realised a saving of approximately £5m above previous baseline costs over the last four years.

Local Health Boards have also made significant discounts and savings through central purchasing of encryption software (£1.4m); hardware for data centres (£2.3m) and a national licensing deal (£5m over five years).

- 4.24** The **Transforming the Business** workstream is drawing on existing good practice in Wales and elsewhere to support the applications of tested methodologies such as LEAN across public services and connect sectoral initiatives.

How is this being delivered?

The workstream is considering the success of LEAN business techniques where they have been applied in Wales in order to consider potential wider application. Lean techniques have been successfully applied in an award-winning initiative in Abertawe Bro Morgannwg University Health Board to prevent patient pressure sores. Many wards have reported drastically reduced incidences of pressure sores that are estimated to generate significant annual costs for the NHS across the UK. This approach formed part of the '1000 Lives Plus' national programme which estimated that it had "saved" 852 lives and prevented over 29,000 episodes of harm in its initial two years.

Consideration is also being given to learning from existing shared support service projects, to see how these can be used to reduce duplication across public services. The workstream has noted practice across Wales that could be replicated elsewhere.

For example, NHS Wales has established an NHS Wales Shared Services Committee which will have an overarching responsibility for NHS Wales Shared Services, providing economies of scale, efficiencies and quality for a number of services including estates, legal services and contractor services amongst many others.

By working together to review in detail the options for the provision of legal library, 6 local authorities in South West Wales have been able to negotiate as a group and have secured a 3 year deal for the provision of an on-line legal library and made quantifiable savings of approximately £40,000 in 2010-11 and more than £100,000 over the three year period. This approach is now being considered for further application across legal services.

In addition all North Wales authorities and the North Wales Police are working collaboratively to deliver a single state of the art CCTV system and deliver £450,000 annual efficiency savings.

4.25 The **New Models of Service Delivery** workstream is promoting innovation and sustainable change in the way that public services are designed and delivered in order to improve citizen outcomes and make better use of resources.

4.26 The priority areas for the short to medium term are:

- families with complex and interrelated needs;
- support for people to live independent and well lives;
- domestic abuse.

How is this being delivered?

Work around service models to support independent living and wellbeing is currently being advanced and more immediately the Gwent Frailty Project has attracted Invest to Save support which will support national learning.

The programme has recently been awarded a total of £9m in order to provide vulnerable people with streamlined care at home. By creating integrated Community Resource Teams, the programme aims to help people remain independent, avoid unnecessary hospital admissions and deliver efficiency savings.

While the primary aim of the workstream is to improve service user experience and outcomes, such projects are also expected to deliver savings by improving multi-agency working, removing duplication and by taking early, preventative action to reduce the need for more serious interventions in the future. Costs associated with such issues are considerable, Charter Housing has estimated that 48 complex families in Gwent have incurred costs of roughly £105,000 per family mainly in placement costs over the last 12 months. However, public service interventions can make a difference. An integrated family support service, '*Option 2*', in Cardiff and the Vale of Glamorgan works with families in which parents have drug and alcohol problems. It is estimated that '*Option 2*' on average saved over £3,000 per child in cost of placements alone.

- 4.27** The **Workforce Development** workstream is seeking to engage, develop and evolve the Welsh public service workforce to better support public service delivery. The aspiration is to create a flexible and consistent approach to the Welsh public service workforce by maximising opportunities to share expertise and services.

How is this being delivered?

A business case for a collaborative career transition programme has been endorsed. In the short term, this will respond to financial challenges by supporting people leaving public sector employment. It will advise people on the career options available to them, and will help people to move more quickly into new employment, enterprise or training. In the longer term, the project will look at ways in which redeployment (transfers, re-assignment, mobility and internal moves) and interchange (secondments, placements and loans) can contribute to creating a more flexible public sector workforce in Wales.

- 4.28** Finally, the **leadership workstream** is concentrating effort around developing leadership capability across the Welsh Public Service to support the delivery of the efficiency and innovation agenda. The focus is

on building knowledge and skills that can help overcome many of the obstacles that stifle innovation and undermine the drive for efficiency.

How is this being delivered?

The workstream is developing, in collaboration with public service organisations, a series of learning experiences that explore new approaches and ideas to leading change and provide practical insight into delivering greater efficiency and innovation. Six types of intervention are planned:

- **An executive leadership programme of expert seminars;**
- **A series of insight tours and seminars to uncover practical examples of efficiency gains and innovative practice across sectors;**
- **Coaching and mentoring support for leaders engaged in delivering change;**
- **A public service efficiency and innovation ‘challenge’ that will showcase good practice models and successes; and**
- **Practice for Change - designed to develop OD practitioner skills to ensure a more strategic and sustainable approach to change across Welsh public service organisations**
- **Managing Change Successfully – a 2-day programme for senior managers which aims to accelerate the development of change management capability.**

4.29 We are continuing to work with our partners across the public sector to provide estimates of the potential for savings to be delivered and to provide a clearer position by the time the final budget is published in 2011.

5. Welsh Assembly Government Budget Proposals for 2011-12

5.1 The Welsh Assembly Government's budget proposals are presented against the challenging financial backdrop outlined previously. Devolved expenditure in Wales for 2011-12 comprises the Wales DEL of nearly £15bn and Annually Managed Expenditure (AME) of £323m. The Wales DEL comprises various elements, including resources for the Assembly Commission, the Auditor General for Wales and the Public Services Ombudsman for Wales. The largest element of the Wales DEL is the funding allocated to Welsh Assembly Government Departments, which in the Draft Budget for 2011-12 comprises £13.5bn of revenue and £1.2bn of capital. Departmental allocations are set out below (see Tables 5.5 and 5.6), and both the AME and the other elements of the Wales DEL are set out in Tables 5.7 and 5.8.

DEL Revenue Budgets

5.2 Excluding inter-Departmental budget transfers, Table 5.1 sets out the percentage change in the DEL revenue budgets allocated to MEGs from 2010-11. These revenue budgets, which underpin public services in Wales, reduce by £137m or 1% between 2010-11 and 2011-12. Indicative plans for 2012-13 and 2013-14 show decreases of 0.1% and an increase of 0.6% respectively.

Table 5.1 - Percentage Change in Revenue DEL Budgets from 2010–14

MAIN EXPENDITURE GROUPS (MEGs):	% Change 2010-11 to 2011-12	% Change 2011-12 to 2012-13	% Change 2012-13 to 2013-14	% Change Over 3 Years (Cash Terms)	% Change Over 3 Years (Real Terms)
Revenue DEL Budgets					
Health & Social Services	0.0%	0%	0.2%	0.2%	-6.3%
Social Justice & Local Government	-1.7%	0.1%	1.1%	-0.6%	-7.1%
Economy & Transport	-1.3%	-0.9%	0.5%	-1.7%	-8.1%
Children, Education, Lifelong Learning & Skills	-1.2%	0.5%	1.4%	0.6%	-5.9%
Environment, Sustainability & Housing	-2.2%	-1.6%	0.4%	-3.3%	-9.6%
Rural Affairs	-2.2%	-1.5%	0.4%	-3.3%	-9.7%
Heritage	-2.1%	-1.4%	0.5%	-3.0%	-9.4%
Public Services & Performance	-4.6%	-3.6%	-4.8%	-12.4%	-18.1%
Central Services & Administration	-4.6%	-3.3%	-4.6%	-11.9%	-17.7%
Assembly Government Departments	-1.0%	-0.1%	0.6%	-0.6%	-7.1%

DEL Capital Budgets

5.3 We are deeply concerned about the scale of the cuts to capital budgets imposed by the UK Government. We believe that continuing capital investment is vital to leading Wales' economic recovery. In determining our priorities for capital investment in future years, all capital projects have been assessed against their contribution to meeting *One Wales* commitments, while protecting the vulnerable and providing economic stimulus. Their impact on the Welsh Assembly Government's sustainability and equality principles has also been a key consideration.

5.4 Excluding inter-Departmental budget transfers, Table 5.2 sets out the percentage change in the DEL capital budgets allocated to MEGs from 2010-11. These capital budgets reduce by £190m or 13.5% between 2010-11 and 2011-12. Indicative plans for 2012-13 and 2013-14 show decreases of 6.5% and 10.9% respectively.

Table 5.2 - Percentage Change in Capital DEL Budgets from 2010–14⁵

MAIN EXPENDITURE GROUPS (MEGs):	% Change 2010-11 to 2011-12	% Change 2011-12 to 2012-13	% Change 2012-13 to 2013-14	% Change Over 3 Years (Cash Terms)	% Change Over 3 Years (Real Terms)
Capital DEL Budgets					
Health & Social Services	-12.6%	-7.0%	-10.9%	-27.5%	-32.3%
Social Justice & Local Government	-20.3%	-7.0%	-10.9%	-33.9%	-38.2%
Economy & Transport	-16.8%	-7.0%	-10.9%	-31.0%	-35.5%
Children, Education, Lifelong Learning & Skills	-5.5%	-7.0%	-10.9%	-21.7%	-26.8%
Environment, Sustainability & Housing ⁶	-12.5%	-5.6%	-11.1%	-26.5%	-31.3%
Rural Affairs ⁷	-23.3%	-3.4%	-6.8%	-30.9%	-35.4%
Heritage	-20.3%	-7.0%	-10.9%	-33.9%	-38.2%
Public Services & Performance	-20.3%	-7.0%	-10.9%	-33.9%	-38.2%
Central Services & Administration	-20.3%	-7.0%	-10.9%	-33.9%	-38.2%
Assembly Government Departments	-13.5%	-6.5%	-10.9%	-27.9%	-32.6%

⁵ Capital reductions have been distributed equally across all budgets. Budgets in 2011-12 have been adjusted to reflect capital brought forward as part of the economic stimulus.

⁶ Rural Affairs and Environment, Sustainability and Housing have re-profiled capital allocations between the two MEGs in 2011-12 and 2013-14.

⁷ As above.

Table 5.3 - Allocation of the Assembly Government Near-Cash DEL Budget

MAIN EXPENDITURE GROUPS (MEGs): Near-Cash DEL Budgets	£000s				
	2010-11 Baseline ⁸	Budget Changes & Reprioritisations	2011-12 New Plans Draft Budget	2012-13 Indicative Plans	2013-14 Indicative Plans
Health & Social Services	5,714,241	0	5,714,241	5,714,241	5,728,009
Social Justice & Local Government	4,406,839	-75,947	4,330,892	4,333,259	4,382,453
Economy & Transport	425,941	-7,642	418,299	412,979	415,688
Children, Education, Lifelong Learning & Skills	1,634,419	-21,087	1,613,332	1,621,903	1,645,154
Environment, Sustainability & Housing	380,660	-8,341	372,319	366,396	367,960
Rural Affairs	126,552	-2,838	123,714	121,810	122,330
Heritage	134,343	-2,955	131,388	129,495	130,107
Public Services & Performance	48,568	-2,263	46,305	44,629	42,490
Central Services & Administration	334,588	-16,071	318,517	307,451	292,718
Total Allocated to Assembly Government Departments	13,206,151	-137,144	13,069,007	13,052,163	13,126,909

⁸ The baseline figures for 2010-11 are as at the Supplementary Budget approved by the Assembly in July, with additional MEG to MEG transfers.

Table 5.3 - Allocation of the Assembly Government Non-Cash DEL Budget

MAIN EXPENDITURE GROUPS (MEGs): Non-Cash DEL Budgets	(£000s)			
	2010-11 Baseline ⁹	2011-12 New Plans Draft Budget	2012-13 Indicative Plans	2013-14 Indicative Plans
Health & Social Services	153,556	153,556	153,556	153,556
Social Justice & Local Government	7	7	7	7
Economy & Transport	171,549	171,549	171,549	171,549
Children, Education, Lifelong Learning & Skills	60,132	60,132	60,132	60,132
Environment Sustainability & Housing	3,090	3,090	3,090	3,090
Rural Affairs	8	8	8	8
Heritage	4,619	4,619	4,619	4,619
Public Services & Performance	400	400	400	400
Central Services & Administration	16,000	16,000	16,000	16,000
Total Allocated to Assembly Government Departments	409,361	409,361	409,361	409,361

⁹ The baseline figures for 2010-11 are as at the Supplementary Budget approved by the Assembly in July.

Table 5.5 - Allocation of the Assembly Government Revenue DEL Budget¹⁰

MAIN EXPENDITURE GROUPS (MEGs): Revenue DEL Budgets	£000s				
	2010-11 Baseline ¹¹	Budget Changes & Reprioritisations	2011-12 New Plans Draft Budget	2012-13 Indicative Plans	2013-14 Indicative Plans
Health & Social Services	5,867,797	0	5,867,797	5,867,797	5,881,565
Social Justice & Local Government	4,406,846	-75,947	4,330,899	4,333,266	4,382,460
Economy & Transport	597,490	-7,642	589,848	584,528	587,237
Children, Education, Lifelong Learning & Skills	1,694,551	-21,087	1,673,464	1,682,035	1,705,286
Environment, Sustainability & Housing	383,750	-8,341	375,409	369,486	371,050
Rural Affairs	126,560	-2,838	123,722	121,818	122,338
Heritage	138,962	-2,955	136,007	134,114	134,726
Public Services & Performance	48,968	-2,263	46,705	45,029	42,890
Central Services & Administration	350,588	-16,071	334,517	323,451	308,718
Total Allocated to Assembly Government Departments	13,615,512	-137,144	13,478,368	13,461,524	13,536,270

¹⁰ This table shows the total of near-cash and non-cash allocations, shown separately in tables 5.3 and 5.4.

¹¹ The baseline figures for 2010-11 are as at the Supplementary Budget approved by the Assembly in July, with additional MEG to MEG transfers.

Table 5.6 - Allocation of the Assembly Government Capital DEL Budget

MAIN EXPENDITURE GROUPS (MEGs): Capital DEL Budgets	£000s				
	2010-11 Baseline ¹²	Budget Changes & Reprioritisations	2011-12 New Plans Draft Budget	2012-13 Indicative Plans	2013-14 Indicative Plans
Health & Social Services	303,012	-38,222	264,790	246,293	219,550
Social Justice & Local Government	53,095	-10,776	42,319	39,363	35,089
Economy & Transport	376,240	-63,046	313,194	291,315	259,683
Children, Education, Lifelong Learning & Skills	183,492	-10,139	173,353	161,243	143,734
Environment, Sustainability & Housing	417,993	-52,449	365,544	345,243	307,075
Rural Affairs	16,729	-3,895	12,834	12,402	11,556
Heritage	18,622	-3,779	14,843	13,806	12,307
Public Services & Performance	21,425	-4,348	17,077	15,884	14,159
Central Services & Administration	15,033	-3,051	11,982	11,145	9,935
Total Allocated to Assembly Government Departments	1,405,641	-189,705	1,215,936	1,136,694	1,013,088

¹² The baseline figures for 2010-11 are as at the Supplementary Budget approved by the Assembly in July, with additional MEG to MEG transfers

Wales DEL Budget

5.5 Table 5.7 shows the components of the Wales DEL budget which includes the Welsh Assembly Government's DEL budget and indicative budgets for the Assembly Commission, the Auditor General for Wales and the Public Service Ombudsman for Wales. It also shows revenue reserves and capital reserves. The Wales DEL also includes Direct Charges to the Welsh Consolidated Fund.

