

National Assembly for Wales
Finance Committee

Scrutiny of the Welsh Government Draft Budget 2015-16

November 2014



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website:
www.senedd.assemblywales.org

Copies of this report can also be obtained in accessible formats including Braille, large print; audio or hard copy from:

Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 029 2089 8120

Fax: 029 2089 8021

Email: FinanceCommittee@wales.gov.uk

Twitter: [@SeneddFinance](https://twitter.com/SeneddFinance)

© National Assembly for Wales Commission Copyright 2014

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

National Assembly for Wales
Finance Committee

**Scrutiny of the Welsh Government
Draft Budget 2015-16**

November 2014



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Finance Committee

The Committee was established on 22 June 2011. The Finance Committee's role is to carry out the functions set out in Standing Order 19. This includes consideration of the use of resources by the Assembly Commission or Welsh Ministers, and in particular reporting during the annual budget round. The Committee may also consider any other matter relating to expenditure from the Welsh Consolidated Fund.

Their remit also includes specific statutory powers under the Public Audit Act 2013 relating to new responsibilities for governance oversight of the Wales Audit Office.

Current Committee membership



Jocelyn Davies (Chair)
Plaid Cymru
South Wales East



Peter Black
Welsh Liberal Democrats
South Wales West



Christine Chapman
Welsh Labour
Cynon Valley



Mike Hedges
Welsh Labour
Swansea East



Alun Ffred Jones
Plaid Cymru
Arfon



Ann Jones
Welsh Labour
Vale of Clwyd



Julie Morgan
Welsh Labour
Cardiff North



Nick Ramsay
Welsh Conservatives
Monmouth

Contents

Chair’s foreword	5
The Committee’s Conclusions and Recommendations	7
1. Introduction	12
2. Setting the scene: the wider economic context	14
3. Budget Overview	17
4. Affordability: Income	22
Barnett Consequentials	22
Taxation Levers - Council Tax	23
Taxation Levers - Non-domestic Rates (‘NDR’)	25
5. Affordability: Expenditure	28
NHS Finance (Wales) Act 2014	28
Costs arising as a result of Legislation	29
Public Service Reform	33
Preventative Spending.....	39
6. Prioritisation	45
Budget allocation and Programme for Government	45
Health Finance.....	49
Local Government Finance	54
7. Value for Money	57
Enterprise and Business Committee	57
Environment and Sustainability Committee.....	57
Health and Social Care Committee	58
Communities, Equality and Local Government Committee	58
Children, Young People and Education Committee	59
8. Budget Process	61
Budget presentation and disclosure	61
Financial Planning.....	63
The Wales Bill	67
Witnesses	70
List of written evidence	72

Chair's foreword

As Welsh public services and the people of Wales are experiencing a continued time of financial austerity, it is more important than ever that the Assembly's approach to budget scrutiny is as thorough as it can be. We have a duty to get the best value for the Welsh public. In addition to Value for Money we also consider three other specific objectives of financial scrutiny;

- Affordability;
- Prioritisation;
- Budget process.

This year the Finance Minister said that investing in the Health Service is a priority of the Welsh Government. Whilst we recognise that it is for the Welsh Government to set their priorities, the Committee has concerns around the impact of the decrease in budgets for Local Government and the third sector. Many of the services provided by these sectors are preventative in nature, which can lessen the need for users to access health services.

Whilst the Committee does not dispute that the additional funding for health can be used effectively, we also have concerns around the lack of evidence showing that the additional funds will be accompanied by reform, which is clearly needed.

An area of concern to the Committee is also the reduction in funding to the Supporting People Programme. The Committee has recommended that the Minister review the funding arrangements in this area. As a Committee we were strongly persuaded by the evidence in this area.

We were pleased that the Welsh Government was able to lay the draft budget early this year which gave us as a Committee more time for informed scrutiny. The additional week meant we were able to consider correspondence from policy committees in relation to the draft budget, ensuring we had a full and strategic overview of the issues raised in this budget period. We would encourage the Government to continue with this practice in future.

Following the success over recent years of engaging an expert advisor to assist the Finance Committee in our financial scrutiny, we were delighted to have Don Peebles, Head of CIPFA Scotland join us this year. Don has not only supported us through the budget scrutiny process but also encouraged the Committee to consider the four specific objectives of financial scrutiny to help us focus our deliberations and identify a series of recommendations. This approach proved valuable in helping the Committee shape its scrutiny. I also would like to thank Don Peebles for his work, and am confident we will draw on the lessons learnt in future years.

Finally, I would like to thank everyone who contributed to this scrutiny, the input of witnesses both in written evidence and oral contributions has been invaluable to the Committee.

A handwritten signature in black ink, reading "Jocelyn Davies". The signature is written in a cursive, flowing style.

Jocelyn Davies
Chair, Finance Committee

The Committee's Conclusions and Recommendations

The Committee's conclusions and recommendations are listed below, in the order that they appear in this report. Please refer to the relevant pages of the report to see the supporting evidence for each conclusion and recommendation.

Conclusion 1: The Committee acknowledges that there is widespread debate on the future of the Barnett formula. The view of the Committee however is that there should be transparency on all matters associated with Barnett Consequentials and that the UK Government has a clear role to play in ensuring their identification at the earliest opportunity. (Page 23)

Conclusion 2: The Committee considers that maintaining the support at the same level will lead to additional costs for local authorities as council tax levels are increased. The Committee will continue to monitor the budgetary impact which arises from this matter. (Page 25)

Recommendation 1: The Committee recommends that the Welsh Government undertake a detailed evaluation of the Council Tax Reduction Scheme. This should include the financial impact of the scheme on individual authorities. (Page 25)

Recommendation 2: The Committee recommends the Welsh Government provide information on how they will monitor the accuracy of Non Domestic Rate receipts forecasts in-year and improve the accuracy of these forecasts going forward. (Page 27)

Recommendation 3: The Committee recommends that the Government concludes its negotiations with HM Treasury as soon as possible and provides details of the arrangements it proposes to put in place to manage the consequences of any tax volatility. (Page 27)

Recommendation 4: The Committee would expect that in the second year of operation of the new financial planning system that all NHS bodies should have agreed robust three year plans and recommends the Welsh Government put in place steps to ensure this happens. (Page 29)

Conclusion 3: The Committee will return to consider the NHS three year planning regime in future budgets, to closely monitor the impact and any improvements in health finance. (Page 29)

Conclusion 4: The view of the Committee is that the drafting and enactment of legislation is a principal instrument available to Assembly Members to influence society and to improve the public services that are delivered to the people of Wales. It is essential therefore, that the full consequences of legislation including costs can be identified. It is clear in the evidence received by this Committee that there is considerable scope for improvement in how legislation is costed and how estimated costs are reflected in the budget process. (Page 33)

Recommendation 5: The Committee recommends that the Government undertakes a rigorous review of the current process for costing legislation and for incorporating the costs in the budget. The review should cover the process for planned legislation in addition to existing legislation. (Page 33)

Recommendation 6: The Committee recommends the Welsh Government sets out what the expectations and timescales are from the planned reforms in both health and local government. (Page 39)

Recommendation 7: The Committee recommends that the Government provide a realistic estimate of the costs, benefits and timescales associated with local government mergers. Further clarity is required on the incentives available to merging local authorities. (Page 39)

Conclusion 5: The Committee finds that there is conflicting evidence on the extent to which effective preventative spending is driving funding decisions. (Page 43)

Recommendation 8: The Committee recommends the Minister provide a realistic, concise, acceptable definition on what constitutes preventative spending. (Page 43)

Recommendation 9: The Committee recommends the Minister look again at the allocations to the Supporting People Programme, with a view to revisiting the funding reduction decision. (Page 43)

Recommendation 10: The Committee recommends the Minister provide a comprehensive list of preventative spending, based on clearer criteria, to identify the proportion of each portfolio allocated to preventative spending year on year to enable the Welsh Government to evidence a shift towards a budget more focussed to preventative spend. (Page 44)

Conclusion 6: The Committee notes that Health is one of the Government's stated priorities. Consideration of the 2015-16 budget in isolation identifies that Health and Social Services is the only portfolio where there is a real terms budget increase. The Committee has been unable to test the extent to which the level of resources applied to other government priorities is in fact adequate. This leads to the conclusion that the Programme for Government should be modified to reflect the order of priorities which will enable more effective financial scrutiny in future years. (Page 49)

Recommendation 11: The Committee is concerned about the conflicting evidence that was received on the underlying rationale for the increase in resources. The Minister asserts that the additional funding for health will be accompanied by reform, yet the health sector witnesses have said the funding will be used to 'plug a gap'. The Committee recommends that the Government clarify the position as soon as possible. (Page 53)

