

Scrutiny of the Welsh Government Draft Budget 2018-19

01 December 2017

Our scrutiny of the Welsh Government Draft Budget 2018-19 focuses on areas most relevant to children and young people. We considered matters relating to the prioritisation of resources, the affordability of services, their value for money, and the overarching process associated with the Draft Budget's production.

Our approach

1. Matters affecting children and young people run across Welsh Government Cabinet portfolios and, consequently, the Draft Budget. As such, it is a challenge to scrutinise every budget line of relevance to our committee portfolio. Nevertheless, in seeking to hold the Government to account for its budgeting as it relates to children and young people, we have focused our scrutiny this year on relevant aspects of the following Main Expenditure Groups (MEGs):
 - Education MEG;
 - Health, Wellbeing and Sport MEG;
 - Communities and Children MEG.

Our evidence

2. In order to inform our scrutiny we took oral evidence from the Cabinet Secretary for Education, Kirsty Williams AM, the Cabinet Secretary for Health and Social Services, Vaughan Gething AM, and the Minister for Children and Social Care, Huw Irranca-Davies AM on 16 November and 22 November. We also gathered written



evidence from relevant Welsh Government departments¹ and drew on relevant evidence submitted to other Assembly committees². Following both oral evidence sessions, we requested further written information from the Cabinet Secretaries and Minister to clarify issues raised in evidence.³ We are grateful to them and their officials for the speed with which they provided this follow-up information.

Our report

3. Due to the limited time available for scrutiny of the Draft Budget, we have sought to focus the content of our report on our views and observations in specific areas. We have not sought to provide a detailed summary of the evidence we have received – that can be found via the links provided in the footnotes below.
4. During the course of our scrutiny of the Draft Budget a Cabinet reshuffle was undertaken. For clarity, our report focuses on particular expenditure groups within the [Draft Budget 2018-19](#) (as published in October 2017), rather than on the revised Cabinet portfolios (as announced in November 2017).
5. We would welcome a response to our report and recommendations from the Welsh Government to inform our ongoing budget and wider financial scrutiny.

¹ We requested (and received) written evidence from the Welsh Government on the following areas of the Draft Budget 2018-19: [Education MEG](#); [Health, Wellbeing and Sport MEG](#); [Communities and Children MEG](#); and [Skills and Science budget line](#)

² We drew on written evidence submitted to the [Finance Committee's overarching consultation on the Welsh Government Draft Budget 2018-19](#), and [evidence submitted to the Assembly's Equalities, Local Government and Communities Committee](#) relating to schools budgets within the Local Government Aggregate External Finance

³ [Letter from the Cabinet Secretary for Education following the meeting on 16 November](#), received 23 November

01. Priorities and impact assessments

The economic and social returns of investing in children and young people are well documented. However, despite efforts in 2009 and 2010 to progress children's budgeting and monitor child expenditure, and a commitment to produce Child Rights Impact Assessments (CRIAs), we believe there is a lack of visibility of children and young people in the Welsh Government Draft Budget 2018-19.

Duties and goals

United Nations Convention on the Rights of the Child (UNCRC)

6. The UNCRC sets out the range of rights held by children and young people up to the age of 18. These include rights to protection, health, family, education, culture and leisure. The Rights of Children and Young Persons (Wales) Measure 2011 places a duty on Welsh Ministers to have due regard to the rights and obligations within the UNCRC when making decisions, including decisions on legislation, the formulation of a new policy or a review of/change to an existing policy.

Well-being of Future Generations (Wales) Act 2015

7. The Well-being of Future Generations (Wales) Act 2015 aims to put sustainable development at the centre of decision-making. Its aim is to ensure actions meet the needs of the present without compromising the ability of future generations to meet their own needs. It puts in place seven well-being goals for Wales. All decisions on policies and budget allocations should only be made once an assessment of the impacts on the allocations on sustainable development have been made.

Impact assessments

8. In his letter of 14 November 2017 the Minister for Children and Social Care told us:

“The CRIA process has become embedded in the development of Welsh Government legislation, new policies and programmes. The CRIA ensures that children's and young people's rights are central when making decisions or developing policy. While the duty on Ministers is to have due

regard to children's rights, rather than to complete a CRIA, the introduction of the CRIA process ensures consistency in practice across Government."⁴

9. During scrutiny of the Children's Commissioner's Annual Report on 18 October, the Commissioner described the quality of CRIAs undertaken to date as "variable".⁵ We therefore welcome the work underway between Welsh Government and key stakeholders to develop and pilot the use of a streamlined CRIA template.
10. In the letter of 14 October, the Minister for Children and Social Care noted that the Welsh Government was considering whether there is scope to streamline its impact assessment processes, to ensure that their quality is improved and they are integrated with the substantive direction of the Wellbeing of Future Generations Act. When asked why the Welsh Government Draft Budget 2018-19 had not been subject to a CRIA, the Cabinet Secretary for Health and Social Services said:

"It could always be argued that you need more assessments than one. I know there is an honest disagreement here about those people that would like to see a CRIA undertaken on the budget as opposed to the integrated approach that we have taken. [...] 'Prosperity for All' was a deliberate approach to the whole policy approach, and the budget has to be aligned in a properly integrated, whole-Government way. I expect we'll continue to get asked this sort of question, but this is the approach the Government is taking."⁶

OUR VIEW

Given that the allocation of resources is one of the most significant decisions affecting children and young people's rights, and considering the duties placed on Welsh Ministers to uphold these rights, we are unconvinced that an integrated impact assessment of the Welsh Government Draft Budget is sufficient. We also remain to be convinced that aligning integrated impact assessments with the goals of the Wellbeing of Future Generations Act alone is sufficient for ensuring that due regard is paid to the rights of children, especially as it does not include an explicit legal duty of due regard to the UNCRC.