Table 5.7 - Allocation of the Wales DEL Budget

Wales DEL Budget		£000s			
		2010-11 ¹³	2011-12	2012-13	2013-14
Total Expenditure within the Wales DEL budget		15,531,106	14,967,212	15,000,880	15,029,344
Assembly Government Departments		15,285,353	14,694,304	14,598,218	14,549,358
Assembly Commission		46,227	48,822	44,729	45,021
Auditor General for Wales		5,047	4,853	4,853	4,853
Public Services Ombudsman for Wales		4,166	3,962	3,961	3,960
Direct Charges to the Wales Consolidated Fund		675	675	675	675
Revenue	161,819	146,012	238,060	305,726	305,726
Reserves:	-	18,136	59,935	69,302	69,302
Capital reserves		27,819	50,448	50,449	50,449

Reserves and End Year Flexibility (EYF)

5.6 Consistent with established practice, contingency near-cash revenue reserves of around 1% of the Wales revenue DEL budget will be held for in-year use in the forthcoming financial year to respond to emerging events.

5.7 In subsequent years of the Budget, we are retaining higher levels of contingency reserves – around 1.5% of the revenue DEL budget in 2012-13 and 2% in 2013-14. With the reduced budgets that we face, it is more important than ever that we have the flexibility to respond to unforeseen events. That needs to be balanced against the importance of

¹³ The baseline figures for 2010-11 are as at the Supplementary Budget approved by the Assembly in July.

individual Ministers having certainty for their planning and delivery. These levels of contingency reserves strike an appropriate balance. Reserves include £14m in 2011-12, £40m in 2012-13 and £40m in 2013-14 which will be available to fund costs incurred by public sector organisations in the transition to new, more efficient forms of service delivery.

- 5.8** In the Spending Review, the UK Government announced its plans to abolish the EYF scheme at the end of 2010-11, including all accumulated stocks. We have consistently pressed the UK Government to change the current EYF arrangements and put in place a better system for managing EYF which would give us scope to use budgets flexibly within and between years. This flexibility was a fundamental principle of the independent Holtham Report. We will oppose, however, any arrangement which would result in taking away money which has already been voted by Parliament for Wales.

Annually Managed Expenditure

- 5.9** Table 5.8 shows forecast levels of the Assembly Government's Annually Managed Expenditure (AME) budgets. (AME is defined as expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL. AME typically consists of programmes which are large, volatile and demand-led. For a full definition see Annex 2 – the Glossary).

Table 5.8 - Assembly Government AME Budget

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	2011-12		2012-13		2013-14	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Health & Social Services	118,948	0	118,948	0	118,948	0
Social Justice & Local Government	13,583	0	13,583	0	13,583	0
Economy & Transport	41,402	0	41,402	0	41,402	0
Children, Education, Lifelong Learning & Skills	0	217,656	0	225,781	0	226,516
Environment, Sustainability & Housing	-72,000	0	-61,000	0	-55,000	0
Heritage	2,265	0	2,490	0	2,740	0
Central Services & Administration	924	0	933	0	-668	0
Total Assembly Government AME budget	105,122	217,656	116,356	225,781	121,005	226,516

6. Health and Social Services

Summary of Budget Changes

Health and social services has been protected from any cash reductions in its budget in 2011-12 and 2012-13 and receives a small cash rise in 2013-14. This level of protection reflects our commitment to ensuring the provision of frontline services across Wales.

This protection also provides a solid platform for the NHS to take forward its 5-year service plans following the 2009 reforms. We are also protecting the social services element of the Health and Social Services budget.

Revenue funding for 2011-12 and 2012-13 remains at the same level as the budget for 2010-11. This means that all unavoidable cost increase (including pay awards inflationary pressures) will need to be self-funded by savings. In 2013-14 the budget increases by £13.8m or 0.2%.

The Capital budget to 2013-14 has decreased by £83.5m or 27.5%, with the largest reduction (-12.6%) occurring in 2011-12.

Overview of Spending Priorities

- 6.1 The Health and Social Services Directorate General is the lead Department for delivering the Welsh Assembly Government's Strategic Outcomes to promote a healthy population with a good quality of life and to ensure health care and social care is readily available.
- 6.2 Sustainable development is the core organising principle for Government business. The spending priorities for health and social services recognise this through supporting the long term wellbeing of people in Wales and minimising wasteful use of resources and any adverse environmental impact through reducing waste, harm and variation in the delivery of services.
- 6.3 We will protect the level of funding in cash terms for core health services delivered by the NHS in Wales. Within this context, we will continue to deliver improvements in health service performance and healthcare outcomes. The *'Five-Year Service, Workforce and Financial Strategic Framework for NHS Wales'* has been developed as a process to oversee the transformation to an integrated healthcare system, supported by twelve National Programmes.
- 6.4 We will concentrate on consolidating and strengthening core health services through reviewing all local services to strengthen the links between primary, intermediate and secondary care. We will continue to

place a strong emphasis on health improvement and self care to reduce the demand for acute services. There will be a renewed focus for effective partnership working in specified services (for example those for the frail elderly) with local government and others, with a new focus on measuring outcomes. Health Boards will be expected to ensure their service configurations provide safe and sustainable services. Where necessary they will collaborate to avoid overlaps between organisations. The '1000 Lives Plus' national programme will be clinically led to reduce harm, waste and variation in NHS organisations.

- 6.5** We will continue to place a high priority on promoting health improvement and ensuring health protection, working across the Welsh Assembly Government and with partners across the Welsh public sector and the Welsh public. This is crucial to improving life in Wales and reducing burdens on the NHS and other services. Central to this role is the Public Health Framework '*Our Healthy Future*' that will integrate and intensify health improvement action within Government and through the NHS.
- 6.6** We will continue to prioritise spending on mental health services. Approximately 12% of total NHS funding is ring-fenced for mental health services, and we will provide investment to support the implementation of the proposed Mental Health (Wales) Measure.
- 6.7** The Assembly Government is committed to ensuring the provision of essential social services. Social Services, in the main, are funded from the Local Government Budget and the social care element of the RSG includes the necessary resources to deliver a 1% protection above changes in the Wales DEL. We have also maintained investment in social services funded through the Health and Social Services MEG.
- 6.8** Social Services are a core part of Welsh public life, meeting the needs of the most vulnerable in our society and employing 70,000 people. Much has been achieved to deliver high quality and responsive services across Wales. However changing public expectations, the challenges brought about by significant social change and demography present real challenges for social services. To meet these we need to build on our strengths, work closely with others to create a sustainable strategy for the next decade. We have set up an Independent Commission on Social Service to build on the vision set out in "Fulfilled Lives Supportive Communities". This will report at the end of this month. From this we will publish a white paper to outline the way forward.

Departmental Work to Support the Key Budget Themes

- 6.9** We will protect the level of funding for core health services in cash terms. The NHS can not be immune from the need to make efficiency savings. It has an excellent track record in this regard, having delivered

£850m in savings over the previous four years. It will need to continue to make efficiencies to meet unavoidable increases in costs.

- 6.10** We have reviewed all centrally funded health and social services programmes. We will continue to invest in education and training, research and development and health protection and health promotion. We are investing in mental health services, organ donation, social care charges, drug and alcohol services and for other vulnerable groups, and the proposed carers strategy measures in support of the Assembly Government's legislative programme. We will review existing grant schemes and other central funding to ensure it is properly focused on delivering our core objectives and will improve the services to the people of Wales.
- 6.11** Careful consideration has been given to equality and social justice issues in preparing the Department's spending plans. The burden of ill-health falls more heavily on citizens from lower social groups and more deprived areas. By protecting funding levels for core health services, we will ensure that the most vulnerable in society will continue to have access to the services they need.
- 6.12** As part of the development of *Our Healthy Future*, an inequities strategy is under development. This will focus on both health improvement and the role of the NHS in addressing inequities and will take effect in influencing the activities of the NHS in 2011-12. This is being reinforced by work with partners, such as the inclusion of reduced inequities in health in Local Government Outcome Agreements.
- 6.13** In developing Health, Social Care and Well-being Strategies to run from April 2011, NHS organisations will be required to reflect to *Our Healthy Future* and to focus on specific vulnerable groups who receive services jointly from the NHS and local government and explain their management arrangements and impact.
- 6.14** Funding for social services delivered through the Revenue Support Grant includes the necessary resources to deliver a 1% protection above changes to the Wales DEL. This reflects the Assembly Government's commitment to protect vulnerable people and is in recognition of the major pressures local authorities face in this area of their responsibilities.
- 6.15** Similarly, in developing Children and Young People Plans to run from April 2011, NHS bodies are required to explicitly address child poverty. Social Services provision is predicated on meeting the needs of vulnerable and disadvantaged groups
- 6.16** Health and social services have a key role in promoting economic growth through improving the health of the working age population to prevent and reduce the impact of ill health at work, working with other agencies to overcome health barriers (physical and psychological) in

those who might join the workforce and providing mainstream services that restore health and independence.

- 6.17** The NHS in Wales employs nearly 100,000 people with a further 70,000 people employed in social services. This therefore has a huge impact on families and on enhancing training, skills and development. The NHS procurement function manages a contract sourcing strategy of circa £1bn per annum, including capital equipping. The future exploitation of local supply arrangements, wherever appropriate, will support the future stability and growth of Welsh businesses and, in doing so, future employment opportunities for citizens. These arrangements will help to reduce the distance and frequency of daily deliveries of goods to NHS sites, thereby contributing to the reduction of the economy's carbon footprint.
- 6.18** The National Institute for Social Care and Health Research (NISCHR) will promote collaboration between the NHS, industry and Higher Education Institutes. There will be enhanced involvement of academic and service professionals, industry, voluntary sector and patient groups to strengthen the health and social care R&D base. NISCHR will also include a dedicated unit to lead strategy in commercial trials, NHS innovation and intellectual property, all of which are aimed at enhancing the Life Science industry in Wales and contributing to the wider economy.

Key Delivery Programmes

- 6.19** The strategic direction for the NHS is to develop into a fully integrated healthcare system, with all elements working together to put citizens at the heart of the delivery of services. This will be done through the ongoing development and implementation of integrated service, workforce and financial plans. The development and implementation of health board plans are being supported by twelve national programmes, with clinical leadership where appropriate.

Approach to Finding Efficiencies and Savings

- 6.20** The NHS reforms and development of the '*Five-Year Service, Workforce and Financial Strategic Framework*' form the core of the approach being taken to identify innovation and efficiency in health and social care. This is being taken forward through the national programmes and the development of service, workforce and financial plans by Health Boards which will be underpinned by updated Health, Social Care and Wellbeing Strategies and Children's and Young People Plans.
- 6.21** The NHS reforms in October 2009 were designed to streamline administration and management and target more resources at frontline health services. As a consequence, it is planned to save £40m or 20%,

on management costs by 2013-14, reducing them from 4.2% of total cost to 3.4%.

- 6.22** The Assembly Government has also launched a new campaign, '*Wasting Medicines Wastes Money!*', to reduce the amount of wasted medicines which cannot be reused or recycled and have to be destroyed in an incinerator. This is estimated to cost the NHS £50m each year, not including medicines which are destroyed incorrectly at home through household waste. The campaign is a collaboration between professionals and the public to target GPs, pharmacies and patients and aims to reduce waste in Wales whilst saving the NHS millions.
- 6.23** In support of the commitment to reduce back office costs, a new shared service model will be introduced. The new model will allow NHS organisations to concentrate on frontline service delivery without the distraction of running non-clinical functions. It will also enable the Service to save money and achieve benefits from economies of scale. For example, a coordinated procurement service can procure supplies more cheaply on behalf of organisations through greater purchasing power.

Table 6.1 – Health and Social Services SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total									
NHS Delivery	5,332,150	283,310	5,615,460	5,351,604	247,573	5,599,177	5,351,605	230,279	5,581,884	5,365,373	205,275	5,570,648
Health Central Budgets	264,914	7,000	271,914	257,615	6,117	263,732	257,615	5,690	263,305	257,615	5,072	262,687
Public Health & Prevention	167,711	6,200	173,911	155,592	5,418	161,010	155,591	5,039	160,630	155,591	4,492	160,083
Social Services	102,564	6,502	109,066	102,564	5,682	108,246	102,564	5,285	107,849	102,564	4,711	107,275
CAFCASS Cymru	458	0	458	422	0	422	422	0	422	422	0	422
Total DEL	5,867,797	303,012	6,170,809	5,867,797	264,790	6,132,587	5,867,797	246,293	6,114,090	5,881,565	219,550	6,101,115
Annually Managed Expenditure (AME)												
NHS Impairments	118,948	0	118,948									
Total Managed Expenditure	5,986,745	303,012	6,289,757	5,986,745	264,790	6,251,535	5,986,745	246,293	6,233,038	6,000,513	219,550	6,220,063

7. Social Justice and Local Government

Summary of Budget Changes

Social Justice and Local Government's overall revenue budget allocation will reduce by £24.4m by the financial year 2013-14 when compared to the 2010-11 baseline position. Although the MEG decreases by 1.7% in 2011-12, there is a 0.1% uplift in 2012-13 and a 1.1% uplift in 2013-14.

The Capital budget by 2013-14 will have decreased by £18m compared to 2010-11 which is a reduction of 34%.

The Revenue Support Grant (RSG), the main block of funding for Local Authorities, includes the necessary resources to deliver a 1% protection above the changes to the Wales DEL for schools. This reflects the Assembly Government's commitment to protect funding for schools in order to ensure the delivery of the best outcomes for Welsh children.

The Assembly Government is also committed to ensuring the provision of essential social services and the funding for local authority social services has received an equivalent level of protection within the RSG.

Overview of Spending Priorities

- 7.1** The Department for Social Justice and Local Government has lead responsibility for the Assembly Government's relationship with local government, including overall strategic direction and objectives, funding, performance and service delivery. We are committed to tackling social disadvantage through our focus on community development and regeneration, and to working with our partners, including the Third Sector, to support vulnerable people and reduce inequality. Promoting safe and sustainable communities is also important given our responsibility for the Fire and Rescue Service and our relationships with the police, community safety partnerships and others. Finally, we provide a lead in developing policy on equality and human rights within the Assembly Government.