Recommendation 12: The Committee recommends the Government provide details of exactly what reform the health service will be expected to achieve and what will be the financial consequences if that reform is not evident. (Page 53)

Conclusion 7: The Committee has concerns around the reform of the health sector and will be notifying the Health and Social Care Committee of these concerns with a recommendation that they undertake a piece of work on health reform before the end of this Assembly. (Page 53)

Conclusion 8: The Committee is concerned that the timing of the announcement of additional in-year funding to the Health sector has complicated the draft budget scrutiny. Much of the evidence has been linked to these additional funds. The most appropriate time to consider this additional funding would have been during a supplementary budget. The Committee will be examining the

additional funds allocated to health for 2014-15 when a supplementary budget is presented. (Page 53)

Conclusion 9: The Committee continues to be concerned about the lack of transparency in the allocation of funding to the NHS in the draft budget. The Committee believes that having a single budget line for delivery of core NHS Services does not represent transparency and accountability. (Page 53)

Recommendation 13: The Committee recommends significant future in-year funding announcements should not be made at the same time as introducing the Draft Budget. (Page 54)

Recommendation 14: The Committee recommends that the Government calculate the extent of the impact on non-protected services and that this should be clearly set out in the strategic impact assessment. (Page 56)

Recommendation 15: Given the additional allocation to the Pupil Deprivation Grant, the Committee strongly recommends that work is undertaken to identify the benefits of the grant to pupil performance. (Page 56)

Recommendation 16: The Committee recommends the Welsh Government take greater care to evidence the Value for Money considerations that go into funding decisions. Without clear evidence Assembly Committees and the public are not able to see clearly whether Government policies and initiatives are delivering Value for Money. (Page 59)

Conclusion 10: Whilst it is noted that indicative figures, are simply estimates, the Committee is concerned that the scale of changes between indicative and final figures has serious consequences for strategic planning by the organisation affected. (Page 63)

Conclusion 11: The Committee does not consider that the level of reserves held by individual local authorities is a matter for budget scrutiny by this Committee. (Page 66)

Recommendation 17: Whilst welcoming the Strategic Impact Assessment the Committee has concerns about the level of detail currently provided in the document. The Committee recommends the Minister develop future SIAs with a view to providing more detail, particularly where there are negative impacts due to funding decisions.

(Page 66)

Conclusion 12: In relation to Non Domestic Rates and the collection of devolved taxes the Committee intend to revisit these areas in the coming months.

(Page 69)

1. Introduction

Committee background & standing orders

Who are we?

1. The Finance Committee ('the Committee') is a cross party committee of the National Assembly for Wales ('the Assembly'), made up of Members from all four political parties represented at the Assembly.
2. The Committee is responsible for reporting on proposals laid before the Assembly by Welsh Ministers relating to the use of resources. The Committee can also consider and report on any other matter related to, or affecting, expenditure out of the Welsh Consolidated Fund.

What is the Welsh Government's draft budget?

3. Standing Order 20.7 details that the Welsh Government's draft budget should set out how they intend to use their resources for the following financial year, and their provisional proposals for future years.¹

What is the role of the Finance Committee?

4. The Committee is responsible for reporting on this draft budget and can also recommend changes to the amounts proposed in the draft budget providing these changes do not increase or decrease the overall amount of resources or cash proposed.²
5. Although the Committee is responsible for reporting on the draft budget, under the Assembly's rules, other committees may also consider and report to the Finance Committee on the draft budget.³
6. The Committee scrutiny of the draft budget is the first stage in the budget process. Following the publication of this report, there will be a debate in plenary on the draft budget.⁴

¹ Standing Orders of the National Assembly for Wales, Standing Order 20.7

² Standing Orders of the National Assembly for Wales, Standing Order 20.11

³ Standing Orders of the National Assembly for Wales, Standing Order 20.10

⁴ Standing Orders of the National Assembly for Wales, Standing Order 20.8

7. Subsequently, there will be a final budget motion (“the annual budget motion”), as required by *The Government of Wales Act 2006*,⁵ this Act specifies that there must be at least one budget motion moved in relation to each financial year. Under the Assembly’s Standing Orders, no amendments can be tabled to the annual budget motion.⁶

Consultation

8. In line with previous years, the Committee issued a pre-budget consultation, inviting stakeholders to comment on the expected draft budget proposals. The call for information invited consultees, organisations and individuals to let us know their expectations of the forthcoming draft budget.

9. The Committee were pleased to receive responses from a range of organisations. Links to these contributions can be found at the back of this report.

The four objectives of financial scrutiny

10. Throughout the draft budget scrutiny process the Committee has worked closely with Don Peebles Head of CIPFA, Scotland

11. CIPFA have encouraged the Assembly to consider the following four objectives when undertaking financial scrutiny:

Affordability – Is the big picture of total revenue and expenditure appropriately balanced?

Prioritisation – Is the division of allocations between different sectors/programmes justifiable and coherent?

Value for money - Are public bodies spending their allocations well – economically, efficiently and effectively? ie outcomes

Budget processes - Are they effective and accessible? Is there integration between corporate and service planning, and performance and financial management?

⁵ The Government of Wales Act 2006, [Section 125](#)

⁶ National Assembly for Wales, Standing Orders of the National Assembly for Wales, Standing Order 20.29

2. Setting the scene: the wider economic context

12. The block grant from the UK Government provides the majority of the funds available to the Welsh Government to provide public services. This is largely determined by the Barnett formula, and thus is dependent on the UK Government's public spending decisions – a change in spending at a UK level in a devolved area results in a positive or negative impact on the Welsh block.⁷ Thus, the level of funding available to the Welsh Government is largely dependent on UK spending decisions, which are, in turn, dependent on the wider economic and fiscal environment.

13. One of the Welsh Government's stated priorities for the budget in recent years has been promoting growth. The state of the Welsh economy should therefore have an impact on the allocation of the Welsh Government's budget. Given the close cross-border links between Wales and the rest of the UK, and the fact that responsibility for monetary and fiscal policy lies at the UK level, the Welsh economy will be closely linked to that of the rest of the UK.

14. Taken together, this means that the state of both the Welsh and wider UK economies can impact on the level of funding available to Wales and to the way in which the budget is allocated. This section aims to provide a brief overview of that wider economic backdrop against which the draft budget 2015-16 is be presented.

UK Gross Domestic Product

15. Gross domestic product ('GDP') is the total value of goods and services produced by an economy and the term GDP is generally used to measure economic output. At the time of the 2014-15 final budget, independent forecasts for the UK economy showed an average estimate of 2.5% GDP growth for 2014.⁸ The latest estimates⁹ have been revised to 3.1% for 2014 and the forecast for 2015 is 2.7%.

⁷ Further information on the operation of the Barnett formula can be found in Research Service publications: [Budget Series 1: Funding Welsh devolution](#) and [The Barnett formula and the changing face of devolution funding](#)

⁸ HM Treasury, [Forecasts for the UK Economy: A comparison of independent forecasts](#), December 2013

⁹ HM Treasury, [Forecasts for the UK Economy: A comparison if independent forecasts](#), October 2014

16. The most recent Economic and Fiscal Outlook¹⁰ from the Office for Budget Responsibility ('OBR') revises their earlier forecasts as a result of the upturn in the economy coming into 2014, now forecasting GDP growth of 2.7% in 2014 and 2.3% in 2015. The most recent HM Treasury data shows that GDP in quarter two of 2014 had increased by 0.9% in comparison to the same time in 2013.¹¹

17. Thus, forecasts for economic growth for the period covered by the draft budget are more optimistic with evidence of upward revision. This is largely the result of improved economic performance between 2013 and 2014, which indicates an emergence from the extended downturn of recent years.

Welsh Gross Value Added ('GVA')

18. Regional GVA is an income-based measure of the economic output of an area, mainly composed of the wages and profits earned as a result of production. It therefore provides an estimate of the value of the economy across the different regions (and sub-regions) of the UK.

19. GVA statistics are released annually in December, so the latest available information was published in December 2013 and the regional GVA figures relate to 2012.¹² These figures demonstrated that: GVA in Wales was £47.3 billion, up 1.9% on 2011, while GVA for the UK increased by 1.6%. GVA per head in Wales in 2012 was 72.3% of the UK average, the lowest amongst the devolved countries and English regions.

20. Welsh GVA has grown at a greater rate than the UK as a whole between 2011 and 2012; although on a per capita basis it remains lower than any of the other nations of the UK, and this has been the case since 1997.