⁴ Letter from the Minister for Children and Social Care to the CYPE Committee, 14 November 2017

⁵ Children, Young People and Education Committee, [Record of Proceedings \[para 351\]](#), 18 October 2017

⁶ Children, Young People and Education Committee, [Record of Proceedings \[para 18\]](#), 22 November 2017

Recommendation 1. We urge the Welsh Government to undertake a CRIA on its Draft Budget as a matter of course. There is nothing to prevent Welsh Ministers using such a CRIA to inform a wider integrated impact assessment. We fear that without a CRIA, resources to support the rights of children and young people may at best be difficult to identify. At worst, the absence of a CRIA could lead to the Welsh Government paying inadequate attention to the rights of children and young people in important financial decisions.

02. Education

The 2018-19 Draft Budget includes an allocation of £1.466 billion resource (revenue) and £168 million capital within the Education Departmental Expenditure Limit (DEL). It is the third largest allocation within the overall Draft Budget, behind Health, Wellbeing, and Sport, and Local Government, respectively.

Presentation of information: the revised baseline

11. As with previous years, the Welsh Government has calculated a revised baseline with which to primarily compare the 2018-19 allocations (as opposed to focusing on the most recent Supplementary Budget for the previous financial year). The Welsh Government notes that it has removed any 'one-off' allocations or permanent movements between main expenditure groups to arrive at the revised baseline to enable what it terms a 'like for like comparison'.
12. The effect is that the Education and Skills Departmental Expenditure Limit (DEL) resource baseline is £40.736 million lower than at the First Supplementary Budget 2017-18 (published June 2017). This is mainly due to the removal from the baseline of the following 2017-18 allocations, regarded as 'one offs' by the Welsh Government:
 - the additional £25 million to the higher education sector,
 - the additional £5 million allocated to the further education, and
 - £5 million extra for promoting the Welsh language.
13. However, in 2018-19, the Welsh Government is repeating the 'one off' additional 2017-18 funding of £5 million for further education, and providing £15 million for higher education. This creates two different methods of considering the change in the budget in 2018-19, for example:

Area	2018-19 funding compared with revised baseline	2018-19 funding compared with actual funding 2017-18
Further education (post-16 education action)	Rises by £4,565,000	Reduces by £440,000
HEFCW to distribute to universities	Rises by £29,128,000	Rises by £4,133,000

OUR VIEW

We recognise that, in the interests of like for like comparisons, the Welsh Government recalculates the baseline budget to remove any genuinely one-off, atypical expenditure made in the previous financial year. However, we believe there is a lack of transparency and clearly understood rationale for the revised 2017-18 baseline calculations. In practice, the £15 million for higher education, £5 million for further education and £5 million for the Welsh Language do not constitute ‘additional’ funding in 2018-19. As the money available to these sectors is not increasing by these amounts, we do not believe it is appropriate to present the figures in this way. Moreover, we believe that this could throw into doubt the credibility of the way the Welsh Government presents its budget information.

Recommendation 2. In future budget-setting cycles we call on the Welsh Government to ensure that:

- removals from the baseline budget for comparison purposes should only be where funding, and the purpose of that funding, has been transferred to another MEG or the expenditure was genuinely one-off, atypical and unique to that year. To ensure credible year-to-year comparisons, the Welsh Government should not remove allocations where they are repeated the following year;
- there is greater transparency about the reasons why the Welsh Government has removed certain expenditure from baselines for comparative purposes to avoid the potential for misleading impressions to be given on the actual changes in budgets.

Funding for school budgets

- 14.** The Welsh Government says it has ‘protected’ school budgets with £62 million of funding for local authorities in the unhypothecated Aggregate External Finance (AEF).⁷ AEF is the sum of the Revenue Support Grant (RSG) and redistributed non-domestic rates. However, in its evidence to the Equalities, Local Government and Communities (ELGC) Committee on 25 October 2017, the WLGA queried how the £62 million was calculated, given the Standard Spending Assessment (SSA) for

⁷ Welsh Government, [Draft Budget 2018-19 - Outline proposals - A new Budget for Wales](#), 3 October 2017, paras 4.49-4.50 and [Oral statement by the Cabinet Secretary for Finance and Local Government](#), Mark Drakeford AM, 3 October 2017

school services in the Provisional Local Government Settlement 2018-19 was rising by only £35 million.⁸

- 15.** The Cabinet Secretary for Local Government and Public Services, Alun Davies, subsequently wrote to the ELGC Committee on 13 November to provide an explanation.⁹ This letter showed two things:
- First, that the £62 million represents the change in the Welsh Government-funded portion of the money available to local government, intended to be spent on schools, which is the RSG allocation plus the Non-Domestic Rates redistribution element ('Aggregated External Finance'), as opposed to the total SSA, which also includes the estimated revenue raised by local authorities from council tax.
 - Secondly, that the 'additional' £62 million is not the difference between what the Welsh Government provided in 2017-18 and what it will now provide in 2018-19, but the difference between the Welsh Government's initial calculation for 2018-19 and the final allocated amount.
- 16.** Based on the letter from the Cabinet Secretary for Local Government and Public Services to the ELGC Committee, the initial 2018-19 budget calculation for the schools element of AEF would have resulted in a £60.3 million reduction compared to 2017-18, whereas the 'additional' £61.8 million results in a £1.5 million increase.