Local Government Funding

- 7.2** The local government revenue and capital elements account for around 97% of the entire Social Justice and Local Government Main Expenditure Group, with the remainder being allocated to community safety, supporting communities and equality, diversity and inclusion. Providing local government with a fair and equitable settlement during a period of fiscal constraint is therefore a key priority.

- 7.3** In making decisions on the settlement we have taken very careful account of the joint work Assembly Government and Welsh Local Government Association (WLGA) officials have undertaken as part of the annual Expenditure Sub-Group exercise. It has been a collaborative process aimed at achieving a common understanding of the pressures facing local government, opportunities available for mitigating them, and initiatives ongoing in local government to identify and implement efficiencies.
- 7.4** As a result in determining the funding for the Local Government Settlement the Assembly Government has sought to recognise the key pressures local government faces and we have therefore protected the elements of funding for education and social services which between them account for over two thirds of the total RSG.
- 7.5** For the period of the Assembly Government's budget, the education element includes the necessary resources to deliver a 1% protection above changes in the Wales DEL. This reflects the Assembly Government's commitment to protect schools budgets in order to ensure the delivery of the best outcomes for Welsh children.
- 7.6** The social care element includes equivalent funding to deliver a similar 1% protection above changes in the Wales DEL. This will ensure that essential social care remains readily available and that the most vulnerable in society are protected from possible reductions in service provision.
- 7.7** Further details will be provided when the Provisional Local Government Finance Report, along with the basis of distribution is published on 23 November 2010. This will set out the amount of Revenue Support Grant the Welsh Assembly Government proposes to distribute to county and county borough councils in 2011-12 and beyond along with the basis of distribution.
- 7.8** While policy responsibility for the police service in Wales is non-devolved, funding for police authorities is the subject of tripartite arrangement between the Home Office, the Assembly Government and the council tax payer. Further details of how much RSG and Non-Domestic Rates (NDR) will be distributed to police authorities in Wales will be published in early December. Police funding provision within the MEG remains unchanged pending details of the police settlement but is likely to change between Draft and Final Budget.
- 7.9** The remaining budgets within the Social Justice and Local Government MEG contribute to a wide range of strategic aims and objectives. Our aim during the budget planning process has been to ensure that we have the necessary resources in place to deliver long term investment and interventions against the following outcomes:

- **Poverty in Wales is reduced** – through a wide range of measures including the implementation of the Financial Inclusion Strategy, our work promoting benefit take-up and ensuring fair and effective local taxation policy. Addressing poverty and inequality among children and young people is also an important part of the Department’s work.
- **People live in safe, vibrant, inclusive urban and rural communities** - delivering the Domestic Abuse and Violence Against Women Strategy and Delivery Plan, improving the resilience of the Welsh Fire & Rescue Services, and taking forward a number of strategies including Refugee Inclusion, Gypsy Traveller and Community Cohesion. In addition, we support the Third Sector in Wales, and are currently consulting on the specific public sector equality duties for Wales.
- **Communities are regenerated across Wales** – delivering all-Wales community development programmes such as Communities First and physical regeneration through the Communities Facilities and Activities Programme and Community Asset Transfer. We are also developing social enterprise.
- **Public services are citizen-centred, effective and value for money** - delivering performance improvement by embedding a new understanding and relationship with local government and implementing the programme of Outcome Agreements. We are also taking forward changes in the structure and operation of local government through the proposed Local Government Political Structures (Wales) Measure 2010. Finally, we are responsible for ensuring the independence in local taxation valuation issues and promoting and improving local government financial accountability.

Departmental Work to Support the Key Budget Themes

- 7.10** The Department’s spending priorities are closely aligned to the Assembly Government’s commitments in *One Wales* and are based on the budget criteria agreed by the Cabinet. As such, the focus is on protecting frontline services and, in particular, services to the most vulnerable in our society.
- 7.11** The Department’s role in relation to ‘Social Justice’ relates to the Assembly Government’s aspiration to achieve an equitable distribution of social, economic and political resources, opportunities and responsibilities in every aspect of social life, where all individuals and groups receive fair treatment and a fair share of the benefits of society. In setting budgets, the Department has considered and assessed the impacts of the changes both on the organisations affected and on the services delivered. We have worked with our Third Sector partners, issuing a joint letter with the Welsh Council for Voluntary Action about the process to set the Welsh Assembly Budget and the implications for the Third Sector. We have also assessed the likely impact of budget

reductions in terms of equalities. The protection being given to local authority social care budgets takes account of this, as well as reflecting more generally the need to maintain services to the most vulnerable in society.

7.12 Poverty and disadvantage are symptomatic of a lack of Social Justice and Equality of Opportunity, and we recognise that the most effective long-term investment and interventions are likely to be those which move beyond tackling the symptoms and address the causes or drivers of injustice and inequality. We are working with other Departments across the Assembly Government to develop more effective interventions which do this, for instance through coherent support for families and the development of children in their early years. In addition, we are seeking to improve the quality of life for people in the most disadvantaged communities in Wales by developing community capability, through grant funding the Communities First workforce, and by supporting projects prioritised by communities through the Outcomes Fund and the Communities Facilities and Activities Programme. We will continue to help those who can least afford to be financially excluded through our continued support for credit unions, social enterprises and advice services.

7.13 Alongside this, we recognise the need for short-term measures to help those currently experiencing multiple social, economic and environmental deprivations. We are working to protect specific groups at risk of marginalisation or discrimination through our equality duties and with continued grant support for Third Sector partners. We are also making pro-active interventions to support specific identified groups such as gypsy travellers and working with our partners to help refugees and asylum seekers in our communities. Finally, we intend to continue with our work on tackling domestic abuse and making progress on the wider violence against women agenda with future budgets protected from any reductions.

Key Delivery Programmes

7.14 The key delivery programmes are those which have direct impact on safeguarding and supporting vulnerable people, combating social exclusion and reducing inequality, and promoting safe and sustainable communities. The main areas of spending for 2011-12 are set out below.

Supporting Communities and People

7.15 We have kept the Communities First budget at the same level in 2011-12 (£45.1m) while we decide on the direction of a future programme. Other budgets such as the Third Sector (£8.9m), Social Enterprise (£1.9m) and Financial Inclusion (£1.7m) are all required to deliver savings. However, these savings can be achieved without impacting on frontline services, and we will continue to leverage in additional

European Structural funds where possible through the match funding of innovative projects.

Safer Communities

7.16 The Domestic Violence budget has been protected from any reductions (£3.7m) which demonstrates our commitment to '*The Right to be Safe*' which is our 6 year integrated strategy for tackling all forms of violence against women. In assessing the potential impact in terms of equality, we have also maintained funding for work on community cohesion/relations.

Local Government Policy

7.17 Provision for Outcome Agreement grants has been rolled forward at 2010-11 levels (£31.1m). Outcome Agreements between the Assembly Government and individual local authorities set out how each will work towards improving outcomes for the local people, within the context of the Government's national priorities.

Local Taxation Policy

7.18 Both the Valuation Office Agency and Valuation Tribunals are expected to deliver savings in line with MEG reductions. In addition, we are considering options for bringing a number of Benefit Schemes together while ensuring that there will not be disproportionate impacts in terms of age and disability.

Equality, Diversity and Inclusion

7.19 Funding in this important field will continue to be channelled towards projects managed by mainly small Third Sector and community organisations.

Capital budgets

7.20 Given the important role local government plays in funding and delivering capital programmes, we have decided to protect the General Capital Funding line (£20m) which provides a capital grant to local authorities. In order to provide a balanced capital budget, savings have focused on other areas. These include Safer Communities where we are able to continue funding the resilience and operational effectiveness of the Fire and Rescue Service while reducing the capital budget. Community Development budgets are also being reduced although physical regeneration through the Communities Facilities and Activities Programme and Community Asset Transfer will continue to receive sufficient funding.

Approach to Finding Efficiencies and Savings

7.21 The need for the Department and partner organisations to realise real terms efficiencies has been central to the budget setting process and is closely linked to the management of the overall budget reduction and the maintenance of frontline services. The Department has undertaken a line

by line evaluation of all budgets over the past 12 months in order to identify savings and opportunities to redeploy resources to priority areas.

- 7.22** In terms of Welsh local government, the Expenditure Sub Group report identifies the efficiencies already being delivered and the collaboration underway in response to the Making the Connections Agenda and the Beecham Review. Regional Partnership Boards, led and funded by the WLGA, are leading joint working on efficiency and service improvement within the sector and with others, and local government are key partners in taking forward the Wales Efficiency and Innovation Programme.
- 7.23** Alongside this, the Minister for Social Justice and Local Government set out his vision for public services earlier this year. The main message was about working together for better, more effective services for the citizens of Wales. The subsequent '*Your services, your say*' summer tour around Wales gave the Minister an opportunity to meet frontline workers, volunteers and citizens, and ask them for their thoughts about the services they provide and how these could be done better against a difficult financial background. Following this, the Minister announced a '*Local, Regional Or National? What's Best Delivered Where?*' review which will look specifically at how we should be delivering services in Wales which meet the needs of our citizens and the financial pressures we face. The terms of reference for this review will be based on two very simple principles: will it reduce costs and improve services? It is hoped that the review will provide some of the answers which will secure the future of services for citizens and the future jobs for public sector workers in Wales.
- 7.24** The developments outlined above will be important given that the local government revenue and capital elements account for around 97% of the entire Social Justice and Local Government Main Expenditure Group and is therefore the area greatest impacted by the reductions. For 2011-12 the Department is required to find revenue savings of some £76m. While Welsh local government is poised for the enormous challenges ahead, there is little doubt that real term reductions to the local government funding over the next three years will mean that extremely difficult decisions will need to be taken by local authorities when setting their own budgets.
- 7.25** In setting the Revenue Support Grant for 2011-12 and future years, the Department has sought to protect two specific areas. Firstly, there is a commitment to increase education spending by at least 1% above the changes to the Wales DEL to ensure the best outcomes for Welsh children, with a sharp focus on inequalities in education. As a result, a 1% dispensation relative to the changes to the Wales DEL is being built into the funding allocation for the Revenue Support Grant, in respect of education, for the period of the Assembly Government's budget. Secondly an equivalent 1% protection above changes in the Wales DEL has been afforded to social care in recognition of escalating demographic and other service demands. We will work with local

government to develop a practical arrangement for monitoring effective delivery of this commitment, and provide further details in the Provisional Settlement.

7.26 In terms of the remaining budgets within the MEG, while most budgets have been required to find savings, we believe that those can be accommodated while protecting frontline services and, in particular, services to the most vulnerable in our society.

Table 7.1 – Social Justice and Local Government SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total									
Local Government Funding	4,277,597	20,000	4,297,597	4,208,381	20,000	4,228,381	4,217,103	20,000	4,237,103	4,268,724	20,000	4,288,724
Supporting Communities & People	59,817	21,128	80,945	60,543	17,280	77,823	55,108	14,774	69,882	53,945	10,950	64,895
Safer Communities	13,088	9,467	22,555	11,851	3,039	14,890	11,801	2,839	14,640	11,701	2,639	14,340
Local Government Policy	38,397	0	38,397	37,552	0	37,552	37,134	0	37,134	36,451	0	36,451
Local Taxation Policy	16,064	0	16,064	10,744	0	10,744	10,357	0	10,357	9,994	0	9,994
Equality, Diversity & Inclusion	1,883	2,500	4,383	1,828	2,000	3,828	1,763	1,750	3,513	1,645	1,500	3,145
Total DEL	4,406,846	53,095	4,459,941	4,330,899	42,319	4,373,218	4,333,266	39,363	4,372,629	4,382,460	35,089	4,417,549
Annually Managed Expenditure (AME)												
Local Government Funding	11,677	0	11,677	13,583	0	13,583	13,583	0	13,583	13,583	0	13,583
Total Managed Expenditure	4,418,523	53,095	4,471,618	4,344,482	42,319	4,386,801	4,346,849	39,363	4,386,212	4,396,043	35,089	4,431,132

8. Economy and Transport

Summary of Budget Changes

The publication of '*Economic Renewal: A New Direction*' on the 5 July 2010 sets out the future policy framework within which the Department will prioritise its budget allocations.

Economy and Transport's overall revenue budget allocation will reduce by £10.2m by the financial year 2013-14 when compared to the 2010-11 baseline position and the capital budget will reduce by £116.5m over the same period. Specifically in relation to 2011-12 the budget has reduced by £7.6m (1.7%) in relation to revenue and £63.1m (16.8%) in relation to capital, when compared to the 2010-11 financial year.

Despite the difficult settlement received from the UK Government this budget reflects the Welsh Assembly Government's determination to implement '*Economic Renewal: a new direction*' and prioritise areas such as the key growth sectors and investment in Next Generation Broadband. The reduction in revenue funding for Major Events primarily reflects the successful conclusion of the Ryder Cup and in relation to the capital budget there is also a reduction in funding for property infrastructure.

In transport we remain committed to maintaining a greater proportion of the total overall expenditure on sustainable travel, although clearly the department will have to accommodate a significant reduction in its capital budget allocation. The Department's budget also recognises the commitment to protect concessionary fares for the 650,000 people across Wales who are benefitting from this policy.

Overview of Spending Priorities

- 8.1** In future the Department's resources will be targeted at tackling wide systemic issues within the Welsh Economy – investing in infrastructure, research & development and improving the conditions within which businesses operate. The new policy sees a fundamental shift away from direct and generic support for businesses to a focus on creating the right environment for businesses to succeed.
- 8.2** The Departments new direction for economic development is organised around five priorities:
- Investing in high quality and sustainable infrastructure;
 - Making Wales a more attractive place to do business;
 - Broadening and deepening the skills base;
 - Encouraging Innovation;
 - Targeting the business support we offer.