Public finances: borrowing and spending

21. Given the current UK Government's commitment to reduce the UK deficit and levels of government debt, the government borrowing

¹⁰ Office for Budget Responsibility, [Economic and Fiscal Outlook](#), March 2014.

¹¹ HM Treasury, [Pocket Databank](#), October 2014

¹² ONS, [Regional Gross Value Added](#), December 2013, [Regional GVA NUTS1, 1997-2012](#). Table 1.1 Workplace based GVA, NUTS1 at current basic prices. Figures shown are workplace-based. Note that UK average figures exclude extra-regio (i.e. that which cannot be assigned to regions).

requirement has an impact on policies relating to levels of public spending.

22. In 2013-14, the UK Government's borrowing was lower than forecast. However, forecasts for the 2014-15 borrowing requirement remain largely unchanged.¹³ Increased stamp duty receipts as a result of the growth in the property market and lower debt interest costs due to lower inflation, are likely to be offset in 2014-15 by an expectation that social security spending will be higher. Stronger growth in the UK will raise EU contributions.

23. From 2015-16 onwards, government borrowing forecasts have been revised downwards in each subsequent year, reflecting the expectation of stronger receipts and lower spending from 2015-16.¹⁴ Although the most recent figures relating to public sector finances show an increase in borrowing and debt that may cause current and future years estimates to be revisited.¹⁵

24. In relation to forecasts for public spending, the OBR notes that: "*spending cuts are focused in the years from 2016-17 to 2018-19, for which detailed plans have not yet been set.*"¹⁶ This would indicate that further reductions to the Welsh block can be expected in the coming years to 2018-19 as a result of reduced public spending at the UK level. Finally, it should be noted that the OBR forecasts are based on current UK Government policy and that the result of the UK general election in 2015 could have an impact.

¹³ Office for Budget Responsibility, [Economic and Fiscal Outlook](#), March 2014

¹⁴ Office for Budget Responsibility, [Economic and Fiscal Outlook](#), March 2014

¹⁵ ONS, [Public sector finances](#), 21 October 2014

¹⁶ Office for Budget Responsibility, [Economic and Fiscal Outlook](#), March 2014

3. Budget Overview

25. The Minister for Finance and Government Business, Jane Hutt AM, ('the Minister') laid the Welsh Government's Draft Budget Proposals 2015-16¹⁷ before the National Assembly on 30 September 2014.

26. In the foreword to the narrative document, the Minister states:

"This Draft Budget covers the final year of the current Spending Review period and is the last year for which we have a firm settlement. Given this, we are not publishing plans beyond 2015-16. However, with the two-year Agreement we have reached with the Welsh Liberal Democrats, provides stability for the people of Wales for the remainder of this Administration. The Agreement with the Welsh Liberal Democrats will deliver a range of measures with a focus on supporting children and young people. In addition, we are accelerating £95m worth of capital investments in the Wales Infrastructure Investment Plan pipeline which will secure new investment across all parts of Wales.

"As well as this additional investment, we are allocating nearly £60m of new capital, including an additional £11.2m this year, to support delivery of our investment priorities. This package includes £37m for a range of housing initiatives, which will provide much needed housing as well as continuing to providing an important economic stimulus. There is clear evidence that our actions to support the economy and provide sustainable growth and jobs are making a difference. Our spending plans for next year reflect our continuing support for the Welsh economy."¹⁸

27. The figures used by the Welsh Government as the 2014-15 baseline, are those from the Supplementary Budget 2014-15, June 2014. Where real terms calculations have been made in this report, these have been calculated using HM Treasury's latest estimate for GDP deflators for 2015-16, of 1.6%.

¹⁷ Welsh Government, *Draft Budget Proposals 2015-16*, September 2014

¹⁸ Welsh Government, *Draft Budget 2015-16 Narrative*, September 2014

Headline figures

28. The following table shows the real terms changes¹⁹ for each portfolio in 2015-16 compared with 2014-15. The Committee in its scrutiny was mindful that against the background of reduced total DEL allocations, Health and Social Services was the only portfolio for which there was in fact a budgeted increase.

Main Expenditure Group	% real terms change on 2014-15		
	Revenue DEL	Capital DEL	Total DEL
Health and Social Services	3.1	-23.1	1.9
Local Government	-5.7	-1.6	-5.7
Communities and Tackling Poverty	-4.9	0.6	-2.0
Economy, Science and Transport	-6.0	8.2	-0.3
Education and Skills	-4.5	11.2	-3.2
Natural Resources	-11.4	-2.3	-9.0
Central Services and Administration	-3.8	-58.8	-8.1
Total Welsh Government DEL Allocations	-1.8	-2.3	-1.8

% change in allocations to each portfolio in 2015-16 (real terms)²⁰

Budget restructuring

29. As a result of the Cabinet reshuffle in September 2014, there have been changes in the budget structures, mainly represented by a reduction from 9 portfolios to 7. Details on the reshuffle can be found on the [website](#). The transfers involved are detailed in an annex to the budget narrative document.

Budget Agreement

30. The draft budget details a 2 year agreement reached with the Liberal Democrats. This deal includes:

- £44m for the Pupil Deprivation Grant (over and above protection for schools funding)'
- £5m for Youth Concessionary Fares scheme'
- £5m for Apprenticeships'
- Funding for a feasibility study in 2015-16 on Care to Learn, to inform a pilot scheme in 2016-17'

¹⁹ Real terms figures calculated using HM Treasury, *GDP Deflators*, updated as at June 2014 which show 1.6% for 2015-16

²⁰ Welsh Government, *Draft Budget Proposals 2015-16*, September 2014

- £30m for Cardiff Eastern Bay link;
- £10m for an unidentified transport scheme in North Wales.

31. The Committee notes that there is a two year agreement with the Liberal Democrats but only one year figures are included within the budget documentation.

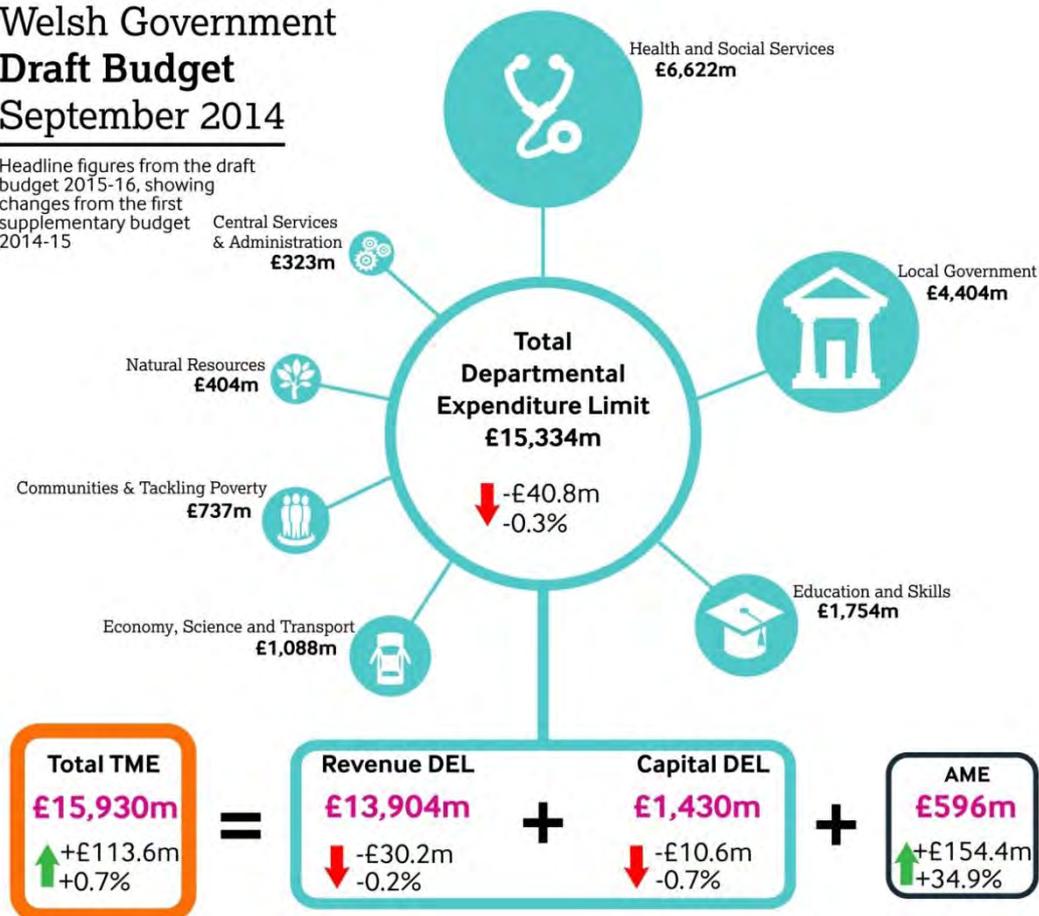
32. The draft budget narrative details total additional capital allocations of £90 million in 2015-16; however, the budget tables themselves show an increase of £80 million in capital as compared with indicative allocations for 2015-16. This represents a reduction of £10.6 million, or 2.3% in real terms, in comparison with 2014-15.