OUR VIEW

We are concerned at the lack of transparency in relation to the funding that the Welsh Government has allocated within the Aggregate External Finance (AEF) to protect school budgets. While we welcome the Welsh Government's action to protect school budgets from what could have been a harmful reduction in the amount of money local authorities have available to fund schools properly, we are disappointed by the way the change in funding for schools has been

⁸ Equalities, Local Government and Communities Committee, [Record of Proceedings \[para 54\]](#), 25 October 2017

⁹ [Letter from Alun Davies AM, Cabinet Secretary for Local Government and Public Services, to the Equalities, Local Government and Communities Committee](#), 13 November 2017

presented in this budget. We are particularly concerned about the impression¹⁰ when the Welsh Government announced its Draft Budget 2018-19 that an extra £62 million was being provided for local authorities to fund schools. It has become clear during scrutiny that this is not the case. The increase is £1.5 million from £1,554,065,000 to £1,555,581,000. This was only established during the Draft Budget scrutiny process.

Recommendation 3. We understand the challenging situation facing public finances and sustained pressures on funding local services however, for future budget-setting cycles, we call on the Welsh Government to:

- be more forthright about the actual changes in funding provided for schools in its headline announcements;
- work closely with local government to ensure the intended protection of school budgets is implemented by local authorities given that the AEF is unhypothecated and there is therefore no guarantee that any protection for school budgets in the local government settlement will translate to the 'chalk face'.

Raising school standards

17. We welcome the £25 million allocated in the Draft Budget 2018-19 for raising school standards – most notably teachers' professional learning – building on the £20 million provided in 2017-18 and part of the £100 million pledged by the Welsh Government for this purpose during the Fifth Assembly. We also note the Cabinet Secretary for Education's confirmation in her letter of 23 November that she intends to fund the following initiatives as part of the Raising School Standards Budget Expenditure Line (BEL)¹¹:

¹⁰ See, for example, WLGA oral evidence to ELGC Committee, [Record of Proceedings \[paras 38-56\]](#), 25 October 2018 and BBC Online, ['Schools' cash rise half what ministers claim, says WLGA](#), 25 October 2017

¹¹ [Letter from Kirsty Williams AM, Cabinet Secretary for Education, to the Children, Young People and Education Committee](#), 23 November 2017

Initiative	Approximate budget ¹²
Curriculum and Assessment	£3.0 million (12%)
Leadership	£3.25 million (13%)
Professional Learning	£13.25 million (53%)
Self Improving System	£5.0 million (20%)
Wellbeing	£0.5 million (2%)
Total	£25.0 million (100%)

18. We also note the Welsh Government's intention to source £10 million of the £20 million Additional Learning Needs (ALN) Transformation fund from the £100 million for raising school standards in this Assembly.¹³ In her letter of 23 November the Cabinet Secretary noted that £3.2 million to support ALN Transformation was contained in the 2018-19 allocations detailed in the table above.

OUR VIEW

We welcome the Cabinet Secretary's work to align raising school standards budgets with the Welsh Government's education improvement action plan, *Education in Wales – Our National Mission* (namely in relation to: curriculum development; teachers' professional learning and leadership; equity and wellbeing; and establishing a self-improving system). Nevertheless, we are concerned that this funding could become a recourse for policy initiatives that do not otherwise have a natural budget home or become a source of funding for budget lines that are insufficiently resourced (for example, curriculum, teaching and leadership, and additional learning needs, all have their own budget lines, but are drawing on funding from the Raising School Standards BEL).

Recommendation 4. To ensure that the Raising School Standards BEL does not become a 'miscellaneous' budget line, we call on the Welsh Government to:

- set out clearly how it is targeting strategically the £25 million in 2018-19 and £100 million across the Fifth Assembly;
- set clear targets detailing what it hopes to achieve from this investment, with equally clear timescales.

¹² The Cabinet Secretary notes that these figures are approximate as "there is expected to be an element of over-programming to account for natural changes and to ensure we maximise our investment over the term"

¹³ [Letter from Alun Davies AM, then Minister for Welsh Language and Lifelong Learning to the Finance Committee](#), 8 March 2017

Infant class sizes

- 19.** The Welsh Government is making £36 million available in this Assembly to take forward the Cabinet Secretary's pledge to reduce infant class sizes. The Cabinet Secretary confirmed that while the underlying policy objective is to reduce maximum infant class sizes from 30 to 25, she is concentrating on the largest classes first (classes of 29 and over) and those with high levels of free school meal eligibility. In her letter of 23 November the Cabinet Secretary noted that business cases had been received from Wales' 22 local authorities but did not confirm the exact number of applications received.

OUR VIEW

We note that initial applications for the infant class size reduction grant funding were variable across local authorities and not always necessarily where the priority classes were. We recognise that the Welsh Government has established criteria against which it is inviting applications.

Recommendation 5. We urge the Welsh Government to maintain a high level of proactivity in identifying and targeting local authorities and schools that would benefit most from the intervention in order to prioritise funding and achieve as much value for money as possible. We would welcome further detail about the business cases submitted by local authorities, including how many schools and classes will benefit from this funding.