Departmental Work to Support Key Budget Themes

- 8.3** Our commitment to **safeguard frontline services** will be supported by the transformation of the way we will support the Welsh economy.
- 8.4** An equality impact assessment of the Economic Renewal programme has been undertaken to help understand how our future spending priorities **impact on the most vulnerable in our society** and highlight the issues that will need to be considered in taking a programme of work forward. The next step in the Programme is to plan delivery and actions. This is where the impacts for different groups in society will become more apparent and need to be addressed.
- 8.5** One issue that has emerged from our Equality work so far is the potential impact on the less-well off, of a reduction in support for bus services. This has been acknowledged by Cabinet in terms of the revenue settlement in 2011-12, which has been enhanced in order to mitigate the specific issue of rural bus services. There is a high degree of contractual commitments in the Transport revenue budgets and a reduction in the level of revenue support for public transport services is however unavoidable. However in light of the evidence on potential equality impacts, particularly in terms of the gender and age of people who use these services, the Department will be working with the bus operators to mitigate the effects of the funding reduction in future years.
- 8.6** **Promoting economic growth** is integral to what we do but a strong economy is not an end in itself but contributes to the quality of life and wellbeing of people and communities in Wales. Our five priorities will support the delivery of our vision *“A Welsh economy built upon the strengths and skills of its people and natural environment; recognised at home and abroad as confidence, creative and ambitious; a great place to live and work.”*

Key Delivery Programmes

- 8.7** The Departments projects and programmes will be delivered through four group business areas; Sectors & Business; Infrastructure; Strategy and Corporate; and the Welsh European Funding Office.
- 8.8** In developing the Department’s detailed spending plans for the next three years we have had to consider the impact of the Minister’s announcement in July 2010 of the new economic policy; Economic Renewal: a new direction, which has also affected the organisational structures of the Department. The changing nature in the activities of the Economic Development Group and the creation of the new infrastructure group require changes within the Assembly’s finance system to its organisational and budget structures. Consequently the budget allocations have been presented in accordance with the new organisational delivery structure.

Sectors & Business

- 8.9** This business group will focus on development and implementation of six key sector plans covering: Energy & Environment, Advanced Materials &

Manufacture, Creative Industries, Financial & Professional Services, Life Sciences and ICT. These plans will cover a full range of activities, from the provision of repayable finance, inward investment, export services and R&D opportunities. In addition to this sector approach we will also provide funding for start ups and business information, covering youth entrepreneurship, self employment service and responsible business practices.

- 8.10** Recognising the importance that Research & Development plays in developing a growth economy we will continue to encourage businesses to invest in R&D and our business innovation support will be focused on the key sectors, enabling an end to end approach for commercialisation, making the most of links with academia.
- 8.11** Expenditure within this business group will also help build the image and reputation of Wales. It will support selling ourselves and what Wales has to offer. Funding will facilitate relevant marketing campaigns and aim to exploit major events to an international audience.
- 8.12** The budget allocation for the Sectors and Business Group for 2011/12 of £136.1m is a decrease of £4.2m over the 2010-11 allocations. (Figures exclude Non-Cash budgets).

Transport and Infrastructure

- 8.13** *'Economic Renewal: A New Direction'*, recognises the importance of playing a more enabling role by investing in 21st century infrastructure to create a competitive environment for businesses in Wales. Such infrastructure includes road and rail, public transport, ICT and broadband.
- 8.14** This group will invest in infrastructure to create the right environment for business success. Funding will provide support for the next generation Broadband, business premises and strategic land management. This will be supported with the integration of plans and the creation of the new Infrastructure Group.
- 8.15** Furthermore to create a positive climate for economic growth we are facilitating construction of an appropriate supply of sites and premises for businesses which meet the Assembly Government's sustainability criteria.
- 8.16** Funding to deliver the National Transport plan focuses on transport issues along the main movement corridors in Wales and the development of the most appropriate modal solutions, and we will continue to increase the overall percentage proportion of spend on sustainable travel. This includes encouraging a sustainable approach to travel in Wales, including walking, cycling and sustainable towns. The revised budgets continue to support our commitment to sustainable travel and public transport with these activities receiving the majority of the investment provided by these budgets. We will be maintaining our commitment to the Sustainable Travel Towns initiative, the Welsh Transport Entitlement Card and the re-opening of rail lines. The budget arrangement provides for the continued support of concessionary fares, a key policy of the Assembly Government. We will also maintain support for the Safe Routes in Communities programme and the services associated with the provision of rural transport. These initiatives not only

improve our communities but also assist the more vulnerable and disadvantaged groups in our society. We will ensure sufficient funding is available to promote a safer environment for those who use the local and regional networks. However the Department has had to accommodate a significant reduction in its capital budget allocation and this will mean that the planned delivery schedule and profiling of certain road and rail schemes will have to be reviewed.

8.17 The budget allocation for the Infrastructure Group for 2011-12 of £588.3m is a decrease of £66.3m over the 2010-11 allocations. (Figures exclude Non-Cash budgets).

Strategy & Corporate Programmes

8.18 This expenditure group includes funding for corporate requirements such as National Loans Fund repayments and the Health Challenge Wales programme. Additional funding is provided to support the wider Government implementation of the Economic Renewal Programme. Actions include stakeholder engagement and economic analysis and future policy development work. There are also commitments to improve planning and processes as well as to consider impacts of better policy and regulation and also to make public sector procurement more accessible.

8.19 The budget allocation for the Strategy & Corporate Programmes Group for 2011-12 of £7.1m is a decrease of £0.2m over the 2010-11 allocations.

Welsh European Funding Office (WEFO)

8.20 WEFO will continue to:

- Ensure Alignment of EU Structural Funds Programmes and projects with Welsh Assembly Government policies and strategies
- Manage the delivery of the EU Structural Fund Programmes in Wales
- Promote EU Structural Fund Programmes and Monitoring, report on delivery
- Manage drawdown from European Commission and monitor compliance of projects with EC Regulations

Approach to Finding Efficiencies and Savings

8.21 Our approach to development and implementation of “*Economic Renewal: A New Direction*” consists of many different and innovative approaches designed to deliver more effectively and efficiently. These include:

Refundable aid

8.22 To facilitate recycling of our resources and add value to our investments, most of the finance that Economy and Transport provides directly will be gradually moved to a repayable model to support reinvestment.

More focused support

8.23 The Assembly Government should be an enabler of growth rather than a direct deliverer of services to individual businesses, consequently direct business support will be reduced beyond the start-up phase. Furthermore of the current fourteen sectors recommended by the Ministerial Advisory

Group, support for industry-led investment will focus on six key sectors where Wales has clear advantages for growth.

Sharing and exploiting expertise

8.24 Multi skilled teams will be created which will deliver a whole range of different support mechanisms, including integrating foreign direct investment and trade expertise. Sharing and exploiting expertise will also be achieved by the creation of the new infrastructure group which will provide a more efficient service to the Assembly Government covering economic, transport, housing, regeneration, property and ICT infrastructure activities. Better value for money will be achieved through more joined up planning, smarter designs, procurement and programme/project management.

Stakeholder engagement to retain relevancy of actions

8.25 To ensure that our policies and programmes remain relevant there will be ongoing engagement and partnerships with people, businesses and partner organisations. This approach will inform whether we are being efficient and relevant in our interventions.

Performance framework

8.26 A framework for measuring success is being developed which will support the new policy and ensure we are monitoring our delivery in the most effective and efficient way.

Procurement

8.27 We are establishing a single national Procurement Website to go live in December to help businesses better access public sector procurement opportunities and making it easier for public sector buyers and suppliers.

Table 8.1 – Economy and Transport SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Sectors & Business	48,145	71,045	119,190	47,990	69,129	117,119	45,887	59,992	105,879	45,917	43,711	89,628
Encouraging Innovation	3,162	1,457	4,619	2,162	433	2,595	2,129	357	2,486	2,144	300	2,444
Regional Funding	0	0	0	2,005	995	3,000	2,005	995	3,000	2,005	995	3,000
Finance Wales	5,102	1,500	6,602	5,102	1,500	6,602	4,802	1,500	6,302	4,102	1,500	5,602
Major Events	6,438	400	6,838	3,930	0	3,930	3,870	0	3,870	3,897	0	3,897
Marketing	3,090	0	3,090	2,840	0	2,840	2,796	0	2,796	2,815	0	2,815
Infrastructure	20,585	19,607	40,192	20,470	6,291	26,761	22,415	10,031	32,446	23,571	18,456	42,027
Improve Domestic Connectivity (Regional & National)	262,239	103,834	366,073	265,418	83,674	349,092	261,286	73,670	334,956	257,716	55,850	313,566
Improve International Connectivity	140,561	38,683	179,244	145,681	59,088	204,769	145,031	56,029	201,060	145,008	83,836	228,844
Improve Integrated Transport (Local)	93,006	120,917	213,923	84,527	80,713	165,240	84,667	77,402	162,069	91,384	43,741	135,125
Improve Road Safety & Transport's Impact on the Environment	8,397	18,257	26,654	3,056	10,922	13,978	3,056	10,922	13,978	2,056	10,922	12,978
Strategy & Corporate Programmes	5,243	540	5,783	5,145	449	5,594	5,062	417	5,479	5,100	372	5,472
WEFO	1,522	0	1,522	1,522	0	1,522	1,522	0	1,522	1,522	0	1,522
Total DEL	597,490	376,240	973,730	589,848	313,194	903,042	584,528	291,315	875,843	587,237	259,683	846,920
Annually Managed Expenditure (AME)												
Developing Sustainable Infrastructure for Economic Development & others	41,402	0	41,402	41,402	0	41,402	41,402	0	41,402	41,402	0	41,402
Total Managed Expenditure	638,892	376,240	1,015,132	631,250	313,194	944,444	625,930	291,315	917,245	628,639	259,683	888,322

9. Children, Education, Lifelong Learning and Skills

Summary of Budget Changes

This budget reflects the positive commitment to increase funding for schools and skills, and to protect those frontline services which impact directly on children. The budget will enable these services to be extended through the application of increased investment over the next three years.

By 2013-14 the Department's revenue budget will have increased from a baseline of £1.694bn in 2010-11 to £1.705bn. While revenue funding for 2011-12 has reduced by £21.1m (1.3%), indicative budgets for future years present positive annual increases of £8.6m, (0.5%) and £23.3m, (1.4%) for years 2012-13 and 2013-14 respectively.

In addition some budgets have been re-prioritised to ensure that funding is available to support the full roll-out of the foundation phase, to increase funding for Post 16 learners with Special Educational Needs (Post 16 SEN), to match demand for free primary school breakfasts and to reflect the increases in students within Higher Education.

Capital funding has reduced by £10.1m, 5.5% from 2010-11 budget, these reductions increase further by £12.1m, (7%) and £17.5m, (10.9%) for the next two years from 2012-13.

Overview of Spending Priorities

- 9.1** The Department for Children, Education, Lifelong Learning and Skills (DCELLS) works with partner organisations across Wales to deliver the Assembly Government's commitments in *One Wales*. The Department aims to give the children of Wales the best start in life through providing a first-class education and promoting and supporting learning for adults, whether in further education, higher education or community-based learning, and to promote equality. Through our programmes we will equip young people and adults with the skills, including basic and employability skills that they need to obtain employment and fulfil their potential at work. The Department will support employers to acquire and apply the skills necessary to achieve success and power the Welsh economy and aims to maximise the benefits of universities for Wales especially their research and development capacity and science, technology, engineering and mathematics provision through the National Science Academy.
- 9.2** The budget for 2011-12 must be viewed in the context of the reduced resources being made available to the Welsh Assembly Government over the planning period. Despite this, the budget for Children Education, Lifelong Learning and Skills has reinforced the commitments made in *One Wales* by protecting budgets for schools, skills development, and

services for children in 2011-12, and providing indicative increases in the following 2 years.

- 9.3** Flying Start - the early years programme and Cymorth both receive indicative increases from 2012-13. The increased opportunities and choice for young people provided by the 14-19 Learning Pathways is being maintained. The total increase against the Action for Children and Young Peoples Strategy is £5.6m over the two years to 2013-14.
- 9.4** Within the Curriculum and Assessment Action, the continued roll-out of the Foundation Phase to provide a new and more effective way of learning for 3 to 7 year olds is supported through additional funding totalling £21.6m over the three years from 2011-12.
- 9.5** Within the Support for Learners Action, support for those with additional learning needs is helped with an additional £6.5m per year for post 16 SEN. The commitment to the health and wellbeing of school pupils is continued, including the provision of free primary school breakfast and future year increases to funding for school based counselling. The Department's commitment to equalities is reinforced in additional funding for the Minority Ethnic Achievement Grant and the Gypsy Travellers learning grant. Overall the Support for Learners budget will increase by £9.2m in 2011-12, plus a further £2.8m in 2012-13 and £2.9m in 2013-14.
- 9.6** These programmes are underpinned by a continuing drive to improve the standards and quality of our schools through the Schools Effectiveness Framework, with a focus on improving teaching and learning through enhanced leadership capacity and more effective arrangements for the development and support of practitioners. Specific additional funding of £1m will be made available in 2011-12 to enhance school staff Continuing Professional Development (CPD), targeted to improve basic literacy skills through effective teaching increasing to £3m and then £5m over the three years. In addition funding will be targeted towards schools leadership and effectiveness, with increases of £2.7m, and £4.2m for future years.
- 9.7** Spending on skills development and workplace learning remains a priority and the Workforce Development Programme will be aligned to support the Assembly Government's Economic Renewal Programme including the new focus on anchor companies. The commitment to increase apprenticeship opportunities will continue through the Pathways to Apprenticeship programme. There will be a special focus on youth engagement and employment and tackling long term unemployment. Improvements to advice, information and guidance services are planned including the modernisation of careers services in Wales. Indicative skills budgets will increase over the two years 2012-13 and 2013-14 by some £14m, (2.3%).

Departmental Work to Support the Key Budget Themes

- 9.8** The Department's spending priorities are closely aligned to the Assembly Government's commitments in *One Wales*. The focus is on protecting frontline services and, in particular, services to the most vulnerable children, families, unemployed young people (to age 25) and those with special educational needs.
- 9.9** The Minister for Children, Education and Lifelong Learning has initiated a programme which aims to maximise the proportion of expenditure on frontline services across the education system in Wales which involves all organisations in the delivery chain. Significant opportunities have been identified to move resources to frontline services through ten hypotheses for achieving the transfer. Proposals to realise these benefits are currently under development.
- 9.10** In setting its budgets, the Department has considered and assessed the impacts of the changes both on the organisations affected and, more importantly, on the learners and learning outcomes. Careful consideration has been given to equality impacts and to the need to tackle social inequalities, including child poverty, more generally. Specifically this is reflected in the protection of budgets which impact directly on children, and increases in a number of budgets including Foundation Phase, free primary school breakfasts, and post 16 students with Special Educational Needs. The indicative budgets for future years take this further with increases planned which will extend funding for children, in early years, through schools, and through the Minority Ethnic Achievement Grant. The Department's Single Equalities Action Plan is constantly monitored and provides assurance that its policies and programmes address inequality. Whilst the largest reductions have been made within Higher Education the Higher Education Funding Council for Wales (HEFCW) will be required to include an equalities impact assessment as part of the criteria for distribution to ensure that there is no disproportionate impact on any group
- 9.11** Education and skills at all levels are vital for economic growth and prosperity because they contribute powerfully to national competitiveness, business productivity and individual social mobility. This has been a key priority for the Department and the investment in skills, in particular through the ReAct, ProAct and Skills Growth Wales programmes, has already made a significant contribution in reducing the effects of the recession. These programmes have provided more opportunities for education and training and encouraged businesses to invest in training. The investment in skills has also been helping prepare Welsh business to take advantage of new opportunities for growth. The budgets for 2011-12 protect the spending on skills and through its 'Skills for Economic Renewal' programme the Department will ensure that its spending supports the Assembly Government's economic development policy.