Overview of the Welsh Block

33. Figure 1 presents total Department Expenditure Limit ('DEL') allocations to Welsh Government departments in 2015-16.

Welsh Government Draft Budget September 2014

Headline figures from the draft budget 2015-16, showing changes from the first supplementary budget 2014-15



Figures show cash movements between years.
 Figures are rounded, please refer to the Welsh Government Draft Budget paper for exact figures
 DEL: Departmental Expenditure Limit, TME: Total Managed Expenditure, AME: Annually Managed Expenditure
 DEL is the discretionary element of the budget, AME is non-discretionary.

34. The Welsh Government will be allocating an additional £226 million DEL to the Health & Social Services MEG for the 2015-16. This has been funded largely by a £193 million reduction in the Local Government DEL. In addition, Welsh Government have also announced an additional £200 million funding for the Health MEG within 2014-15.

35. The Committee in its scrutiny was interested to understand the impact that switching funding between portfolios was likely to have on the people of Wales.

36. Figure 2 shows the year-on year percentage change, actual and in real terms, in the total departmental DEL allocations, against the percentage change in the overall total DEL. Looking at allocations to individual departments, it can be seen that:

- The Health and Social Services MEG saw the largest numerical and percentage DEL increases between 2014-15 and 2015-16, of £225.7 million, or 3.5%;
- With the exception of the Economy, Science and Transport MEG, all other MEGs saw a decrease in their total DEL allocations between 2014-15 and 2015-16. The Local Government MEG saw the largest numerical decrease, of £192.6 million, while the Natural Resources MEG saw the largest percentage decrease of 7.5%.

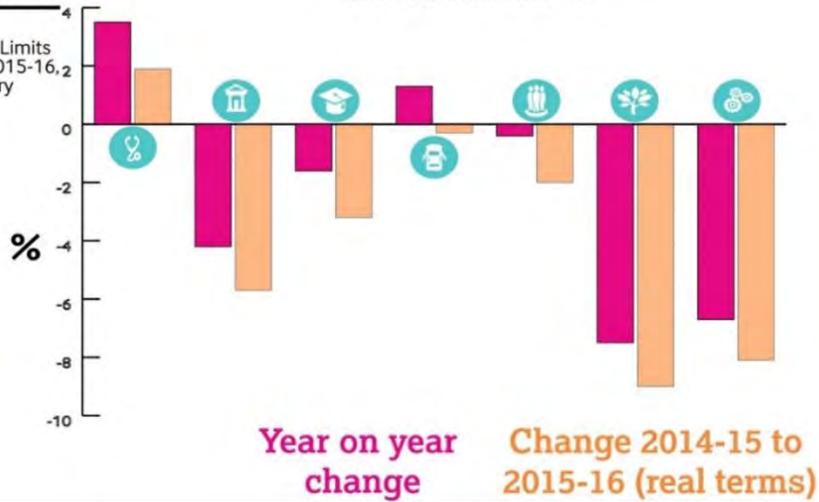
Welsh Government Draft Budget September 2014

Percentage change between
2014-15 and 2015-16

Changes between the Departmental Expenditure Limits (DEL) in the draft budget 2015-16, from the first supplementary budget 2014-15

Year on year change

Change 2014-15 to 2015-16 (real terms)



Department	Year on year change (%)	Change 2014-15 to 2015-16 (real terms) (%)
 Health and Social Services* £6,622m	+3.5% +£226m	+1.9% +£121m
 Local Government £4,404m	-4.2% -£193m	-5.7% -£262m
 Education and Skills £1,754m	-1.6% -£29m	-3.2% -£56m
 Economy, Science and Transport £1,088m	+1.3% +£14m	-0.3% -£3m
 Communities & Tackling Poverty £737m	-0.4% -£3m	-2.0% -£15m
 Natural Resources £404m	-7.5% -£33m	-9.0% -£39m
 Central Services & Administration £323m	-6.7% -£23m	-8.1% -£28m

Figures are rounded, please refer to the Welsh Government Draft Budget paper for exact figures.

Real term movements based on June 2014 GDP deflators.

*The Welsh Government Draft Budget shows different annual increases due to how they account for an additional £200m health spending (2014-15).



4. Affordability: Income

Barnett Consequentials

37. The Committee's report on the scrutiny of the Welsh Government draft Budget 2014-15 recommended that:

“...the Welsh Government continues to work with the UK Government and other devolved governments to ensure Barnett consequentials – whether positive or negative – are clearly identified at the earliest opportunity to enable more effective medium and long term planning.”²¹

38. The annex to the draft budget narrative document shows consequentials as a result of Autumn Statement 2013 and UK Budget 2014. This shows consequentials for 2015-16 as amounting to £92.8 million.

Minister's evidence

39. In relation to Barnett, the Minister said:

“It said that the Barnett framework is going to stay. However, in that same statement, it said that, across the four nations, there should be equitable distribution of resources. It seems to me that that contradicts the fact that the Barnett formula is here to stay. This is very important for us in terms of the impact of consequentials.”²²

Committee view

40. The Committee is pleased to see that this year's budget documentation identifies Barnett consequentials as recommended last year.

41. The Committee notes that this relates to the wider debate about the future of the Barnett formula, which is outside Welsh Government control. The Committee notes that this uncertainty in the budget process brings uncertainty to all parties involved in the process.

²¹ National Assembly for Wales, Finance Committee Report, Scrutiny of the Welsh Government Draft Budget 2014-15

²² National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 207

Conclusion: The Committee acknowledges that there is widespread debate on the future of the Barnett formula. The view of the Committee however is that there should be transparency on all matters associated with Barnett Consequentials and that the UK Government has a clear role to play in ensuring their identification at the earliest opportunity.

Taxation Levers - Council Tax

42. In October 2010, the UK Government announced the abolition of Council Tax Benefit. The Welsh Government consequently developed the Council Tax Reduction Scheme ('CTRS'), and provided support of £22M to local government in both 2013-14 and 2014-15 to fund the scheme.²³

43. Following a review of the new arrangements the Welsh Government has decided to continue with the CTRS and to continue to fund support at current levels. However, local authorities will need to plan for additional costs arising from local increases in council tax.²⁴ Evidence received during last year's budget scrutiny suggested that this limits the amount of income which can be raised from increasing council tax.²⁵

44. Around 19% of the income required to meet revenue expenditure by Welsh local government is financed by income from council tax. Of this, some £250m relates to the council tax reduction scheme ('CTRS') and around £1,250m is to be collected from council tax payers.

45. When asked about the sustainability of the CTRS the Welsh Local Government Association ('WLGA') said:

"... we will have to take a look at it to health check whether the amount of money now being put in the settlement matches the expenditure. In total, the whole £222 million was devolved to Welsh Government. That was the amount of money that came with the 10% cut, which has gone into the settlement, as has the money to make up the difference. So, there is £244 million

²³ Welsh Government, Lesley Griffiths (Minister for Local Government and Regeneration), Cabinet (Written) Statement, [The Review of Council Tax Support](#), 5 June 2014

²⁴ Welsh Government, Lesley Griffiths (Minister for Local Government and Regeneration), Cabinet (Written) Statement, [The Review of Council Tax Support](#), 5 June 2014.

²⁵ Finance Committee, RoP 17 October 2013, para 397

in there. We have to test whether that matches up with the expenditure. Local government may be spending a couple of million higher than that, so, in fact, local government is also helping to make up the shortfall. We have to also make an assessment about the risks in the future around caseload. The indication so far is that the caseload is coming down, so there is a downward pressure on the spend, but it is not quite enough to compensate for the increases in council tax, which put an upward pressure on that.”²⁶

Minister’s evidence

46. The Minister said CTRS funding would be maintained at £22m.²⁷

47. The Minister said:

“As far as the council tax benefit scheme is concerned, obviously, we have maintained it. We have made tough decisions, because it is a tough decision in terms of how we can fund that. In terms of just maintaining it, for the protections, it is important that we have delivered that. If you look at the review that we took of longer-term arrangements this year, you will see that we have agreed to continue to maintain entitlements for all eligible applicants and to continue with the existing funding arrangements for a further two years, protecting vulnerable and low-income households against reductions in entitlements for a total of four years. That is despite, again—and I hope that you would recognise this, as a committee—a shortfall in the funding transferred by the UK Government.”²⁸

48. In further evidence to the Committee the Minister said that there was no choice but to use devolved funds to protect against the impact of the UK Governments decisions. The Minister said ‘As a responsible Government, I think that we felt that we needed to find a way of continuing with the council tax benefit scheme.’