School governance budget

- 20.** We note the significant reduction in the School Governance BEL, dropping from £1.124 million in 2017-18 to £36,000 in 2018-19. This is a reduction of £1.088 million (96.8%) of the BEL. Whilst we recognise the challenging decisions facing the Cabinet Secretary in the current economic climate, we are also conscious of the crucial importance of good governance for the delivery of high quality education in schools.
- 21.** We note the Cabinet Secretary's comments that, having considered the governance support available to schools, she had established that a range of services existed, including those provided by local authorities and regional consortia. She further noted that a previous evaluation of Governors Wales – a recipient of funding from this budget line – had shown that it was not necessarily the first port of call for those seeking support; as such, she reported adjusting her Draft Budget to address what appeared to be a source of duplication in the system.

22. We also note the Cabinet Secretary's willingness to consider whether there would be options for some support to be provided to governors by the diocesan education service, where appropriate.¹⁴

23. In her letter of 23 November, the Cabinet Secretary stated:

"Some key recommendations from a review of the activities and services undertaken by Governors Wales in 2014-15 have not been addressed by Governors Wales. Very little has been achieved to align the development officer role with the consortia and there continues to be little progress with Governors Wales sourcing additional income from other partners or revenue raising activities [...] the overwhelming majority of school governors continue to access support from their local authorities and consortia."¹⁵

24. She went on to note that her department would be working with consortia to mitigate the potential loss of Governors Wales but that feedback received from consortia to date suggested that no significant issues were anticipated from its potential loss.

OUR VIEW

We note the drastic reduction of the School Governance BEL from £1.124 million to £36,000. We acknowledge the difficult decisions facing the Welsh Government within the current economic climate but seek further assurances from the Cabinet Secretary for Education that effective support for governors will be available despite the significant cut in this budget expenditure line.

Recommendation 6. We call on the Welsh Government to review the impact of any changes to support arrangements for governors in Wales.

Education Improvement Grant

25. The Cabinet Secretary's paper explained that:

- The Education Improvement Grant (EIG), worth £133 million in 2017-18, would reduce by £2 million in each of the 2018-19 and 2019-20 financial years.

¹⁴ Children, Young People and Education Committee, [Record of Proceedings \[para 148\]](#), 16 November 2017

¹⁵ [Letter from Kirsty Williams AM, Cabinet Secretary for Education, to the Children, Young People and Education Committee](#), 23 November 2017

- £13.145 million would be transferred out to the Revenue Support Grant (RSG) in 2018-19 as part of the government-wide rationalisation of local authority grants and a further £9.093 million transferred out in 2019-20.
- Funding to support Gypsy, Roma and Traveller, and Minority Ethnic learners – the subject of our inquiry into the EIG earlier this year ([report published February 2017](#)) – would form the element of the EIG transferring out to the RSG.

26. We were pleased to receive confirmation in the Cabinet Secretary’s letter of 23 November that she had not made a firm decision about whether funding to support Gypsy, Roma and Traveller, and Minority Ethnic learners will form the element of the EIG transferring out to the RSG. We reiterate our recommendation in our February 2017 report that evaluation and monitoring arrangements should be strengthened and consideration be given to how the EIG could be better used to benefit these groups of learners.

OUR VIEW

We would be disappointed if the Welsh Government decided to further de-hypothecate funding to support Gypsy, Roma and Traveller, and Minority Ethnic learners when our policy inquiry earlier this year showed a need for far greater monitoring and evaluation of how the funding in the EIG was affecting these groups of learners. We welcomed the Cabinet Secretary’s decision earlier this year, in response to our recommendation, to put in place a ‘strengthened outcomes framework’ for the EIG.¹⁶ However, if the element of the EIG to support Gypsy, Roma and Traveller, and Minority Ethnic learners, which the Committee was most concerned about in its inquiry, is put into the RSG, the new outcomes framework will have no bearing on these groups of learners.

Recommendation 7. On the basis of the evidence provided in our [Education Improvement Grant: Gypsy, Roma and Traveller, and Minority Ethnic Children Report](#) (February 2017) we urge the Cabinet Secretary to retain funding to support Gypsy, Roma and Traveller, and Minority Ethnic learners as part of the Education Improvement Grant.

¹⁶ [Education Improvement Grant: Gypsy, Roma and Traveller, and Minority Ethnic Children: Welsh Government Response](#), March 2017

Pupil Development Grant

- 27.** We welcome the Welsh Government's continued emphasis on tackling the deprivation/attainment gap and improving educational outcomes amongst disadvantaged pupils, maintaining current budget provision for the Pupil Development Grant (PDG) in 2018-19 at £94 million. We believe a central purpose of the education budget should be to support all pupils to reach their full potential.
- 28.** However, after year-on-year progress in narrowing the attainment gap between pupils eligible for free school meals (eFSM) and those who are not eligible (nonFSM), provisional data shows the gap widening in 2017. We welcomed the Cabinet Secretary's reassurances in oral evidence on 16 November that Welsh Government officials are undertaking an 'in-depth review' of the reasons for the decrease in attainment in 2017.¹⁷ We look forward to exploring this in further detail as part of our inquiry into targeted funding to improve educational outcomes.

OUR VIEW

We look forward to scrutinising how the Welsh Government targets funding to boost the educational outcomes of pupils at risk of underachieving in our forthcoming inquiry. We note the concerning trend in 2017 of a decline in GCSE attainment, particularly amongst pupils eligible for free school meals, following an otherwise long-term pattern of rising attainment and narrowing of the attainment gap. Whilst we support the principles which underpin the Pupil Development Grant, the Welsh Government must ensure the PDG is delivering value for money and the best possible use of education resources. We therefore welcome the review the Welsh Government is undertaking to investigate the reasons and factors behind the disappointing trends in the 2017 GCSE results.

Recommendation 8. To inform our forthcoming inquiry on targeted funding to improve educational outcomes, we ask the Welsh Government to share a copy of the review report and resulting actions with us.