9.12 Future funding policy for Higher Education funding and Student Finance will be determined within the Welsh Assembly Government's response to the Browne Review. The draft budget does not predetermine any budgetary implications which might arise from policy decisions. However any changes will be for future years, and are not expected to require any amendment to the budget presented for 2011-12.

Key Delivery Programmes

9.13 The key delivery programmes are those which have direct impact on the priority areas of schools, skills development, and services for children.

9.14 The main areas of spending for 2011-12 for are set out below:

- For early years: Flying Start (£39.1m), Foundation Phase (£91.2m), Food and Nutrition in Schools (£15.9m).
- For all children and young people: Cymorth (£44.1m), 14-19 Learning Pathways (£20.6m revenue), Better Schools Fund (£15.2m) and Welsh Baccalaureate (£11m)
- For Post -16: Skills Development and Workplace Learning (£20.4m), the funding of School 6th Forms, Work Based Learning, Adult Community Learning and Further Education (£564.9m), Higher Education (£394.5m) Student Finance (£274m, excluding Annually Managed Expenditure) and Careers Services (£38m).
- Capital budgets of £173.4m consisting of Early Years and Youth Justice (£7m) HE (£19.4m), 21st Century Schools and FE Transformation (£162.5m).

Approach to Finding Efficiencies and Savings

9.15 The need for the Department and partner organisations to realise real terms efficiencies alongside budget savings has been central to the budget setting process and is closely linked to the management of the overall budget reduction and the maintenance of frontline services.

9.16 The plans being developed under the **Frontline Resources Review** will realise efficiencies by rationalising policy development and funding streams; increasing collaboration in the provision of services; and encouraging the sharing of resources and facilities. These proposals will all increase the value for public money and resources available for frontline services to learners.

9.17 The transformation agenda also focuses on the delivery of efficiencies through rationalisation of the provider network, more effective use of

assets and a more coherent approach to the delivery of education and training.

- 9.18** In order to direct funding to schools and skills, the majority of budget reductions have been focused on specific budgets. Higher Education will receive a reduction over the next 3 years of £51m. This amounts to some 11.8%, compared to the severe reductions proposed in England. The planned reductions will facilitate the statutory commitment to provide financial support for Higher Education students, numbers of which have increased significantly over the past two years. This does not predetermine the Welsh Assembly Government's response to the Browne Review. The reductions include the efficiency savings we expect to be delivered through the implementation of our Higher Education strategy, *For our Future*. The commitment to the development of the University of the Heads of The Valleys (UHoVI) and Coleg Cymraeg Cenedlaethol (formerly Coleg Federal) will, however, remain a priority to be funded from this budget.
- 9.19** Funding for Careers Wales will be reduced by £3m (7.25%) in 2011-12 with further reductions in following years. The Edwards review reported in respect of the Careers Wales service during the summer. Following this we have widened the discussion to the full Careers service provided to citizens in Wales. A response to the recommendations of the review will be made in due course. However the reduction reflects the expectation that savings will be delivered through increased efficiency both within the re-configuration of the careers companies and delivery of services. An equalities impact assessment will be undertaken when making these efficiencies to ensure that there is no disproportionate impact on any group.
- 9.20** A reduction of £6.5m will be applied to Further Education in 2011-12, which amounts to some 2.09% of the FE budget. The reduction reflects the commitment to support skills within Wales and is set in context against a reduction of 25% over 4 years applied to Further Education within England. In comparison, indicative budgets for 2012-13 and 2013-14 for FE within Wales remain constant.
- 9.21** In addition reductions have been applied to bodies with an administrative function which are funded by the Welsh Assembly Government, where it is expected that savings will be delivered which are comparable to the levels of reduction applied to the Departmental Running Costs within the Welsh Assembly Government. This includes the Children's Commissioner for Wales, HEFCW, and Student Loans Company.
- 9.22** The capital budget for the Department for Children, Education and Lifelong Learning & Skills together with other local authority and institution funds provides investment to deliver the necessary facilities and infrastructure, including ICT, for Welsh learners in schools, further education colleges and universities. To enable delivery of policy programmes the Department has been migrating towards a strategic

approach to capital investment through its 21st Century Schools and transformation of post-16 education (including Higher Education provision) programmes.

- 9.23** The implication of the reduction to the capital budget over the next three years is that these programmes will need to be delivered over a longer term and that investment, from Early Years through to Higher Education, will be deployed on a coherent, prioritised basis supported by a consolidated budget. Collaboration, including joint use of assets, between all education sectors will also be maximised.
- 9.24** The application of a largely project-based strategic fund will enable capital funding to be more effectively managed year on year, to continue to make prioritised significant investments, and to maximise match funding to secure UK wide capital funding for science research.

Table 9.1 – Children, Education Lifelong Learning and Skills SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total									
Children, Young People & School Effectiveness	214,874	7,406	222,280	223,986	0	223,986	231,742	0	231,742	242,099	0	242,099
Curriculum & Assessment (incl. Foundation Phase).	144,109	0	144,109	155,914	0	155,914	163,244	0	163,244	168,411	0	168,411
Skills, Higher Education & Lifelong Learning	1,054,033	19,436	1,073,469	1,006,644	0	1,006,644	1,000,012	0	1,000,012	1,006,603	0	1,006,603
Business Improvement & Resource Investment	281,535	156,650	438,185	286,920	173,353	460,273	287,037	161,243	448,280	288,173	143,734	431,907
Total DEL	1,694,551	183,492	1,878,043	1,673,464	173,353	1,846,817	1,682,035	161,243	1,843,278	1,705,286	143,734	1,849,020
Annually Managed Expenditure (AME)												
Business Improvement & Resource Investment	0	203,398	203,398	0	217,656	217,656	0	225,781	225,781	0	226,516	226,516
Total Managed Expenditure	1,694,551	386,890	2,081,441	1,673,464	391,009	2,064,473	1,682,035	387,024	2,069,059	1,705,286	370,250	2,075,536

10. Environment, Sustainability and Housing

Summary of Budget Changes

The amount available to spend in 2011-12 within the Department has decreased by £61m when compared with 2010-11 on a like for like basis. This is made of reductions of £8m and £53m in our revenue and capital budgets respectively.

This budget reflects our commitment to sustainable development and equality. Despite being in a time of reducing budgets we are protecting the Major Repairs Allowance, which funds vital repairs for tenants in council housing, and remain committed to achieving the Welsh Housing Quality Standard. We will target support to housing services for vulnerable people and have made Supporting People a priority area.

We are protecting the most vulnerable in society through the Energy Efficiency and Fuel Poverty programme which aims to reduce fuel poverty whilst reducing carbon emissions and are maintaining 2010-11 funding levels into next year. We are also providing a significant level of protection to our flood risk management programme and climate change considerations have been central to our budget setting process.

Overview of Spending Priorities

- 10.1** This Department has a wide ranging remit. It is central to the delivery of the Assembly Government's outcomes and underpins sustainable development which is the Assembly Government's organising principle. Our work supports the Assembly Government's sustainable development scheme, **One Wales: One Planet**. This scheme confirms two core principles and six supporting principles. Our work across the Department to provide low carbon initiatives and low carbon regions underpins the Sustainable Economy principle whilst our wide ranging housing work supports our commitment to a Sustainable Society. Sustaining the Environment is central to the work we do and we will continue to fund both the Environment Agency Wales and the Countryside Council for Wales to help protect our environment for future generations to enjoy. We are committed to ensuring that the countryside is accessible to all and are well on our way to completing our coastal path by 2012, another of our *One Wales* commitments.
- 10.2** **Capturing the Potential: a Green Jobs Strategy for Wales**, sets out a clear direction for creating a green economy. Our work in a number of our Regeneration Areas supports this, whilst our Home Energy Efficiency Scheme will help provide a real market to support these jobs.

- 10.3** Our new strategic energy performance investment programme **Arbed**, will provide £30m of funding for green homes, green skills and green jobs. This funding will upgrade the energy efficiency of existing housing stock in some of the most deprived parts of Wales and also provide a boost to jobs, skills and regeneration. The initial £30m will attract further investment from other sources such as social housing providers and energy companies to improve housing stock and invest in renewable technologies. A second phase with EU funding is in final preparation in co-operation across Departments.
- 10.4** **Improving Lives and Communities – Homes in Wales**, our new national housing strategy set out clear priorities such as the availability of the right type of housing and improving the range of housing related services. Achievement of the Welsh Housing Quality Standard is paramount across all our social housing providers. As such we intend to protect the budget that supports this work on current and former local authority housing stock, whether the stock is still managed by local authorities, or has transferred to new landlord.
- 10.5** The recent economic downturn has resulted in an increase of demand for social housing. *One Wales*' committed to increase the supply of affordable homes by 6,500 units before the end of the current Assembly Governments' term. Latest figures suggest that we are progressing well against this target. With the pressure on future capital budgets we are looking at alternative models to continue to fund the sector. For example, the feasibility of innovative funding methods such as the Welsh Housing Investment Trust is currently being tested. If successful this will go some way to funding new units to meet future demand. We are also delivering on another *One Wales* commitment in that we are releasing Assembly Government land for affordable housing use.
- 10.6** **Towards Zero Waste** focuses on how we can encourage people to consume and throw away less. We have set a 70% target for recycling and composting household waste by 2025 and aim to be a zero waste country by 2050. Across the 22 local authority areas we are already up to 40% and we are continuing to back this up with support for new treatment plants and collection facilities. Within this budget there is an additional £10.6m capital to support the implementation of Anaerobic Digestion treatment plants.

Departmental Work to Support the Key Budget Themes

- 10.7** Careful consideration has been given during the budget process to safeguard frontline services, to potential equality impacts, and to the need to promote social justice generally. We are committed to investing in new affordable homes and will continue to do so. The Welsh Housing Investment Trust, if successful will be an alternative source of

funding to secure new affordable homes. In terms of our existing social housing stock we will continue to fund major repairs for local authority housing. We will continue to fund the dowry payments for former local authority housing, which has now transferred to new stock transfer landlords, maintaining the level of major repairs and dowry payments at the 2010-11 level. Both these funding streams help to achieve the Welsh Housing Quality Standard (WHQS).

- 10.8** Our Supporting People programme continues to protect those most vulnerable in our society. Despite budget reductions, we are still investing over £140m in this vital programme. In 2011-12 we have lessened the impact of the reductions by allocating £2m specifically to this programme. An external review of this programme is being published imminently. We will use the findings of this review to work with stakeholders to ensure that we achieve the best possible value for money, so that the effects of the budget cuts are mitigated.
- 10.9** It is worth noting that this help to save resources in such areas as health and social services by ensuring support is provided for in the most appropriate setting. Our Rapid Response Adaptations programme fulfils a similar role by enabling people to live independently in their own homes for as long as possible. It also reduces the demand on the NHS by preventing admission to hospital or by helping someone to return home sooner than would otherwise be possible. As such, we are protecting this area in full.
- 10.10** Our main Regeneration programme focuses on seven of the most deprived areas in Wales. Whilst we still invest in physical regeneration we do take a people centred approach in our programme delivery. We are running successful JobMatch programmes in a number of our Regeneration Areas. These programmes build on existing provision provided through JobCentre Plus and welfare to work schemes.
- 10.11** Schemes such as Energy Efficiency and Fuel Poverty programme are targeted at reducing fuel poverty and are aimed at the most vulnerable in our society as well contributing to lower carbon emissions. This is an area where funding will be maintained into the future.
- 10.12** WHQS is about more than bricks and mortar and local communities are already benefitting from significant social and economic regeneration including additional jobs, an increase apprenticeship schemes and new opportunities for local small and medium sized enterprises. It is estimated that every £1m of public money invested in building more affordable homes generates work for 21 workers over the course of a year while for housing repair and maintenance, it supports 32 workers.
- 10.13** The Registered Social Landlord (RSL) sector employs around 5,000 directly and it is estimated that indirectly it supports over 10,000 jobs. We are providing and continue to provide substantial support to the stock transfer process, for those local authorities which have achieved

a positive tenant ballot. This includes support for targeted recruitment and training, which results in local jobs and training opportunities being provided for unemployed people.

10.14 Regeneration programmes are designed to reinvigorate areas that have suffered from major economic changes and market failures. The thrust within a number of the Regeneration Areas is developing tourism as a means to support ongoing economic wellbeing. Our support for the British Gas Green Skills Training Centre in Tredegar is a good example of where we are supporting economic growth with the longer term outcome of lowering Wales' carbon footprint. This also links with the Energy Efficiency and Fuel Poverty Scheme.

Approach to Finding Efficiencies and Savings

10.15 We appreciate the financial climate within which the Assembly will need to operate over the coming years. We have considered carefully how we can operate within our reduced budget. We have not underestimated the difficult choices that have to be made. However, we have focused on delivering our statutory obligations as well as protecting those most vulnerable in our society. We have also focused on delivering our green energy commitments, which will have the dual effect of helping reduce fuel poverty as well as contributing to a green economy.

10.16 In order to support our key strategies we have decided to protect some areas. Within housing we are maintaining our budgets to help bring current and former local authority housing stock up to WHQS. This £108m capital budget underpins the business plans for those local authorities that have retained stock. It also pays the dowry payments to the new landlords that have taken responsibility for former local authority stock. These new landlords' financial viability could be undermined without these dowry payments.

10.17 Within our regeneration portfolio we are able to protect our revenue budgets in our seven Regeneration Areas. This is being achieved through working with partner organisations which are funded from elsewhere in the regeneration budget. This constructive approach has allowed us to understand the cost base of partners and adjust our grant funding accordingly to a level that does not effect delivery of objectives.

10.18 We are protecting our £22m Home Energy Efficiency Programme which is a lynchpin of our policy to tackle fuel poverty and reduce carbon emissions. We have demanding statutory obligations for waste in Wales, in particular on diverting waste from landfill. The European financial penalties if we get this wrong would be financially damaging to the Assembly Government. As such we are protecting the £23m food waste programme. We are committed to providing further investment in this area, when other waste disposal plants become operational.