²⁶ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 249

²⁷ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 215

²⁸ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 213

Committee view

49. The Committee is concerned that devolved funds are now being used to mitigate against the impact from UK policy decisions. The Committee notes that this introduces a further dimension to policy planning and budget setting in that the Welsh Government, as well as considering policy direction in Wales, now has to understand and plan for the consequences of UK decisions and further understand the impact on local authorities.

Conclusion: The Committee considers that maintaining the support at the same level will lead to additional costs for local authorities as council tax levels are increased. The Committee will continue to monitor the budgetary impact which arises from this matter.

Recommendation: The Committee recommends that the Welsh Government undertake a detailed evaluation of the Council Tax Reduction Scheme. This should include the financial impact of the scheme on individual authorities.

Taxation Levers - Non-domestic Rates ('NDR')

50. The Welsh and UK Governments have agreed a target date of April 2015 for the full devolution of non-domestic rates ('NDR') to the National Assembly for Wales. The budget narrative explains:

“Full devolution will ensure that Wales will benefit from the growth in this tax base over time, as well as making it easier to set business rate policy in a way that meets the need of Welsh businesses and citizens. While this Draft Budget does not take account of changes to the Welsh DEL following the devolution of NDR in April, our intention is to reflect adjustments as necessary through an in-year Supplementary Budget.”²⁹

51. In relation to the devolution of NDR the FSB Wales said:

“This is a major shift in the Welsh Government’s budget with around £1bn of revenue raised from the business community for the first time allocated to the Welsh Government to manage and spend as they see fit. This is also by far the largest of the taxes to be devolved following the Silk Commission process,

²⁹ Welsh Government, Draft Budget 2015-16 Narrative, September 2014

until a referendum is held on whether to devolve income tax powers to Wales. FSB Wales therefore believes that the next budget should contain clear guidance on how much the Welsh Government expects to raise in terms of non-domestic rates review and how its policy in this area is likely to influence departmental expenditure limits. For instance, the Scottish Draft Budget 2014-15 included an analysis of how much revenue will be raised by non-domestic rates and the Scottish Government's policy in this area."³⁰

Minister's evidence

52. When asked whether any work has been done to assess the impact on the level and the volatility of income for local government, the Minister said:

“At the moment, I am negotiating with the Treasury on the transfer, because, of course, we are now, as you say, into a period where we manage and have to bear the risk in terms of our responsibilities and the impact that that could have on local government. So, we clearly welcome the complete devolution of non-domestic rates. It is going to happen in April, and I hope to be able to report back to the Assembly very shortly the outcomes of my negotiations, which will take on board your points.”³¹

53. The Minister said further information would be provided to the Committee on NDR when discussions have been concluded.³²

Committee view

54. The Committee is keen to support the Minister in negotiations with HM Treasury. However, the Committee is disappointed not to see further information on NDR available for scrutiny in the draft budget and is interested in how the Welsh Government make forecasts of NDR receipts now and in the future

³⁰ Written Evidence, Finance Committee, WGDB09

³¹ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 219

³² National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 226

Recommendation: The Committee recommends the Welsh Government provide information on how they will monitor the accuracy of Non Domestic Rate receipts forecasts in-year and improve the accuracy of these forecasts going forward.

Recommendation: The Committee recommends that the Government concludes its negotiations with HM Treasury as soon as possible and provides details of the arrangements it proposes to put in place to manage the consequences of any tax volatility.

5. Affordability: Expenditure

NHS Finance (Wales) Act 2014

55. The *NHS Finance (Wales) Act 2014* received Royal Assent on 27 January 2014. This Act provides a new legal financial duty for Local Health Boards to break even over a rolling three financial year period rather than each year. Under the *NHS Finance (Wales) Act 2014* Integrated Medium Term Plans are subject to the Minister's formal approval.

56. The Minister announced on 7 May that two Health Boards (Cardiff and Vale and Cwm Taf) and Velindre NHS Trust had approved three year plans. Abertawe BMUHB have since had a three year plan approved; Aneurin Bevan UHB have asked to submit a one year plan and submit a three year plan in January 2015; and Hywel Dda, Powys, Betsi Cadwaladr, Public Health Wales and WAST have been asked to provide one year plans.

57. Organisations who do not have a three year plan in place have received more detailed accountability letters setting out their performance and delivery expectations for 2014-15.

58. Whilst health witnesses acknowledged three year planning, "is very helpful"³³ it also appeared to be too early to judge whether the move to three year planning for local health boards has led to improved financial results.³⁴

59. The Wales Audit Office report 'NHS Wales: Overview of Financial and Service Performance 2013-14' agrees with the view that it is too early to conclude whether three year plans have improved financial management.³⁵

Minister's evidence

60. In relation to the completion of the plans the Minister said:

³³ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 8

³⁴ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 10

³⁵ Wales Audit Office, [NHS Wales: Overview of Financial and Service Performance 2013-14](#) October 2014

“we still have a bit of time to hopefully get those three-year plans in place by the end of this financial year.”³⁶

61. The Minister outlined the purpose and support behind the plans:

“[the] three-year financial planning regime, which, of course, was very much supported by the Assembly and this committee, to enable us to take on board what their projections were in terms of need, demand and sustainability.”³⁷

Committee view

62. The Committee notes that the health service, in general, supports the move to three year financial plans. The evidence received by the Committee was that not all health boards have moved to three year planning. It was not clear to the Committee why all health boards were unable to provide sufficiently robust three year plans.

Recommendation: The Committee would expect that in the second year of operation of the new financial planning system that all NHS bodies should have agreed robust three year plans and recommends the Welsh Government put in place steps to ensure this happens.

Conclusion: The Committee will return to consider the NHS three year planning regime in future budgets, to closely monitor the impact and any improvements in health finance.

Costs arising as a result of Legislation

63. A number of recommendations and conclusions were made in the Finance Committee report on the *Scrutiny of the Draft Budget 2014-2015* in relation to costs arising from legislation. Last year the Committee were concerned that “the cost of already enacted legislation is neither fully known, nor fully budgeted, nor accounted for transparently”.³⁸

64. Annex D of the narrative document shows the costs of legislation, and where in the budget these are provided for.

³⁶ National Assembly for Wales, Finance Committee, Draft Rop 3 November 2014, paragraph 160

³⁷ National Assembly for Wales, Finance Committee, Draft Rop 3 November 2014, paragraph 13

³⁸ National Assembly for Wales, Finance Committee, Scrutiny of Welsh Government Draft Budget 2014-15, November 2013

65. In written evidence Sustrans outlined their concerns in how the objectives of the *Active Travel (Wales) Act* will be met in the face of budget cuts, they said:

“A mix of capital and revenue funding will be needed to fully support the legislation, with the ‘duty to promote’ a crucial part of maximising the potential of the legislation. The proposed cuts in revenue funding for Sustainable Travel are, therefore, a concern for funding these schemes going forward.”³⁹

66. Carers Trust Wales, were pleased to see carers needs being mainstreamed in legislation, but said:

“...you can look at the legislation that you have passed, and that is going through at the moment, and it will look terrific, but, in terms of establishing a structure, in terms of actually supporting carers on a day-to-day basis, that goes, by and large, through local authorities. When the money is not there, carers services and preventative carers services are being seen as a luxury.”⁴⁰

67. Carers Trust Wales continued:

“To talk specifically about pieces of legislation, the Social Services and Well-being (Wales) Act 2014 looks to move to a rights-based model, so you have a right to support to meet your outcomes. That right is brilliant, but the services are not going to be there to meet that right.”⁴¹

68. Cymorth Cymru also raised concerns around legislation not being adequately funded, they said:

“... it is short sighted to be cutting the only revenue grant that supports the implementation of that new legislation. So, yes, while the input to homelessness this year is great, it is a one-off. This is actually a potentially cumulative regressive impact on Supporting People over the years to come, at a time when the external context is pushing more and more people to the edge. We know that a large proportion of Welsh families have