Further Education

- 29.** We note that funding for the further education sector decreases slightly (by £440,000) in 2018-19 compared with 2017-18 (0.1% of total budget). We further

¹⁷ Children, Young People and Education Committee, [Record of Proceedings \[para 178\]](#), 16 November 2017

note that the near-maintenance of the 2017-18 level is a result of the Welsh Government again providing an additional £5 million to the sector to manage general pay and related pressures. The Cabinet Secretary told us the £5 million funding in each of 2017-18 and 2018-19 financial years was intended to provide stability after a period of reductions since 2013-14.

30. The Welsh Government acknowledged in our budget scrutiny session on 16 November, and in our general scrutiny session on further and higher education on 18 October, that sustained financial pressures on the FE sector had been accompanied by:

- a decrease in full-time equivalent staff (a 17% reduction, from 9,330 in 2012-13 to 7,755 in 2015-16);¹⁸
- a decrease in part-time and adult learners (dropping by more than 50%, from 31,000 in 2012-13 to 15,000 in 2015-16).¹⁹

31. The Cabinet Secretary told us of several initiatives underway to address this trend and that the Welsh Government would soon be announcing new plans to improve participation in adult education.²⁰

OUR VIEW

We welcome the Welsh Government's efforts to stabilise further education funding in recent years following a period of decreasing budgets for the sector. While we believe that the recurrent £5 million in 2018-19 and 2019-20 should help the sector manage funding pressures, we remain concerned that it will not be sufficient to enable colleges to redress the fall in staff numbers nor reverse the reduction in part time and adult learning. We welcome the Welsh Government's recognition of the need to address this issue as a matter of priority if Wales is to have a genuine lifelong learning education and training system.

Recommendation 9. We call on the Welsh Government to publish the strategy to increase participation in adult education in the near future.

¹⁸ Stats Wales, [Full-time equivalent staff numbers at Further Education Institutions by institution](#), 9 May 2017

¹⁹ Stats Wales, [Unique learners in local authority community learning by age group and gender](#), May 2017

²⁰ Children, Young People and Education Committee, [Record of Proceedings \[para 222\]](#), 16 November 2017

Higher Education and student support

- 32.** We note that total income for the higher education sector in Wales has increased by approximately £270 million between 2010-11 and 2015-16. This includes both grant funding to higher education institutions (HEIs) - through Higher Education Funding Council for Wales (HEFCW) - and income from students' tuition fees, which makes up the majority of HEIs' income.
- 33.** On 18 October 2017, shortly before attending Committee for general scrutiny on further and higher education, Kirsty Williams issued a written statement announcing that maximum tuition fees would be frozen in Wales at £9,000. The Cabinet Secretary had previously announced (in July 2017) that fees would rise with inflation for three academic years starting with 2018/19.
- 34.** The Cabinet Secretary told us the Welsh Government would be providing an additional £10 million to HEFCW to offset Welsh HEIs' loss of income from the freeze on tuition fees. A subsequent letter to the Committee dated 31 October provided some details for how that £10 million was calculated, although in the budget scrutiny session on 16 November she said that a decision had still not been made about the financial year from which it would be funded. The Cabinet Secretary noted in her letter of 23 November that no further information was currently available but that an update would be provided to us once discussions had been held with the Cabinet Secretary for Finance. On 29 November, correspondence from Welsh Government officials confirmed the £10 million would be allocated as part of the Final Budget 2018-19.

OUR VIEW

While recognising the challenge of managing a porous higher education market, it remains unclear to us how the Welsh Government is funding the £10 million it has pledged to compensate universities for its decision not to go ahead with its intention to increase maximum tuition fees from 2018-19 in line with inflation.

Recommendation 10. We call on the Welsh Government to provide more detail about the source of this funding and the financial planning which underpins this decision as a matter of priority.

Capital funding: 21st Century Schools

- 35.** We welcome the Welsh Government's increase of £67 million in the Education Capital budget (from £101 million in 2017-18 to £168 million in 2018-19) to expand the 21st Century Schools Programme. We note that Band A of the programme is

due to finish in March 2019, with Band B scheduled to start in April 2019. We further note the Cabinet Secretary's commitment to supporting all projects put forward by local authorities and FEIs, subject to the approval of business cases.

OUR VIEW

We welcome the work undertaken to date on the 21st Century Schools capital programme. We also welcome the Cabinet Secretary's commitment to support all projects that have been proposed by local authorities, subject to statutory school organisation procedures and planning permissions, and to provide flexibility to Band A projects which may not be completed by March 2019.

03. Health, Wellbeing and Sport

Over half of the Welsh Government Draft Budget 2018-19 is allocated to the Health, Wellbeing and Sport Main Expenditure Group. Nevertheless, there is a lack of detail on the level of resource allocated to children and young people within the MEG. In this chapter, we outline our views on the allocations made to the main areas of NHS expenditure as they relate to children and young people.