- 10.19** Another area where we are providing protection by redistributing the Department's overall budget is Flood Risk Management. We cannot protect the budget in total, however, across capital and revenue the budget reduces by only £2m from £39m in 2010-11 to £37m in 2013-14.
- 10.20** Within Housing, if successful, the Welsh Housing Investment Trust could help deliver new affordable homes, at a time when our Social Housing Grant programme is reducing. The Regeneration Investment Fund for Wales was launched recently which follows similar principles to increase investment in regeneration. Within housing we are also developing new flexible housing options, such as intermediate rent, to allow better choice for families, and extend the support that we can offer.
- 10.21** We launched Independent reviews of the Housing Revenue Account Subsidy (HRAS) and the Social Sector Rent Policies in 2009. They are closely linked and continue the partnership working developed by the Essex implementation. The HRAS review takes account of the implications of the review of Council House Finance in England and compares the regime in Wales in order to identify options for reform. We will be developing options suited to the situation in Wales and exploring their implementation.
- 10.22** Within the next couple of weeks we will be publishing the final report on the *'Review of The Supporting People Programme in Wales'*. In light of this review we wish to ensure that we obtain optimum value from this essential programme. We intend that budget reductions should have a minimum effect on the people that we support.
- 10.23** We are working through a review of options available to us for the future of environmental delivery in Wales. Our delivery bodies have been working closely together to examine a range of options from sharing services through to the possibility of a new environmental body for Wales. Efficiency savings via some of the options being considered should deliver savings that will, at least, provide some protection to frontline services delivered by these bodies.

Table 10.1 – Environment, Sustainability and Housing SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total									
Climate Change & Sustainability	119,593	67,220	186,813	117,485	56,209	173,694	115,475	57,196	172,671	119,908	50,555	170,463
Environment	83,972	8,259	92,231	80,898	4,600	85,498	81,125	4,600	85,725	77,863	3,850	81,713
Housing	157,217	273,079	430,296	154,765	249,392	404,157	151,147	231,970	383,117	151,792	206,782	358,574
Planning	8,074	0	8,074	7,772	0	7,772	7,403	0	7,403	7,090	0	7,090
Regeneration	14,894	69,435	84,329	14,489	55,343	69,832	14,336	51,477	65,813	14,397	45,888	60,285
Total DEL	383,750	417,993	801,743	375,409	365,544	740,953	369,486	345,243	714,729	371,050	307,075	678,125
Annually Managed Expenditure (AME)												
Housing	-77,000	0	-77,000	-72,000	0	-72,000	-61,000	0	-61,000	-55,000	0	-55,000
Total Managed Expenditure	306,750	417,993	724,743	303,409	365,544	668,953	308,486	345,243	653,729	316,050	307,075	623,125

11. Rural Affairs

Summary of Budget Changes

The Draft Budget will enable all key activity within the Rural Affairs MEG to proceed, including the delivery of the Rural Development Plan, the effective administration of the Single Payment Scheme, the programme to eradicate bovine TB and the Young Entrants' Support Scheme.

The total draft budget for Rural Affairs for 2011-12 amounts to £136.6m, compared to £143.3m in 2010-11.

Revenue funding has reduced from £126.6m in 2010-11 to £123.7m in 2011-12. Capital funding has reduced from £16.7m in 2010-11 to £12.8m in 2011-12.

Overview of Spending Priorities

- 11.1** Rural Affairs' spending priorities support the Welsh Assembly Government's strategic aims and objectives, in particular to ensure that the environment is protected and sustainable; to contribute to a strong and sustainable economy; and to contribute to the development of Wales as an energy efficient, low carbon, low waste society. These help contribute to a healthy population with a good quality of life.
- 11.2** In pursuit of these strategic aims and objectives, the Department's spending priorities cover a range of programmes. Central to these is the delivery of programmes within the Rural Development Plan and making Single Farm Payments in accordance with EU rules; the protection and improvement of animal health and welfare; implementing the new Woodland Strategy through the Forestry Commission Wales; the development and marketing of the Welsh food and drink sectors; and the development, management and enforcement of Welsh fisheries and aquaculture. These main spending priorities are supported by the continuous development of an appropriate evidence base which informs Departmental policies; and work in rural proofing Welsh Assembly Government actions to ensure that the needs of rural communities are met, and that communities are regenerated.

Departmental Work to Support the Key Budget Themes

- 11.3** The Department for Rural Affairs delivers a number of frontline services. Payments are made to farmers under the Single Farm Payment Scheme. This is a scheme which is fully funded by EU funding, totalling some £263m in 2011-12. To deliver the scheme successfully requires a very significant level of investment in IT systems, to protect the Welsh Assembly Government against the significant risk of disallowance of the EU funding, which could run into millions of pounds in a particular year, and which would divert funding from other key priority areas. Administration costs are kept to a minimum but consistent with the need to ensure that all the European Commission requirements are complied with. This area of the budget has therefore been fully protected.
- 11.4** Funding to deliver the various strands of the Rural Development Plan is also being fully protected. This is necessary in order to avoid any de-commitment of EU funding, and to ensure that the various strands of the Plan are delivered - the Plan delivers frontline services in the form of grant payments to farmers under particular schemes which protect and enhance the countryside; schemes to improve the competitiveness of the agricultural and forestry sectors, and funding to improve the quality of life in rural areas and the diversification of the rural economy.
- 11.5** Addressing the bovine TB issue in cattle is a major priority at the present time. Statutory payments are made to farmers to compensate them for the cost of cattle which have to be slaughtered as a result of contracting the disease. This helps to protect their livelihoods and to maintain the countryside. Meanwhile, a major TB Eradication programme is underway which in time will result in a reduction in the level of compensation payments. This will free up these resources for other frontline services.
- 11.6** In reaching spending priority budget decisions, careful consideration has been given to equality issues and to any potential impact on vulnerable or disadvantaged groups. In support of the Welsh Assembly Government's commitment to equality and social justice, spending priorities will continue to support vulnerable groups in our society through:
- The delivery of the Rural Development Plan, where an Equality Impact Assessment has been undertaken;
 - The Young Entrants' Scheme introduced in 2010-11 supporting young farmers to enter the industry;
 - Activity on community cohesion and migrant workers has been addressed through the Migrant Workers Forum and specific reference is made to the rural proofing role within the Community Cohesion Strategy;
 - Evidence is being collated on disadvantaged groups and equality issues in Welsh Rural Society;

- The Department has reviewed its communication strategy to ensure there is scope for targeting to reach all the people likely to be affected by a policy. Good practice is shared particularly around women farmers and engaging with young people in rural areas; and
 - The Department undertakes strategic awareness Women in Agriculture events targeted at women involved in agriculture.
- 11.7** The Rural Development Plan includes provision of funding specifically aimed at improving the competitiveness of the agricultural and forestry sector. For example, processing and marketing grants are available for the food industry, and support is available for individual farmers via the Farming Connect Programme. In addition, the Plan includes measures to diversify the rural economy, including the diversification into non-agricultural activities, support for the creation and development of micro-enterprises, and encouragement of tourism activities.
- 11.8** Support is provided for the promotion of Welsh food to increase the competitiveness of the sector and to take forward the Food Strategy '*Food for Wales, Food from Wales 2010-2020*'.
- 11.9** Strengthening the Evidence Base on economic data is important to achieve a greater impact in this area. A review has been undertaken of the impact of the recession on the rural economy. It is anticipated that this report will be refreshed in 2011. The information within this report will be used to target elements of the RDP to those areas of the rural economy that need support.
- 11.10** In addition, we are working on science and research projects such as the UK Foresight and Technology Strategies Boards to improve our science base on innovation in order to encourage future economic growth.
- 11.11** Timber has a vital role to play in the sustainable development of Wales, both as a renewable resource that can lock up carbon for many years, and as a valuable contribution to the Welsh economy. Many of Forestry Commission Wales' corporate programmes and actions contribute to growing, managing and marketing timber, which aids the Welsh Assembly Government in achieving its objective of maintaining potential national wood production while diversifying the existing non-native woodlands in Wales.

Key Delivery Programmes

- 11.12** Key delivery programmes for the current year include the ongoing delivery of the Rural Development Plan 2007-13, which is part of the Common Agricultural Policy. The Plan is worth £790m over the 7 year period, of which the Welsh Assembly Government must contribute £595m. There are 4 major objectives under the Plan. The largest in

financial terms is Axis 2, which focuses on conserving our landscape and environment for the benefit of all citizens.

- 11.13** £74m (revenue and capital) domestic funding is being committed to the Rural Development Plan in 2011-12.
- 11.14** From 2012, the four existing agri-environment schemes will be replaced by a new sustainable land management scheme, *Glastir*, to deliver on climate change, carbon/water/soil/habitat management and bio-diversity. It has 2 elements – the All-Wales element, and a targeted element. The All-Wales element provides an entry level land management scheme which will allow far larger numbers of farmers and far greater areas of farmland to be brought under land management. The targeted element focuses on 3 main elements: soils and soil carbon management, water management and the management of biodiversity.
- 11.15** A Young Entrants' Scheme has been introduced in 2010-11 which supports young farmers to enter the industry. This is an important initiative which will help to address the issue of the aging farming population – where the average age of farmers is now some 60 years old.
- 11.16** Another key delivery programme is to take forward the Action Plan to eradicate bovine TB in Wales. A comprehensive TB Eradication Programme is in place which includes measures to address all sources of bovine TB infection. In September 2010 the Minister for Rural Affairs announced a consultation on a new draft Order to pursue a badger control strategy in a specified area in West Wales. £10.4m is being committed to the TB Eradication Programme in 2011-12. This is in addition to budget provision of £11.7m within the Rural Affairs MEG for TB compensation payments.
- 11.17** Funding to Forestry Commission Wales in 2011-12 in order to take forward the implementation of the Woodland Strategy amounts to £21.6m.
- 11.18** There is a major initiative on local food procurement, food tourism and support for the marketing of Welsh food. Delivery programmes will be developed within the key drivers identified in the Food Strategy, '*Food for Wales, Food from Wales 2010-2020*'.

Approach to Finding Efficiencies and Savings

- 11.19** A Business Case is being prepared to support an end-to-end electronic system for payments made under the EU Common Agriculture Policy, covering direct payments to farmers and payments made under the Wales Rural Development Plan. This will require significant up front investment to put in place the required IT systems and it will be

necessary to re-align the current pattern of service delivery. It is intended that the new e-system would go live in 2014, with full implementation by 2016.

- 11.20** The Department is looking critically at whether it is necessary to undertake certain activities. This includes looking at our Evaluation Programme of existing Schemes. This takes account specifically of value for money, additionally benefits and process efficiency. Work is being prioritised accordingly.
- 11.21** Measures have already been taken to contain expenditure on TB compensation, which is statutory and demand led. Procedures for valuation have been tightened, and carcass receipts have been increased. Compensation payments in future will be linked to farmers having good biosecurity measures. The measures already taken have already secured savings of £1.1m per annum.
- 11.22** The Department provides a significant proportion of the total funding for Forestry Commission Wales, with the balance being generated from various income streams including timber sales. The Forestry Commission are instigating a range of efficiencies including the outsourcing of maintenance activities, and a reduction in the number of staff employed on its core activities. Some of these staff are being redeployed to manage contracts for the development of new windfarms, which once operational will generate receipts of some £20m per annum to the Welsh Assembly Government. In addition, Forestry Commission Wales is currently in discussion with the Countryside Council for Wales and Environment Agency Wales to review arrangements for delivering the Welsh Assembly Government's environmental policies.
- 11.23** The budget for delivering programmes within the key drivers in the Food Strategy, 'Food for Wales, Food from Wales 2010-2020' is being reviewed in line with the approach to key sectors identified by the Department for Economy and Transport.

Table 11.1 – Rural Affairs SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total									
Protecting & improving Animal Health & Welfare	25,153	0	25,153	22,660	0	22,660	22,280	0	22,280	22,280	0	22,280
Rural European Policies	69,148	15,372	84,520	69,872	11,601	81,473	69,173	11,369	80,542	70,343	10,723	81,066
Evidence Base	1,027	38	1,065	1,210	38	1,248	1,160	38	1,198	1,110	38	1,148
Welsh Food, Fish & Drink Industry	7,289	1,524	8,813	6,675	1,400	8,075	6,300	1,200	7,500	6,200	1,000	7,200
Common Agriculture Policy & the Countryside	23,943	-205	23,738	23,305	-205	23,100	22,905	-205	22,700	22,405	-205	22,200
Total Managed Expenditure	126,560	16,729	143,289	123,722	12,834	136,556	121,818	12,402	134,220	122,338	11,556	133,894

12. Heritage

Summary of Budget Changes

Following the budget planning round revenue funding has reduced from £134.3m in 2010-11 to £130.1m in 2013-14. Capital funding has reduced from £18.6m to £12.3m over the same period.

In recognition of the important work carried out by all the organisations that the Heritage MEG supports the impact of this reduction in funding will be spread across the range of supported organisations including Cadw and Visit Wales.

An increase in funding is being provided to the Bilingual Wales Fund in order to support the establishment of the Welsh Language Commissioner and the implementation of the Government's Welsh Language Strategy. We are also proposing to increase funding for Casgliad y Werin – the all-Wales virtual museum of people's history recognising its strategic importance.

The relative priority given to arts funding recognises the important contribution which arts bodies can make to the quality of people's lives as well as the economy. In addition the provision of front line services and grant schemes are being prioritised over administration and support costs.

Capital expenditure has had to be focused on the most pressing strategic priorities and essential maintenance. The Welsh Assembly Government wants to work with the National Museum to support the redevelopment of the National Museum of Wales St Fagans and maintain its position as the top tourist attraction in Wales.

Overview of Spending Priorities

- 12.1** All of the spending programmes supported by the Heritage Department have a contribution to make to the Assembly Government's policy of promoting our rich and diverse cultural heritage. We will, therefore, continue to provide financial support for the Arts Council for Wales (ACW), the National Museum and Gallery of Wales, the National Library of Wales, Sport Wales, the Welsh Language Board and Cadw. Each of these organisations will be faced with a need to make efficiency savings over the spending period but investment has been prioritised on protecting frontline services.
- 12.2** We will also continue our investment in the promotion and marketing of tourism with a view to growing the visitor economy to take advantage of Wales' natural, heritage and cultural assets combined with high quality

hospitality and ease of access. We recognise the need to compete with other parts of the UK, Europe and the World to attract visitors. By growing the visitor economy jobs are created and sustained throughout Wales, especially in rural areas and for the more disadvantaged sectors of society.