³⁹ Written Evidence, Finance Committee, WGDB11

⁴⁰ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 492

⁴¹ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 508

already said that they would be at risk of losing their home if they were to lose their jobs. With rising fuel costs, rising poverty, rising food costs and rising housing costs, where is the margin for manoeuvre? We are concerned that more and more people will potentially be at risk of needing these sorts of services and we will be unable to provide them. Yes, there will be a duty to assess for support within the new legislation, and we welcome that, but we will not be in a position to provide that support.”⁴²

69. The Health and Social Care Committee have also raised concerns over the ability of local government to deliver the outcomes of legislation, specifically the *Social Services and Well-being (Wales) Act 2014*, in light of budget reductions.⁴³

70. The Children, Young People and Education Committee have raised concern regarding the funding decisions on the *Additional Learning Needs (Wales) Bill*.⁴⁴

Minister's evidence

71. When asked about the further work being done around regulatory impact assessments, the Minister said:

“As you progress with legislation, you have the regulatory impact assessments. In terms of draft legislation, you need to make sure that that is robust. As we work through legislation and the scrutiny of financial costs, that will be important in terms of testing the estimation that we have. It is very important to make sure that that is all transparent so that we can be scrutinised and that also, if necessary, we can make adjustments.”⁴⁵

72. When questioned further about the financial impact of legislation, the Minister said:

⁴² National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 504

⁴³ National Assembly for Wales, Health and Social Care Committee, [letter to the Minister for Health and Social Services & the Deputy Minister for Health](#) [accessed 3 November 2014]

⁴⁴ National Assembly for Wales, Children, Young People and Education Committee, [letter to the Minister for Education and Skills and the Deputy Minister for Skills and Technology](#) [accessed 3 November 2014]

⁴⁵ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 202

“I suppose that you could say that it is still pretty early days in terms of implementation of our legislation, although we got through a big programme in the last four years. They are the best estimates that we have in terms of financial impact. It is also about timescales in terms of the costs that arise. It is about the best estimates, and then we have to make sure that costs are absorbed into the budget process.”⁴⁶

73. When asked about the costs of existing legislation the Minister said:

“I would hope that that could be assessed. Some of it will probably start to be reflected in terms of budget projections and core budget costs, because you want to finance legislation for a purpose. It will then become part of service delivery.”⁴⁷

Committee view

74. The Committee welcomes the details provided on the costs of legislation in Annex D of the narrative document, but the Committee notes that:

- It excludes staff costs, shows fiscal revenue costs only and does not take account of any potential receipts;
- It provides details of only selected pieces of legislation (13 only); stating that not all legislation will incur costs in 2015-16;
- The narrative states that cost information shown is predominantly based on financial information provided in the regulatory impact assessment ('RIA') accompanying the original legislation, but that some cost details have been developed further to this.

75. The Committee recognises and shares the concerns of the people on the front line delivering services on the consequences of reduced resources and fears the level of cuts will have an adverse effect on vulnerable groups in society.

⁴⁶ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 204

⁴⁷ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 206

Conclusion: The view of the Committee is that the drafting and enactment of legislation is a principal instrument available to Assembly Members to influence society and to improve the public services that are delivered to the people of Wales. It is essential therefore, that the full consequences of legislation including costs can be identified. It is clear in the evidence received by this Committee that there is considerable scope for improvement in how legislation is costed and how estimated costs are reflected in the budget process.

Recommendation: The Committee recommends that the Government undertakes a rigorous review of the current process for costing legislation and for incorporating the costs in the budget. The review should cover the process for planned legislation in addition to existing legislation.

Public Service Reform

76. In July 2014, the Welsh Government responded formally to the Williams Commission's report,⁴⁸ and published two papers:

- *Devolution, Democracy and Delivery: Improving Public Services in Wales* - which sets out the Welsh Government's response to a broad range of the Commission's recommendations;⁴⁹
- *Devolution, Democracy and Delivery: Reforming Local Government* - which is the White Paper setting out specific proposals for reforming local government. This will include steps to strengthen democracy, improve performance and create better links between local government and communities. It will also involve a process of local authority mergers, with a Bill introduced in January 2015 to provide the powers necessary to enable and facilitate a programme of mergers.⁵⁰

77. In its *In Defence of Localism* document, the WLGA expresses specific concern about the impact of budget reductions in the context of reform and mergers:

⁴⁸ Commission on Public Service Governance and Delivery, [Full report](#), January 2014

⁴⁹ Welsh Government, [Devolution, Democracy and Delivery: Improving Public Services in Wales](#), 2014

⁵⁰ Welsh Government, [Devolution, Democracy and Delivery: Reforming Local Government](#), 2014

“The most severe budget challenges are in the forthcoming three financial years up to 2018. The danger is that if local government reorganisation does not occur until 2020, it will have been overtaken by the impact of the cuts in public spending. Services will have been redesigned, reconfigured or cut in an immediate and more arbitrary way rather than being managed and planned.”⁵¹

78. The Draft Budget narrative details an allocation of £34.1 million in the Local Government Improvement action to support local government decision-making, build corporate capacity and improve service delivery states. However, this is a reduction of 2.2% (3.7% in real terms) on both 2014-15 figures and the indicative 2015-16 figures.

79. Referring to the cost of mergers, the WLGA said:

“Previous reorganisation mergers have been funded centrally. It is a costly enterprise. The evidence that we put to the Paul Williams commission, based on work that was done by Deloitte UK, estimated that the cost of reorganisation was somewhere between £200 million and £400 million. I think that the higher figure is probably not a plausible figure. We have currently commissioned the Chartered Institute of Public Finance and Accountancy to look at some work into the costs of reorganisation and that will be published soon.”⁵²

80. The Williams Commission noted the report commissioned by the WLGA from Deloitte, however, the Williams Commission disagreed with this methodology and estimated that the upfront costs could be between £80 million and £100 million.

81. The WLGA state that the costs of mergers detailed by the Williams Commission was “almost unevidenced”.⁵³

82. Furthermore, in its *In Defence of Localism* document, the WLGA was critical of the Welsh Government’s policy of demanding continuous improvement in services in a period of austerity, stating:

⁵¹ Welsh Local Government Association [In Defence of Localism](#), June 2014

⁵² National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 219

⁵³ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 221

“Local authorities must set balanced budgets however, and this means that concepts such as “continuous improvement” across every service area are now becoming increasingly meaningless.”⁵⁴

83. In written evidence the Older People’s Commissioner said:

“Whilst there is a clear consensus that there is a need for a step change in the performance and delivery of public services in Wales, the Welsh Government must be certain that the proposed timetable for reform represents value for money. This takes place at a time when Local Authority budgets are facing unprecedented challenges to deliver front-line services for the benefit of older people and others; the Welsh Local Government Association predicts that reform could cost up to £200m.”⁵⁵

84. In evidence to the Communities, Equality and Local Government Committee, the Minister for Public Services said it was his intention to undertake “a case –by-case assessment of what might be needed and what might be feasible for us to support”.⁵⁶

85. Whilst there was evidence of pressure for reform at local government level, there were concerns raised that the same expectations were not being levied at the health sector. Local Government representatives expressed concern, that:

“...if health is to be given so much funding this year, are they actually going to provide the match to ensure that these new developments reach their full potential?”⁵⁷

86. The Wales Audit Office report ‘NHS Wales: Overview of Financial and Service Performance 2013-14’ concludes that further reforms in health are required:

“Financial and demand pressures mean substantial change to NHS services is essential but progress to date has been slow.”⁵⁸

⁵⁴ Welsh Local Government Association [In Defence of Localism](#), June 2014

⁵⁵ Written Evidence, Finance Committee, WGDB07

⁵⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP, 9 October 2014, paragraph 235

⁵⁷ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 10

⁵⁸ Wales Audit Office, [NHS Wales: Overview of Financial and Service Performance 2013-14](#) October 2014

87. In relation to reform in the health service Adam Cairns, Cardiff and Vale University Health Board told the Committee of the need for further reforms to allow citizens to manage their own healthcare⁵⁹ and the need to work with communities to encourage people to make better choices.⁶⁰

88. In addition the Health and Social Care Committee have asked the Government to provide information on how it intends to monitor and ensure that the additional funding “delivers meaningful reform and positive outcomes for patients, rather than being used by health boards to address end of year deficits resulting from unchanged models of care”.⁶¹

89. In the response from the Minister for Health and Social Services in relation to the additional revenue allocation for NHS services, and the Health Committees request on ‘meaningful reform’ that Minister said:

“The majority of the new funding is primarily required to maintain current service levels.”⁶²

Minister’s evidence

90. When asked about funding being made available to assist with Local Government mergers, the Minister said:

“Clearly, there is the Welsh Government commitment to Williams, but it is also at a time when we have severe financial pressures. At the moment, as you know, as a result of the call for voluntary mergers and the prospectus that has gone out, authorities are asked to come forward with proposals by the end of November, I think. Also, they have been asked to come forward with proposals that minimise costs and maximise the early realisation of benefits. So, it has always been a question of cost benefit in terms of merging and seeking that cost benefit. You need to go back to the Williams commission