Presentation of information

- 36.** We recognise that expenditure on children and young people occurs across a range of budgets within the Health, Wellbeing and Sport MEG. However, the Draft Budget 2018-19 lacks detail on the level of resource allocation to children and young people within the MEG. With NHS service provision in relation to children, children's medical conditions and children's general health funded primarily through the annual revenue allocations to Health Boards, and with planned spending not routinely identified by age category, our ability to scrutinise the Draft Budget as it relates to children and young people is an annual challenge.
- 37.** Tools we had hoped would assist us in future years to trace budget allocations for children and young people – including a Child Rights Impact Assessment (CRIA) and the planned Child Health Plan – have not emerged. Whilst the Welsh Government has completed an integrated impact assessment in relation to its Draft Budget, a specific CRIA for the Health, Wellbeing and Sport MEG has not been undertaken. The Cabinet Secretary for Health and Social Services told us that it would be for NHS organisations to undertake CRIAs when developing their medium term plans taking account of the additional investment provided in the 2018-19 budget.²¹ He also told us on 16 November that proposals for the Child Health Plan would now be merged into his overarching approach to the future working of the NHS in Wales, particularly his response to the Parliamentary Review, which we should expect in early 2018.²²

²¹ Welsh Government, [Health, Wellbeing and Sport MEG](#), November 2017, p2

²² Children, Young People and Education Committee, [Record of Proceedings \[para 22\]](#), 16 November 2017

OUR VIEW

The lack of a child focus on the preparation of this MEG is of significant concern to us, as is the lack of transparency in relation to the allocation of resources to children and young people. Given over half of the Welsh Government's entire budget is allocated within this MEG, we are unconvinced that leaving CRIAs to NHS organisations as part of their integrated medium term plans is sufficient.

Recommendation 11.

- For this financial year, we call on the Welsh Government to monitor closely the Health Boards' production of the expected CRIAs and hold them to account for their delivery.
- For future financial years we call on the Welsh Government to:
 - undertake its own CRIA in relation to the Draft Budget (see recommendation 1);
 - present more clearly in the Draft Budget documentation how resources for children and young people are being allocated.
- In adopting a more integrated approach to his future strategy, we urge the Cabinet Secretary for Health and Social Services to ensure that resources relating to children and young people are presented clearly so that we can monitor their affordability, the extent to which they are being prioritised, and their delivery of value for money.

Children and Adolescent Mental Health Services (CAMHS)

38. We welcome the Cabinet Secretary's confirmation that the Draft Budget, in line with the budget agreement with Plaid Cymru (announced October 2017), includes a £20 million increase in the mental health ring-fenced allocation, bringing it to nearly £650 million for 2018-19. We also welcome confirmation that this additional £20 million will be recurring in the 2019-20 Draft Budget.

39. The Welsh Government states that it has increased the mental health ring fence in recent years in recognition of increased demand for services. In areas of direct interest to our remit, this has included additional funding for CAMHS, community perinatal services and psychological therapies.

40. The Cabinet Secretary reiterated that, within the mental health ring fence, Health Boards are expected to assess the mental health and wellbeing needs of their respective populations. The Welsh Government does not specify the proportion of

overall NHS revenue funding that Health Boards should spend on various aspects of mental health, including CAMHS – this is left to Health Boards to judge in accordance with their assessment of needs and priorities.

OUR VIEW

As a Committee we take a keen and active interest in access to - and the quality of - CAMHS services. While we welcome the protection for mental health services in this MEG, we are concerned that there is no protection for CAMHS in and of itself, and that it is unclear whether the mental health ring fence is resulting in the right level of service provision for children and young people.

Recommendation 12. We welcome the recurring funding for CAMHS announced in 2016-17, and the detail about the specific areas it was intended to fund. We call on the Welsh Government to provide clarity on:

- the proportion of the recurring additional CAMHS funding allocated to each Health Board in 2018-19 and 2019-20;
- the Welsh Government's expectations about the areas of CAMHS on which that funding should be spent;
- the expected outcomes for that spend and the methods by which they will be monitored.

As part of our current inquiry on the emotional and mental health of children and young people we will examine Health Boards' expenditure on CAMHS with a view to reviewing the spend on children and young people compared to adults. We will also consider the outcomes being delivered by the overall expenditure on CAMHS.

Disabled children

41. The Minister for Children and Social Care listed the following examples of funding allocated via the Third Sector Grant for disabled children, and their families and carers:

- £930,000 via Learning Disability Wales;
- £670,000 via Carers Wales;

- £400,000 via the All Wales Forum for Parents and Carers.²³

42. He also noted that the former Intermediate Care Fund, which was transformed into the Integrated Care Fund in 2017-18 to give funding beyond older people alone, includes £16 million (of a total of £60 million) to support additional groups such as those with disabilities, autism and children with complex needs.²⁴

OUR VIEW

We welcome the range of funding available for disabled children in the 2018-19 Draft Budget. However, we remain concerned that a shift away from the previous focus on ‘children in need’ to a wider, overarching ‘people focus’ could risk the relative priority afforded to disabled children in the Draft Budget allocations.

Recommendation 13. We urge the Welsh Government to monitor closely support for disabled children and to ensure that resourcing decisions prioritise them.

Neonatal services

43. Our predecessor Committee took an active interest in the provision of neonatal services. Evidence on this subject also arose as part of our inquiry into perinatal mental health services earlier this year. While there has been investment in the buildings that house neonatal units across Wales, according to the [Neonatal Network’s Annual Report 2016](#) (published September 2017), high-level risks remain in relation to the neonatal workforce and its capacity.

OUR VIEW

While we welcome the significant capital investment in the provision of neonatal services in Wales, we are concerned that *the All Wales Neonatal Standards 3rd edition* – due to have been implemented in 2017 – are yet to be published. This is despite the fact that the Steering Group approved them in February 2017 and WHSSC in March 2017.

Recommendation 14. Standards should drive the allocation of resources –

²³ Children, Young People and Education Committee, [Record of Proceedings \[para 34\]](#), 16 November 2017

²⁴ Ibid

including budgets – and we urge the Welsh Government to publish the latest edition as a matter of urgency in order to enable the delivery of sustainable, high quality and well-staffed neonatal services across Wales.