Departmental Work to Support the Key Budget Themes

- 12.3** A variety of frontline services are provided under each of the Heritage budget subheadings. Although budgets have had to be reduced, each of these broad headings will continue to receive a substantial level of public support. This is in recognition of the contribution they make towards ensuring that opportunities to enjoy Wales' rich cultural heritage and sporting activities are available to as widely as possible.
- 12.4** Throughout this budget settlement the main focus has been on protecting frontline services whilst applying stringent efficiency targets to administration and support services. These efficiency savings in administration, joined up working and shared services will be in addition to those realised under the 'Making the Connections' initiative over recent years.
- 12.5** The Assembly Government has emphasised the importance of cultural organisations developing creative responses to the challenge faced by reducing budgets with a view to maximising the public benefits associated with every pound of public expenditure on heritage. The need to find these creative solutions was the subject of a Culture Summit hosted by the Heritage Minister in July. The summit featured representatives of all the Assembly Government Sponsored Bodies the Heritage MEG supports together with other delegates from organisations across the cultural sector. The Minister stressed the need for creative solutions to include the development of new creative partnerships aimed at enhancing cultural impact as well as sharing of back office functions to drive further efficiency savings.
- 12.6** The Heritage Department has considered potential equality impacts carefully as part of the budget setting process. The Department will continue to support programmes aimed at widening access for all groups to the arts and culture including sport. This budget settlement is intended to maintain the Government's commitment to free access to the national institutions, to a programme of free access to Cadw sites and to maintaining the free swimming programme.
- 12.7** Tourism supports entry level jobs which can help tackle economic inactivity and provides opportunities for part-time workers – the sector fits well with the shift towards more flexible work patterns seen in the workforce in recent years. Capital investment in tourism SMEs through the new Tourism Investment Support Scheme will help to sustain

employment levels throughout Wales including in our economically disadvantaged areas

- 12.8** The Heritage budget promotes economic growth through the revenue and capital budget allocation for tourism and related industries. In stimulating a healthy visitor economy we support further development of the tourism and associated employment opportunities. Marketing activity generated an additional £91m additional spend by tourists in 2009, and for every £40k spend generated a job is sustained.
- 12.9** The Deputy First Minister launched the Welsh Assembly Government's Economic Renewal Programme (ERP) in July 2010 which set out a step change in the way the Assembly Government provides support to business.
- 12.10** As a result of this programme Visit Wales will manage a Tourism Investment Support scheme to encourage targeted development of the tourism offer. This will support existing activities including - the marketing of Wales as a visitor destination; developing tourism infrastructure in partnership with others; supporting tourism businesses in raising the quality of their offer.
- 12.11** The Economic Renewal Programme also identified the creative industries as a priority sector. Cultural programmes also have a contribution to make to the economy of Wales. Capital grants which aid economic growth include those awarded through CADW to assist conservation regeneration projects including Townscape Heritage Initiative and Town Scheme partnership schemes which includes funding of listed buildings which at risk and vulnerable.

Key Delivery Programmes

- 12.12** The settlement accords a particular priority to the Bilingual Wales budget which includes financial support for the Welsh Language Board and a range of Welsh language voluntary organisations such as the Urdd and the National Eisteddfod. A growing element of the funding provided will be focused on the implementation of the Government's Welsh Language Strategy. The Welsh Language Board's running cost budget has also been protected in order to facilitate the changes associated with the establishment of the Welsh Language Commissioner subject to the National Assembly's approval of the Welsh Language Measure. Continuation funding has also been provided for The Welsh Books Council's project aimed at improving the economic competitiveness of the Welsh publishing industry.
- 12.13** The relative priority accorded to arts funding recognises the important contribution which arts bodies can make to the quality of people's lives. This contribution can be even more valuable during a period of austerity. The reduction of 4.6% in arts funding in Wales over the next

three years compares favourably with the UK Government's announced cash reduction to the Arts Council of England of approximately 20% over four years. Bodies in receipt of revenue funding from the Arts Council for Wales will however be expected to generate an even greater cultural impact from the funding made available. Continuing financial support will also be provided to the Wales Millennium Centre and National Botanic Garden of Wales.

12.14 Grant in aid funding to the National Museum of Wales and the National Library of Wales will be reduced over the spending period but the funding provided will enable a continuation of our policy of free entry to our national institutions. We are also proposing to contribute capital funding in support of the St Fagans development given its strategic importance not just for the Heritage MEG but for the Welsh Assembly Government as a whole

12.15 Within the funding provided to Sports Wales the free swimming budget will remain constant in cash terms. We will continue to support physical activity programmes delivered through Local Authority Physical Action Plans including the 5x60 scheme which has now been rolled out to all secondary schools. Sport Wales will also continue to provide support for elite sports including through national governing bodies.

12.16 The important work done by CADW in maintaining and securing our historic and listed buildings will continue to be a priority and some protection has been given to its budgets in order to do this. Work is also in hand to develop CADW operations to optimise commercial activities and give it the flexibility it requires to deliver its income generating strategy.

12.17 The new Tourism Investment Support Scheme will give grants to the tourism industry to further economic renewal through the creation and safeguarding of jobs in both the construction and ongoing operations of developing tourism businesses. Work will continue on the 4 large European funded projects, Digital Tourism, coastal tourism, sustainable tourism and destination Marketing.

Approach to Efficiencies and Savings

12.18 Following on from the Culture Summit in July 2010 a number of work streams are being pursued involving both Assembly Government Sponsored Bodies and the Welsh Local Government Association. An important focus for this work is the need to find new ways of delivering key public services with a strong emphasis on maintaining frontline services.

12.19 In order to ensure that we achieve maximum value for money from our investment in the arts and culture there will also be a need to subject our grant programmes to continuing scrutiny. For example the frontline

services provided via ACW have already been subject to a fundamental review which has resulted in a reduced number of revenue clients. On the basis of that review ACW will be in a position to ensure that investment is targeted so as to achieve the maximum possible cultural impact.

- 12.20** All of the cultural AGSBs will be required to find further efficiencies in their administrative and support functions in order that we can place greater emphasis on maintaining frontline services.

Table 12.1 – Heritage SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total									
Support & sustain a strong arts sector via the Arts Council & others	36,530	1,090	37,620	35,437	460	35,897	34,842	455	35,297	35,683	450	36,133
Museums, Archives & Libraries	39,564	6,602	46,166	38,988	5,673	44,661	38,233	4,973	43,206	38,242	4,043	42,285
Delivery of effective sports & physical activity programmes	26,345	1,170	27,515	25,437	345	25,782	24,923	345	25,268	24,853	345	25,198
Promote wider use of the Welsh Language via the Welsh Language Board & others	17,919	125	18,044	17,889	75	17,964	17,938	125	18,063	17,984	125	18,109
Conserve, protect, sustain & promote access to the historic environment	5,540	6,135	11,675	5,509	5,500	11,009	5,455	5,313	10,768	5,338	5,031	10,369
Tourism	13,064	3,500	16,564	12,747	2,790	15,537	12,723	2,595	15,318	12,626	2,313	14,939
Total DEL	138,962	18,622	157,584	136,007	14,843	150,850	134,114	13,806	147,920	134,726	12,307	147,033
Annually Managed Expenditure (AME)												
Museums, Archives & Libraries	2,058	0	2,058	2,265	0	2,265	2,490	0	2,490	2,740	0	2,740
Total Managed Expenditure	141,020	18,622	159,642	138,272	14,843	153,115	136,604	13,806	150,410	137,466	12,307	149,773

13. Public Services and Performance

Summary of Budget Changes

The Department for Public Service Improvement aims to promote collaborative action to underpin the improvement of public services in Wales. This is in line with the strategic requirements of *One Wales* and *Delivering Beyond Boundaries*.

The Public Services and Performance MEG also supports the Inspectorates for Care and Social Services, Healthcare, and Education and Training in Wales. Finally, the MEG includes provision for the Targeted Match Fund which provides central match funding, as a fund of last resort, to the 2007-13 European Structural Funds Programmes.

By 2013-14, Revenue funding has reduced by £7.8 million (16%) from 2010-11.

By 2013-14, Capital funding has reduced by £7.3 million (34%) from 2010-11.

Overview of Spending Priorities

- 13.1** One of the key aims of the Welsh Assembly Government is to promote public services which are citizen-centred, effective and value for money. Public services will face particular challenges in the years ahead, and the Department for Public Service Improvement is the Assembly Government's pivotal vehicle for supporting and leading the agenda for change, integration, and performance development across the public services in Wales. We will therefore continue to invest during the coming years in the Efficiency and Innovation programme and in the development of Local Service Boards. Effective Regulation and Inspection is also crucial to support continuous improvement in public services and to assure and safeguard standards of provision for the people of Wales.
- 13.2** The remaining budgets within the Public Services and Performance MEG contribute to a wide range of strategic aims and objectives. Our aim during the budget planning process has been to ensure that we have the necessary resources in place to contribute and deliver interventions against the following outcomes:
- A healthy population with a good quality start of life and health care and social care is readily available - through the work of Healthcare Inspectorate Wales (HIW) and the Care and Social Services

Inspectorate for Wales (CSSIW) in promoting improvement and ensuring high standards.

- **Our economy is strong and provides good employment opportunities** – through promoting better regulation of businesses and taking action to reduce the bureaucratic burden through the Wales Spatial Plan outlining the economic, social and environmental characteristics of Wales as a basis for policy, service and infrastructure planning. In addition, we provide capital and revenue funding through the Targeted Match Fund to organisations in all sectors to support eligible activities under the Convergence, Regional Competitiveness and Employment, and Territorial Co-operation Structural Funds Programmes.
- **People can access good education and training throughout their lives** – through funding Estyn to provide public accountability on the quality of education and training provision in Wales, to promote improvement in its delivery and inform the development of national policy.
- **Our devolved Government is effective and accountable and its role understood by citizens** - by helping to make public services engage more effectively with people who use them.
- **Wales is an energy efficient, low carbon, low waste society** - by working with partners to develop low carbon regions as part of the Spatial Plan, and by embedding sustainability within the Public Service Improvement agenda.

Departmental Work to Support the Key Budget Themes

13.3 Public Service Improvement Department's spending priorities are closely aligned to the Assembly Government's commitments in *One Wales* and are based on the budget criteria set out by the Cabinet. We have set up and are delivering a comprehensive programme to put Welsh public services in a strong position to continue to improve the services they provide to the public despite the tough financial challenge ahead.

13.4 The Cabinet Statement *Better Outcomes for Tougher Times: The Next Phase of Public Service Improvement* established the series of Public Services Summits convened by the First Minister, introduced the Efficiency and Innovation Board, and suggested an important role for Local Service Boards in driving local efficiency and innovation. The Efficiency and Innovation Board is chaired by the Minister for Business and Budget, and includes senior representation from across the public services, trade unions and Third Sector. It has seven workstreams focused on unlocking efficiency and maximising the impact of the Welsh pound: procurement, asset management, new models of service

delivery, ICT, transforming the business, workforce and leadership. The work of the programme includes both enabling and transformational projects.

- 13.5** The purposes of public services inspection are to promote citizen interests and provide public accountability, to encourage improvement in services and to inform government policy. The Policy Statement on *Inspection, Audit and Regulation of Public Services in Wales* sets out the Assembly Government's expectations on how the inspection, audit and regulation of public services in Wales can contribute most effectively to the delivery of high-quality services to citizens. The Assembly Government is looking to CSSIW, HIW and Estyn to respond positively to delivering the principles set out in the policy statement.
- 13.6** Finally, the Targeted Match Fund is providing central match funding, as a fund of last resort, to the 2007-13 European Structural Funds Programmes. The TMF provides capital and revenue funding and is available to organisations in all sectors to support eligible activities under the Convergence, Regional Competitiveness and Employment, and Territorial Co-operation Structural Funds Programmes.

Key Delivery Programmes

- 13.7** A high proportion of the Public Services and Performance MEG funds the work of our Inspectorates and therefore has a direct impact on safeguarding and supporting key services for the people of Wales. Other delivery priorities include programmes which promote public services which are citizen-centred, effective and value for money. The main areas of spending for 2011-12 are set out below.

Inspectorates

- 13.8** This includes the funding of CSSIW, HIW and Estyn. All three Inspectorates are expected to deliver significant savings over the three year period in line with MEG reductions.

Efficiency and Innovation Programme

- 13.9** This small budget of around £3.4m has been protected from any reductions in 2011-12 given its importance in terms of deepening collaboration and increasing the pace of change at a time of financial challenges and increasing demands on public services. The budget also includes the Match Funding Grant for European Social Fund Convergence Programme Priority 4 which will continue at £1m per annum and funding towards the Local Better Regulation Office.

Local and Regional Collaboration

13.10 The majority of this funding is for Local Service Boards which are in place in all 22 local authority areas. They are providing the collaborative, Team Wales leadership advocated by the Beecham Review, and are leading over 90 delivery projects. The ESF Priority 4 LSB project will provide a funding base for this and is at advanced business case stage. Subject to WEFO agreement, the project will provide access to funding of up to £10m for change projects.

Capital budgets

13.11 The Targeted Match Fund accounts for 98% of the entire Public Services and Performance MEG capital budget. As a result, the majority of the capital savings required will have to be found from this budget.

Approach to Finding Efficiencies and Savings

13.12 The Public Services and Performance MEG is a very small budget of just under £72m in 2010-11. Given that the Inspectorates account for 67% of the total revenue budget and the Targeted Match Fund represents 98% of the total capital budget, these are the areas greatest impacted by the reductions.

13.13 The resources allocated to external review represent an investment in citizen interests, through promoting service improvement, better use of public money and enhanced democratic accountability. All concerned must use that investment as efficiently and effectively as they can. External review also places demands on the resources of the bodies subject to the activity. This cost must be carefully balanced against the public interest in and the benefits of the activity being carried out.

13.14 Each Inspectorate will have its own challenges and approach to delivering the necessary savings over the coming years. However, there are common areas for each in terms of achieving efficiencies in their use of financial resources, such as:

- greater proportionality, co-ordination and further progress in planning programmes, exchanging information, co-ordinating assessment, scheduling work, carrying out joint work, forms of reporting and the analysis and use of findings;
- collaboration through more standardisation of systems and through better use of new technologies;
- shared services, and moving more routine transactions onto cheaper web-based and other electronic channels to free more expensive human resources for use where they are most needed;

- accommodation, with a move towards more home working for inspection staff which will help eliminate unnecessary travel and reduce office accommodation requirements and associated costs;
- added value in the way Inspectorates use their own staff and the way in which they involve staff from other bodies in their activities, to develop learning and spread expertise.

13.15 In terms of capital budgets, savings will have to be found from the Targeted Match Fund. This will significantly limit the availability of capital match funding in future years, especially in 2011-12. Those projects already approved will be funded but it is unlikely that other capital bids will be accommodated in 2011-12 and 2012-13. There will be a continued need for individual portfolio Departments to provide match funding for innovative projects.