⁵⁹ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 190

⁶⁰ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 232

⁶¹ National Assembly for Wales, Health and Social Care Committee, [letter to the Minister for Health and Social Services & the Deputy Minister for Health](#) [accessed 3 November 2014]

⁶² Welsh Government, [letter from the Minister for Health and Social Services to the Chair of the Health and Social Care Committee](#) [accessed 6 November 2014]

report, as you will have done, in terms of costs of mergers. We have to put this into the context of the fact that local government spends over £8 billion a year, and that this reform has to realise cost benefits. That is, obviously, partly why we are moving forward on this. I think that it is something that, working very closely with the Minister for Public Services, we will be able to assess, and various financial assessments have been done in terms of costs over the past few months.”⁶³

91. The Minister acknowledged that there must be accompanying reform in the case of health, she said:

“if you also accompany it with reform and reshaping of the health service, a responsible Government, which I believe we are, has to do something.”⁶⁴

92. In further evidence the Minister confirmed that additional funding in the health sector is ‘clearly linked to reform’.⁶⁵ There was however no further details provided on the type of reform anticipated or the timescale for assessment.

93. The Minister continued:

“I know that the [Health and Social Services] Minister would be very concerned if that, in any way, had come over as what the ambition of prudent healthcare is. One point that was made earlier on was that there are other things that we invest in that can prevent ill health, which include things like our investment in leisure centres. In fact, when I was talking to people from leisure centres on the budget tour, they said, ‘We ought to be called health centres not leisure centres.’ Also, there is the fact that we still have the very pioneering, from years back, exercise referral schemes where, instead of going for drugs, you go for an exercise referral. This is really what we are talking about. Prudent healthcare is not just about the health service.”⁶⁶

⁶³ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 254

⁶⁴ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 365

⁶⁵ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 146

⁶⁶ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 141

Committee view

94. The Committee is concerned that costs of mergers will fall to local government, and historically the cost of mergers has been underestimated and the benefits overestimated. Even where benefits are anticipated in the long term, there will be considerable costs in the first few years. A recent example is the creation of Natural Resources Wales, with net savings not being expected for a number of years post-merger of the Environment Agency Wales, Forestry Commission Wales and Countryside Council for Wales.

95. The Committee heard that several types of reform such as reorganising capital assets and building up voluntary sector capacity will take a long time to implement. The Committee is concerned that there is a risk that the timescales for public sector reform are too long relative to the rate at which budgets are being reduced.

96. It is not yet clear what the scale of reorganisation will be or what the impact will be on the budget. The Committee notes, that at a time of reducing public funds available for public service delivery in Wales, there is a risk that resources will be diverted to organisational reform.

97. Although limited evidence was provided, the Committee detected that amongst professionals, both in the health and local government sector, there is the growing recognition that service transformation is required.

98. Overall, the Committee did not receive evidence that confirmed the ongoing affordability of health service delivery in its present format. The Committee concludes that there is a disconnect between the funding currently provided and the scale and pace of transformational change that is required.

99. The Committee is concerned by the lack of evidence that additional funding to health is not being accompanied by a strong requirement to reform.

100. The Committee is interested in the comments from Cardiff and Vale Health Board which indicates that a different type of healthcare provision is needed in the future. If healthcare provision does evolve the Committee will be interested to see how this is funded.

101. Overall, the Committee has detected a difference in approach to major public service reform. However, it is not always evident why specific policy choices have been taken. On the one hand additional funding to Health and Social Services is linked to reform, on the other there is an anticipated major structural reform in local government although no financial provision in the 2015-16 budget has been made for any costs associated with it.

102. The Committee acknowledges that it is for Government to determine its own policy choices. However, from the evidence received it is not clear to the Committee what the scale of the reforms would be and what the overall impact is on the budget.

Recommendation: The Committee recommends the Welsh Government sets out what the expectations and timescales are from the planned reforms in both health and local government.

Recommendation: The Committee recommends that the Government provide a realistic estimate of the costs, benefits and timescales associated with local government mergers. Further clarity is required on the incentives available to merging local authorities.

Preventative Spending

103. From the Committee's report on the 2013-14 and 2014-15 draft budgets, the picture of provision for preventative spending in the budget has been unclear, although it is evident that the Welsh Government are adopting some preventative approaches.

104. The Draft Budget 2015-16 narrative document includes two new disclosures in relation to preventative spending. Each of the portfolios now includes a description of how preventative spending has been incorporated into the relevant budget. In addition, Chapter 6 provides evidence of how budgets link to outcomes, some of which relates to preventative spending.

105. The Committee received evidence from several sources of the close links between Health and Local Government and the preventative nature of much of the work of Local Government.

106. The Health witnesses noted there needed to be ‘integration’ with Local Government to provide services although there is no formal or mandated requirement to do this.

107. The Health witnesses also referred to integration with other services:

“... the Welsh NHS Confederation, signed a memorandum of understanding with Sport Wales to try to embed that type of integration and joint working at all levels of our communities to create healthier communities. The confederation is working very closely with the Association of Directors of Social Services Cymru on a programme called Strengthening the Connections, which involves local government, third sector organisations and individuals.”⁶⁷

108. The Local Government witnesses emphasised that local government provisions are required to help ensure people are not accessing NHS services, Cllr Ellen ap Gwynn, Leader of Ceredigion County Council, said:

“... we must have that preventative provision to help people to stay out of the health service and these high-level services that social services prepare for them, which include the leisure, housing, public health, planning, transport—particularly in rural areas—parks, public toilets—which have been a controversial topic.”⁶⁸

109. Evidence also suggested that funding for preventative work in the Voluntary Sector is also likely to be cut following cuts to the Local Government budget. The WCVA said:

“We deliver a lot of preventative services on the ground and we help a lot of vulnerable people, and, because we do that, we save the state a lot of expenditure in crises further down the line.”⁶⁹

⁶⁷ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 181

⁶⁸ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 25

⁶⁹ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 264

110. The Voluntary Sector witnesses noted that the Supporting People Programme budget cuts would have negative consequences, and that there appeared to be little emphasis on preventative spending across the budget. The WCVA said:

“a lot of the work of the sector is very much about supporting very vulnerable people, and about taking preventative action and providing community services. All of these are in danger of fragmenting, when we have a very unreliable system in which funding is, year on year, being cut and cut. It is no basis on which to plan preventative services, and that seems to be the emphasis in the budget.”⁷⁰

111. Care and Repair provided written evidence detailing how the work they undertake can impact on the health of older people. For example, they provided detailed information in relation to preventing older people falling in the home. They said budget cuts result in less of this preventative work taking place, resulting in a higher number of older people accessing health services after a fall.⁷¹

112. In written evidence the Older People’s Commissioner, also referred to the impact budget cuts would have on the ability to provide preventative services to older people:

“The approach to preventative spending is insufficient. The issues that I have previously outlined, including housing and community services, are all preventative services that are absolutely essential in reducing the pressures on health and social care services. With an ageing population, it is crucial that we plan ahead, develop health services fit for 21st century challenges and reduce the need for statutory health care packages and hospital admissions as much as possible.”⁷²

113. The Health and Social Care Committee also raised concerns regarding the impact of reductions to the local government budget in

⁷⁰ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 322

⁷¹ Written Evidence, Finance Committee, WGDB07

⁷² Written Evidence, Finance Committee, WGDB04

terms of overall spend on preventative services “as local authority services are often preventative in nature”.⁷³

114. These concerns are shared by the Communities, Equality and Local Government Committee, the Committee said:

“We are concerned that, given the scale of the reductions in local government funding, many of these services, including those that are preventative in nature, will suffer inexorably.”⁷⁴

Minister’s evidence

115. In relation to preventative spend, the Minister said:

“In terms of preventative spend, it is also useful to look at the integrated impact assessment, because, to a certain extent—. We have also been very much guided by the budget advisory group on equality that has worked with me and the Minister for Communities and Tackling Poverty to overview the portfolio spend and the priorities, to look at it in terms of our priorities and programme for government, but also at the impact of reductions. To give you an example, in terms of health and social services and integration, on the key decisions, namely NHS additional funding of £225 million, once we had made the decision that we were going to meet the Nuffield funding, that had an impact on the whole budget. It is obviously beneficial for the Minister for Health and Social Services’ budget. It is also about looking at what emerges through those key decisions, such as mental health maintaining, because we know the importance of prevention in terms of keeping the spend on mental health. That is preventative investment. We know that. Public health and prevention is increased by £1.5 million.”⁷⁵

116. In further evidence to the Committee the Minister said that preventative spend was identified by each Minister and tested by the annual reporting process.