School nursing

44. The role of school nursing in the public and preventative health agenda is key and is acknowledged by the recent development of the school nursing framework.

OUR VIEW

Recommendation 15. We would welcome further detail in Welsh Government Draft Budgets about the resources allocated to deliver school nursing, in accordance with the framework, across Wales. This will enable us to monitor more effectively the service's affordability and its delivery of value for money, and to ensure that it is receiving an appropriate level of prioritisation relative to other service areas.

Sport and physical activity

45. The importance of sport and physical activity to the health and wellbeing of children and young people is well documented, and is particularly important as an element of preventative spend within the Welsh Government's budget.

OUR VIEW

Recommendation 16. Further to the transfer of responsibility for sport to the Minister for Culture Tourism and Sport, we would welcome clarification of how the two portfolios will be aligned across government to deliver the objective of increasing physical activity levels in children and young people.

04. Communities and Children

The Communities and Children Main Expenditure Group comprises a total of £397.2 million resource (revenue) and £477.0 million capital. The Supporting Children Action for 2018-19 has seen an increase of £16.3 million while the Early Intervention, Prevention and Support Action decreases by £14.2 million.

Childcare offer

- 46.** In November last year the Welsh Government announced details of its Childcare Offer, stating that it would provide 30 hours of free early education and childcare to the working parents of three and four year olds across Wales for 48 weeks per year. The offer has been piloted since September 2017 in seven local authority areas with a single national funding rate of £4.50 available for childcare only – providers are able to charge for any additional services (e.g. transport and food costs, or paid for activities). Full roll out is expected by 2021.
- 47.** On 22 November the Cabinet Secretary for Health and Social Services confirmed that the Welsh Government’s “working figure” for the policy remained £100 million annually once the entitlement was fully implemented across Wales. He noted that the purpose of the pilot was to establish with more certainty the resources required and that Welsh Government would not provide forecast figures for 2021 onwards until more evidence from the pilot and its evaluation was available.
- 48.** While the Cabinet Secretary for Health and Social Services and Minister for Children and Social Care cited poverty reduction and increasing the return to work rate for women as reasons for the policy’s adoption, we note the Public Policy Institute for Wales’ conclusion in relation to the original proposals that more free childcare would make little difference to reducing poverty or getting more women back to work:

“The impact on work participation and work hours for mothers in families with a child of target age is extremely small [...] neither option is likely to achieve either objective to any notable, possibly discernible, degree.”²⁵

²⁵ Public Policy Institute for Wales, [Childcare Policy Options for Wales](#), December 2015, p2

49. We further note the Children's Commissioner for Wales's call on 9 October for the Welsh Government to:

"...re-think its childcare policy and consider the serious long-term consequences this policy could have for the children who need the most support."²⁶

50. On 31 October 2017 a Welsh Government commissioned report Childcare Capacity in Wales: Mapping childcare supply against potential demand found that the average level of current availability for the childcare offer across the whole of Wales was two hours and forty minutes per child.

OUR VIEW

While we note that the childcare offer remains in a pilot stage, we are concerned that:

- the exclusion of children from non-working households might widen the 'school readiness' gap between that group and children of working parent(s);
- at a current approximate cost of £100 million annually once fully implemented across Wales, the policy could have a significant impact on the affordability of other programmes targeted at children, young people, parents and carers (and, according to the PPIW evidence, will not necessarily deliver the desired outcome of getting people into work);
- the £4.50 national rate may not be sufficient to deliver the quality of care to which we would aspire for our children;
- Wales may not have the capacity to deliver on this policy given the Childcare Capacity in Wales report's conclusion relating to the average level of current availability for the childcare offer across the whole of Wales.

We are therefore pleased to see the Welsh Government:

- adopt a phased, pilot approach to this policy, underpinned by an independent evaluation to assess its impact and value for money;
- undertake the pilot in a range of settings in order to test the policy's effectiveness in different places;

²⁶ Children's Commissioner for Wales, Commissioner urges Welsh Government to rethink its childcare policy, 9 October 2017

- intention to base future decisions on the policy's roll out on the evidence gathered during the pilot phase.

Recommendation 17. We call on the Welsh Government to provide a response to the Childcare Capacity in Wales report, detailing:

- its projections for the sector's capacity between now and the anticipated roll out of the programme on an all-Wales basis;
- actions the Welsh Government will need to take to increase that capacity to deliver the programme on an all-Wales basis;
- the projected capital and resource costs associated with reaching the necessary level of capacity.

Recommendation 18. We share the Children's Commissioner for Wales' concerns that children whose parents are not employed will fall even further behind their peers if they miss out on this provision. We call on the Welsh Government to look closely at the programme's focus, using the pilot period to:

- consider expanding provision to include parents in education or training;
- consider carefully re-focusing the offer on each child's development needs as opposed to his or her parent(s) employment status;
- assess the inter-relationship between the new Childcare Offer and Flying Start childcare provision.

CAFCASS

51. The Welsh Government's paper on the Communities and Children MEG noted that all inflationary costs must be absorbed within the budget for CAFCASS. However, it also stated that there has been a "significant" increase of 25 per cent in public law cases and 29 per cent in private law cases over the last two years.