Table 13.1 – Public Services and Performance SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total									
Care & Social Services Inspectorate	16,534	0	16,534	15,757	0	15,757	15,190	0	15,190	14,461	0	14,461
Healthcare Inspectorate Wales	2,963	0	2,963	2,824	0	2,824	2,722	0	2,722	2,591	0	2,591
Estyn	14,080	425	14,505	13,437	339	13,776	12,968	315	13,283	12,364	281	12,645
Inspection, Regulation & Performance Frameworks	510	0	510	400	0	400	400	0	400	400	0	400
Local & Regional Collaboration	1,560	0	1,560	1,560	0	1,560	1,500	0	1,500	1,300	0	1,300
Efficiency and Innovation	3,321	0	3,321	3,197	0	3,197	3,062	0	3,062	3,028	0	3,028
Match Funding	10,000	21,000	31,000	9,530	16,738	26,268	9,187	15,569	24,756	8,746	13,878	22,624
Total Managed Expenditure	48,968	21,425	70,393	46,705	17,077	63,782	45,029	15,884	60,913	42,890	14,159	57,049

14. Central Services and Administration

Summary of Budget Changes

The Central Services and Administration MEG contains a broad range of functions, including the administration costs of the Assembly Government and other central services.

Revenue funding will decrease by £16.1 million (4.8%) in 2011-12 compared to 2010-11. Capital funding in 2011-12 will decrease by £3.1 million (20.3%) compared to 2010-11.

Within the Central Services and Administration MEG revenue budget funding has been re-prioritised from Staff Costs in to General Administrative Expenditure to create a new workforce planning budget which will pay for early departures. We have removed a number of budget headings as programmes have come to an end and have allocated these resources to relieve pressures elsewhere in the budget.

As a result of the reductions to our capital budget, we plan to retain ICT assets in service longer resulting in a £0.7m reduction to this budget. The remainder of the capital budget is focused on improving accommodation and concentrating our workforce into fewer buildings which will create revenue savings in the longer term.

Overview of Spending Priorities

- 14.1** The focus of the Central Services and Administration MEG is to deliver an effective accountable devolved government.

Departmental Work to Support Key Budget Themes

- 14.2** Devolution provides us with the opportunity to be cleverer in how we deliver services and to take a unique Welsh approach to our budget. We will work collaboratively and beyond the boundaries of the Welsh Assembly Government, engaging people across the wider public sector in Wales and ensuring our capability to deliver key services.
- 14.3** We cannot look at making the savings we need without considering the size of the workforce. The Welsh Assembly Government looks to take a lead in delivering the savings required over the next few years and as such has set itself demanding internal spending reductions. We are looking to reduce the cost base for staff costs and salaries by a fifth in real terms over the next three years.

- 14.4** As we downsize, we will manage the allocation of our staff resources actively through a new process, Solutions, which builds on the success of the current redeployment pool to cope with the larger scale of staff change that we will have to manage. Solutions aims to maintain enough staff in place to support the key programmes funded through other MEGs. It also allows us to manage the delivery of services paid for directly from the Central Services and Administration MEG (which currently has the budget for staff involved in the delivery of services e.g. CAF/CASS, Rural Payments, Cadw, as well as those in policy and support functions). Changes in the workforce also affect the other main cost driver in the MEG, namely the size and distribution of the administrative estate.
- 14.5** Our planning assumptions have included the need to provide for reductions to our workforce and the rationalisation of our administrative estate and ICT systems. 72.2% of the 2011-12 near-cash revenue budget is in Staff Costs and Salaries.
- 14.6** We have given careful consideration to the potential equality impacts of these budget reductions. Given the percentage of women employed in the public sector, the reductions to our workforce might unavoidably affect a greater number of women than men, in contrast to the job losses in the recession in the private sector which had a disproportionate impact on men. We are committed to mitigating any impact on those affected by job losses as far as possible, and we are therefore currently developing a proposal for a Public Service Career Transition Support to manage the impact that downsizing will inevitably have on public sector employees.

Key Delivery Programmes

- 14.7** Alongside day to day running costs the Central Services and Administration MEG contains two key improvement programmes:
- the Enabling Government programme, which is designed to deliver more efficient processes and systems to improve the way in which the Welsh Assembly Government is administered. This includes the implementation of a human resource planning system and electronic records management; and
 - the Location Strategy programme, which is intended to deliver a more efficient and effective administrative estate by maximising the potential benefits from our (administrative office) properties.

Approach to Finding Efficiencies and Savings

- 14.8** In anticipation of falling budgets, Welsh Ministers are making as many budget reductions as possible in 2010-11. Between 31 March 2010 and

30 September 2010, there was a net reduction of 434 members of staff, mostly under early departure schemes. This was a net reduction of 7.8% in staff numbers. We have involved our staff and the trade unions throughout these processes and, using the new compensation scheme rules currently being implemented, we are committed to continue with this collaborative approach in further rounds of early departures.

- 14.9** We will also continue to push on other actions already in place, which have been primarily focused in three areas.
- 14.10** Firstly we have implemented immediate controls, including a freeze on filling vacant posts; stopping new appointments; curbing overtime and reducing the amount we travel (we banned first class travel long before Whitehall followed our lead). These actions released around £5m savings between January and June 2010.
- 14.11** Secondly we launched '*Managing with Less*' in February 2010. Welsh Assembly Government staff came up with over 800 different ideas, some of which will save quite significant sums from relatively small changes. We have currently achieved savings of more than £6m and are aiming for savings of £10m by the end of 2010-11.
- 14.12** Thirdly, we are changing the way we work. For example a newly created regeneration team now provides integrated support for Ministers with responsibility for the economy and housing, crossing Departmental boundaries and enabling a more joined up approach in communities.
- 14.13** On the capital side, the completion of the new Welsh Assembly Government offices in Aberystwyth and Llandudno Junction brought to an end the major capital investment programme within the Central Services and Administration MEG. Forward capital budgets are for:
- the replacement of administrative assets, particularly ICT equipment and software licenses; and
 - building works to rationalise, maintain and/or enhance the value of our office accommodation (administrative estate).
- 14.14** Going forward, we will extend these measures to continue to drive further savings from within the Assembly Government to enable us to deliver more for less, but the significant savings already achieved will stand the Assembly Government in good stead for living within smaller budgets in future years.

Table 14.1 – Central Services and Administration SPA Allocations

	£000s											
	2010-11			2011-12			2012-13			2013-14		
Departmental Expenditure Limit (DEL)	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Staff Costs & Salaries	245,322	0	245,322	230,039	0	230,039	218,212	0	218,212	207,225	0	207,225
Other Central Administration Costs	105,266	15,033	120,299	104,478	11,982	116,460	105,239	11,145	116,384	101,493	9,935	111,428
Total DEL	350,588	15,033	365,621	334,517	11,982	346,499	323,451	11,145	334,596	308,718	9,935	318,653
Annually Managed Expenditure (AME)												
Staff Costs & Salaries	0	0	0	924	0	924	933	0	933	-668	0	-668
Total Managed Expenditure	350,588	15,033	365,621	335,441	11,982	347,423	324,384	11,145	335,529	308,050	9,935	317,985

Annex 1 – Reconciliation between Administrative Budget and Resource Allocations in the Draft Budget Proposals

This document supports the Draft Budget Proposals, which set out the resources that the Assembly Government is proposing to use in 2011-12 and the cash it is seeking authority to draw from the Welsh Consolidated Fund. The tables within this report show budgets on an administrative basis, whereas the figures in the Draft Annual Budget Proposals are on a resource basis.

The Welsh Assembly Government's administrative budget contains a number of items which are scored outside the accounts of the Welsh Assembly Government and therefore do not score as part of the Resources Required by Welsh Ministers. This Annex reconciles the administrative and resource budgets of each Main Expenditure Group.

Health & Social Services

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	5,867,797	5,867,797	5,881,565
Capital	264,790	246,293	219,550
AME			
Revenue	118,948	118,948	118,948
Capital	-	-	-
Total Managed Expenditure	6,251,535	6,233,038	6,220,063
Reconciliation to Resources			
Resource Consumption of AGSBs and NHS bodies	-233,291	-233,291	-233,291
Supported Borrowing	-4,570	-4,174	-3,602
National Insurance Fund Receipts (and collection costs)	-954,090	-954,090	-954,090
Resources requested	5,059,584	5,041,483	5,029,080

Social Justice & Local Government

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	4,330,899	4,333,266	4,382,460
Capital	42,319	39,363	35,089
AME			
Revenue	13,583	13,583	13,583
Capital	-	-	-
Total Managed Expenditure	4,386,801	4,386,212	4,431,132
Reconciliation to Resources			
National Non Domestic Rates payable (and collection costs)	-872,172	-872,172	-872,172
Resources requested	3,514,629	3,514,040	3,558,960

Economy & Transport

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	589,848	584,528	587,237
Capital	313,194	291,315	259,683
AME			
Revenue	41,402	41,402	41,402
Capital	-	-	-
Total Managed Expenditure	944,444	917,245	888,322
Reconciliation to Resources			
Supported Borrowing	-13,152	-12,001	-10,336
PFI	-8,101	-8,308	-8,521
Direct Charges on the Welsh Consolidated Fund	-1,704	-1,704	-1,704
Resources requested	921,487	895,232	867,761

Children, Education, Lifelong Learning & Skills

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	1,673,464	1,682,035	1,705,286
Capital	173,353	161,243	143,734
AME			
Revenue	-	-	-
Capital	217,656	225,781	226,516
Total Managed Expenditure	2,064,473	2,069,059	2,075,536
Reconciliation to Resources			
Resource Consumption of AGSBs	-82	-82	-82
Supported Borrowing	-42,660	-42,077	-40,442
Resources requested	2,021,731	2,026,900	2,035,012

Environment, Sustainability & Housing

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	375,409	369,486	371,050
Capital	365,544	345,243	307,075
AME			
Revenue	-72,000	-61,000	-55,000
Capital	-	-	-
Total Managed Expenditure	668,953	653,729	623,125
Reconciliation to Resources			
Resource Consumption of AGSBs	-3,090	-3,090	-3,090
Supported Borrowing	-59,829	-52,096	-41,059
Resources requested	606,034	598,543	578,976

Rural Affairs

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	123,722	121,818	122,338
Capital	12,834	12,402	11,556
AME			
Revenue	-	-	-
Capital	-	-	-
Total Managed Expenditure	136,556	134,220	133,894
Resources requested	136,556	134,220	133,894

Heritage

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	136,007	134,114	134,726
Capital	14,843	13,806	12,307
AME			
Revenue	2,265	2,490	2,740
Capital	-	-	-
Total Managed Expenditure	153,115	150,410	149,773
Reconciliation to Resources			
Resource Consumption of AGSBs	-6,481	-6,706	-6,956
Resources requested	146,634	143,704	142,817

Public Services & Performance

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	46,705	45,029	42,890
Capital	17,077	15,884	14,159
AME			
Revenue	-	-	-
Capital	-	-	-
Total Managed Expenditure	63,782	60,913	57,049
Reconciliation to Resources			
Resource Consumption of AGSBs	-400	-400	-400
Resources requested	63,382	60,513	56,649

Central Services & Administration

	2011-12	2012-13	2013-14
	£000s	£000s	£000s
DEL			
Revenue	334,517	323,451	308,718
Capital	11,982	11,145	9,935
AME			
Revenue	924	933	-668
Capital	-	-	-
Total Managed Expenditure	347,423	335,529	317,985
Reconciliation to Resources			
Direct Charges on the Welsh Consolidated Fund	-103	-97	-92
Resources requested	347,320	335,432	317,893

Annex 2 - Glossary

Action	Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions. Tables showing budgets at Action level are available at: http://wales.gov.uk/about/budget/draftbudget2010/?lang=en
AGSB	Assembly Government Sponsored Body.
Ambits	Descriptions of the specific purposes for which Welsh Ministers are authorised by the National Assembly for Wales to spend resources. Ambit Descriptions and resource limits are contained within the Annual Budget Motion. Ambits correspond to MEGs.
Annually Managed Expenditure (AME)	Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and Pre-Budget Report processes. AME typically consists of programmes which are large, volatile or demand-led; for example the issue of student loans.
Budget Motion	The means by which the National Assembly for Wales authorises Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.
Capital	Expenditure that in the main results in a physical asset, for example a new building. The Assembly Government DEL and AME budgets have separate capital and revenue limits.
Departmental Expenditure Limit (DEL)	The multi-year budget limit for the Assembly Government set by the HM Treasury. DEL is planned and controlled on a three year basis in Spending Reviews.
Depreciation	The drop in value of an asset due to wear and tear, age and obsolescence. Under resource budgeting, depreciation is part of the Assembly Government's DEL but is a non-cash item.
Direct Charges on the Welsh Consolidated Fund	Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Assembly Government or any other body. Direct Charges include the remuneration of the Presiding Officer and Auditor General.

Main Expenditure Group (MEG)

The Assembly Government DEL is divided into a number of Main Expenditure Groups. There are currently 9 MEGs: Health and Social Services; Social Justice and Local Government; Economy and Transport; Children, Education, Lifelong Learning and Skills; Environment, Sustainability and Housing; Rural Affairs; Heritage; Public Services and Performance; and Central Services and Administration.

Near-cash

Accruals measures of transactions that normally turn into cash flows soon, for example, pay, current procurement, revenue grants and subsidies.

Non-cash

Accruals measures included in budgets to ensure they reflect the full economic cost of activities even though there is not a direct link to cash flows in the relevant period - for example, depreciation and provisions. Non-cash cannot be used to fund near-cash spending.

One Wales

An agreement between the Labour and Plaid Cymru Groups in the National Assembly, which delivers a progressive, stable and ambitious programme for government over this National Assembly term. It offers a progressive agenda for improving the quality of life of people in all of Wales's communities, from all walks of life, and especially the most vulnerable and disadvantaged. *One Wales* and the accompanying delivery plan can be read at:

<http://wales.gov.uk/about/programmeforgovernment/1wales/?lang=en>

Receipts

Some areas of Assembly Government activity generate income, for example, through the sale or rental of assets. There are represented in the budget as a receipt and shown as a negative figure.

Resource budgeting

The Assembly Government's budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budget includes a charge for depreciation, a measure of the consumption or wearing out of capital assets. The non-cash/near-cash distinction was introduced as part of the move to resource budgeting after the 2002 Spending Review.

Revenue	Current expenditure, for example, funding for the pay of public sector workers and to purchase consumable goods and services.
Spending Programme Area (SPA)	Within each MEG, budgets are allocated to Spending Programme Areas according to the kind of services they will deliver.
Spending Review	Every two or three years HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming three years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula.
Total Managed Expenditure (TME)	The total Departmental Expenditure Limit plus Annually Managed Expenditure.
Welsh Consolidated Fund	The account into which the money voted by the UK Parliament for use by the Assembly Government, the Assembly Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.