52. In oral evidence on 22 November, the Cabinet Secretary for Health and Social Services and the Minister for Children and Social Care acknowledged that, while the CAFCASS budget had not been reduced, the increase in the service's workload created a challenging environment for the organisation. They noted, however, that:

- a recent review of CAFCASS' work reported good performance in terms of response times and cases taken forward;
- senior staff at the organisation had accepted the proposed allocation and accepted the reality of the tight financial climate;

- CAFCASS is working within their organisations to see where efficiencies can be made.²⁷

OUR VIEW

Whilst we acknowledge current financial constraints, we are concerned about CAFCASS' ability to meet the level of growth in demand for its services – described by the Minister for Children and Social Care as “inexorably rising” – on a static budget.

Recommendation 19. We call on the Welsh Government to keep under review the impact of the current static budget allocation on CAFCASS' ongoing performance. Given the potentially life-changing decisions resulting from family court advisers' assessments (e.g. whether a child can be adopted), we ask that particular attention is paid to this budget's impact on the time available to conduct those assessments and on court advisers' caseloads. We request that:

- a CRIA is undertaken on this budget decision and shared with us;
- six monthly updates on the assessment of the impact of the static budget on CAFCASS' performance are shared with us.

Communities First

53. The discontinuation of Communities First has led to a £13 million reduction to the *Early Intervention, Prevention and Support Action* within the Communities and Children MEG. This £13 million has been transferred to reserves and represents 91.5 per cent of the overall reduction (£14.2 million) to this Action.

54. The Budget Narrative Document sets out the Welsh Government's intention to amalgamate all grants paid to local authorities in support of early intervention, prevention and support, including Communities First Legacy. It notes that this will save £13 million due to “bureaucracy” associated with grants management but acknowledges “a move to a single grant may present some challenges as well as many opportunities; greater flexibility would need to be accompanied by proportionate accountability”.²⁸

55. Giving evidence to the Equality, Local Government and Communities Committee, Leader of the House Julie James AM said young people and people with

²⁷ Children, Young People and Education Committee, [Record of Proceedings \[paras 119-126\]](#), 22 November 2017

²⁸ Welsh Government, [Draft Budget 2018-19 - Outline proposals - A new Budget for Wales](#), 3 October 2017, paras 4.16

disabilities were most likely to be affected by the decision to end Communities First.²⁹

OUR VIEW

During the course of 2017 we have highlighted our interest in how the Welsh Government is working with local authorities to support the continuation of the most effective Communities First programmes for children and young people. The Child Rights Impact Assessment (CRIA) undertaken during the decision making process to phase out Communities First highlighted:

- 32 per cent of Communities First projects in 2016-17 were focused particularly on children and young people;
- to mitigate the impact following the decision to phase out Communities First, local authorities would be expected to produce exit strategies and Welsh Government officials would work closely with them on developing and delivering these strategies to maintain valued services, including those for children, young people and their families.

Recommendation 20. We remain concerned that the decision to end Communities First is most likely to impact children and young people, with disabled children and young people being most affected. We reiterate our support for recommendations 1 and 11 of the Assembly's Equality, Local Government and Communities Committee report on Communities First Lessons Learnt (July 2017) and welcome the Welsh Government's acceptance of them. We call on the Welsh Government to provide further detail on:

- how it has worked with local authorities to identify all programmes currently delivered by Communities First which should be delivered by other statutory bodies;
- how it has adjusted programmes to mitigate against unintended consequences from the closure of Communities First;
- how such activity has been reflected in the Draft Budget 2018-19;
- how the £13 million "efficiency" savings arising from the amalgamation of grants will be used, particularly what – if any – proportion of that saving will be allocated for services supporting children and young people.

²⁹ Equality, Local Government and Communities Committee, Record of Proceedings [para 140], 15 November 2017

Child poverty

56. The Welsh Government acknowledged in December 2016 that its ambition to eradicate child poverty (defined in terms of the relative income measure) by 2020 had depended heavily on wider UK economic circumstances and was not going to be achievable.³⁰ In the same year, the UN Committee on the Rights of the Child urged the UK and Welsh Governments to allocate the maximum extent of available resources for the eradication of child poverty and to re-establish concrete targets within an agreed timeframe.³¹

57. Previous Welsh Government budgets have included a Child Poverty Policy Budget Expenditure Line, later merged with the allocation for Welfare Reform, under the Tackling Poverty Policy. In last year's scrutiny of the Draft Budget it was confirmed that the Welsh Government no longer has a separate budget for tackling child poverty. On 22 November, the Cabinet Secretary for Health and Social Services expressed his view that the UK Government's approach to austerity and the benefits system were the main influence on child poverty rates in Wales. He sought to reassure us that:

“The move around having a budget line doesn't change the reality of how money is spent and what it is spent on [...] we've put all of the resources we could and should do into tackling child poverty [...] if we don't persuade all parts of our Government to act as a Government that works with each other, as opposed to single areas that compete for resources and attention, well, actually, we'll lessen our input.”³²

OUR VIEW

We remain concerned at the lack of Welsh Government targets on child poverty and what we believe is a lack of clarity on how much money will be allocated to – and spent on – tackling child poverty.

Recommendation 21. We call on the Welsh Government to outline:

- how much of its funding is directed at tackling child poverty;

³⁰ Welsh Government, Child Poverty Strategy: Assessment of Progress 2016 Summary Report, December 2016

³¹ United Nations Committee on the Rights of the Child, Concluding observations on the fifth periodic report of the United Kingdom of Great Britain and Northern Ireland, June 2016

³² Children, Young People and Education Committee, Record of Proceedings [paras 157-159], 22 November

- what the desired outcomes for such funding are;
- how it is preparing for the impact of Universal Credit, particularly in relation to the impact on children and young people.