⁷³ National Assembly for Wales, Health and Social Care Committee, [letter to the Minister for Health and Social Services & the Deputy Minister for Health](#) [accessed 3 November 2014]

⁷⁴ National Assembly for Wales, Communities, Equality and Local Government Committee, [letter to the Minister for Public Services](#) [accessed 3 November 2014]

⁷⁵ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 278

117. The Committee received conflicting evidence on what level of spend was considered to be preventative. The Minister for Health and Social Services advised the Health and Social Services Committee that only 2% of the Health Budget was preventative spend. The Minister in her evidence said this was not a helpful description and gave various examples of what preventative spend could include. In the Minister's opinion, the level of preventative spend was greater than the 2% referred to by Health Minister.⁷⁶

Committee view

118. Overall, the Committee believes that the draft budget narrative provides coverage of the Welsh Government's approach to preventative spending, including a section in each portfolio chapter. The Committee welcomes that preventative spending is also noted as one of the Government's main priority areas.

119. Although coverage of the allocations to and nature of preventative measures is greatly improved, there is still little quantitative evidence on the extent to which the budget supports such measures, and the evaluation, of their impact.

120. The Committee is also concerned that the impact of the budget allocations will result in other sectors being unable to undertake genuinely preventative work, the Committee considered the evidence in this area is very persuasive.

Conclusion: The Committee finds that there is conflicting evidence on the extent to which effective preventative spending is driving funding decisions.

Recommendation: The Committee recommends the Minister provide a realistic, concise, acceptable definition on what constitutes preventative spending.

Recommendation: The Committee recommends the Minister look again at the allocations to the Supporting People Programme, with a view to revisiting the funding reduction decision.

⁷⁶ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 60

Recommendation: The Committee recommends the Minister provide a comprehensive list of preventative spending, based on clearer criteria, to identify the proportion of each portfolio allocated to preventative spending year on year to enable the Welsh Government to evidence a shift towards a budget more focussed to preventative spend.

6. Prioritisation

Budget allocation and Programme for Government

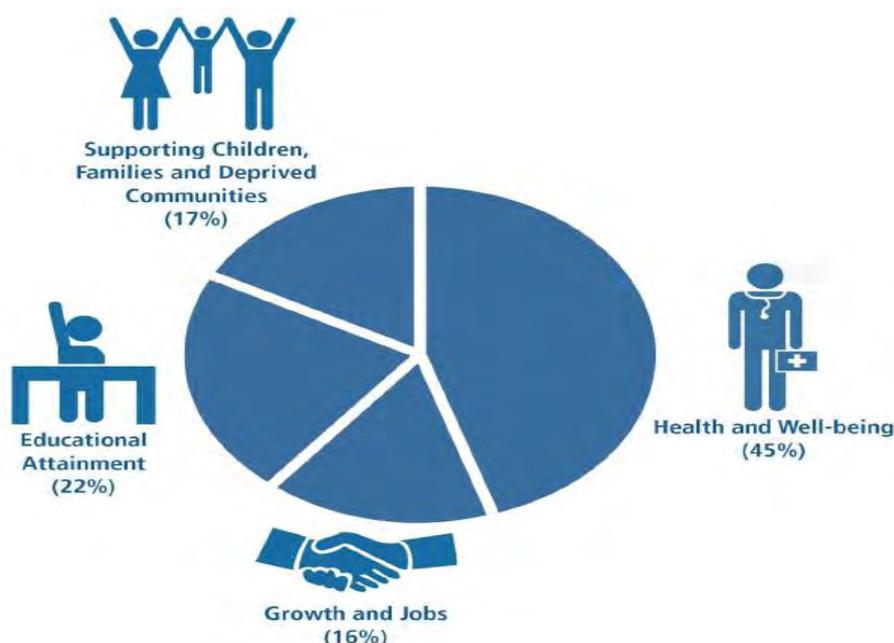
121. The Programme for Government progress report 2014 lists the Welsh Government's four themes:

“My priorities remain absolutely clear: growth and jobs; educational attainment; supporting children, families and deprived communities; and improving health and well-being for all of our citizens.”⁷⁷

122. The Ministerial Foreword to the Draft Budget 2015-16 references two themes:

“At the heart of this Government is our commitment to the NHS and our determination to ensure that every patient gets the high quality care they deserve... We also recognise the importance of social services to the health service.”⁷⁸

123. The draft budget narrative document also shows a chart setting out how the budget aligns to these main themes (excluding prevention): 17% for supporting children, families and deprived communities; 45% for health and wellbeing; 22% for educational attainment; and 16% for growth and jobs.



⁷⁷ Welsh Government, [Programme for Government progress report June 2014](#)

⁷⁸ Welsh Government, Draft Budget 2015-16 Narrative, September 2014

124. The budget narrative discusses improving links between the budget and performance in the context of the *Future Generations (Wales) Bill* and its national outcome goals, which are intended to be used to develop a set of national indicators and National Performance Framework. It is stated that this, together with the development of a new budget process, provides the opportunity for change.

125. The Health and Social Services MEG has risen by 3.5% in cash terms (1.9% real terms) in the Draft Budget 2015-16 compared to 2014-15.

126. The primary reason for the increase in allocation to health has been the publication of a report by Nuffield Trust⁷⁹ ('the Nuffield Trust Report'), the budget narrative details:

"The Nuffield Trust Report earlier this year highlighted that the NHS in Wales will continue to be affordable in the future if it continues to reform and reshape services. The additional investment of £225m we are allocating to the NHS in this Draft Budget, together with the additional £200m in 2014-15, will support the NHS to make the necessary changes."⁸⁰

127. The main source for the additional allocation to health has been a reduction in the Local Government MEG of 4.2% (5.7% real terms reduction).

128. During evidence from the Local Government witnesses, it was noted that the cuts to Local Government are compounded for some sectors as local authority budgets themselves include protected areas such as social services and education which can account for the over half of their budget. It was said:

"...actually, when you exclude some of those areas for protection, whether that be education or demographics in social care, and when you consider that, within our budget, we have things like the fire service that we have to pay levies to, and capital charges, et cetera, then, when we talk about a 4% cut to local government funding as being a scenario that we have all budgeted for, what we are actually talking about is a cut of 25% plus in those services that are not protected. That is

⁷⁹ Nuffield Trust, [A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26](#), June 2014

⁸⁰ Welsh Government, Draft Budget 2015-16 Narrative, September 2014

why many of those quality-of-life-type services are disappearing, because the choices are not about the whole local government budget; it is really about very small elements in the budget. For example, in Rhondda Cynon Taf, 30% of our budget is dedicated directly to schools. So, that is not touchable in terms of the savings that we need to achieve. A further 30% is social care, and we have already referenced the demographic pressures and other pressures that are there. So, 60% of the budget, before we even start considering where we find a £30 million budget gap for next year, is, in effect, protected, given the sort of pressures that are there. So, sometimes, when we talk of a 4% cut, there is almost an assumption that it will apply across services. In reality, however, it is far bigger than that.”⁸¹

129. The Local Government witnesses also raised concerns that they were facing cuts to ‘bail out’⁸² the health service.

130. The Health and Social Care Committee, whilst recognising the need to allocate extra resources to health, raised concerns that:

“... that the significant reduction to the local government allocation for 2015-16 will have a negative impact on the delivery of social services ... Furthermore, given the important links between health and social care services ... the considerable reductions could place pressure on the long term sustainability of health services.”⁸³

Minister’s evidence

131. In relation to how budget allocations link to Government priorities the Minister said:

“... we are driving ahead our commitment to demonstrating how allocations link to objectives of spend—you will see in the narrative of the budget on page 30 a chart showing how we have allocated and aligned our resources to four outcome

⁸¹ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 43

⁸² National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 10

⁸³ National Assembly for Wales, Health and Social Care Committee, [letter to the Minister for Health and Social Services & the Deputy Minister for Health](#) [accessed 3 November 2014]

themes that have shaped our budget allocations—and, importantly, as we have worked on this together, on how we can demonstrate improved links to outcomes. So, I have highlighted budget outcomes in the draft budget with evidence of why and how we have prioritised.”⁸⁴

132. In evidence the Minister noted the importance of the Nuffield Trust Report as justification for the allocation decisions:

“In terms of the uplift in health, that is a significant change, and, clearly, that has come as a result of my clear commitment, responding to the Minister for Health and Social Services, that we would look at the impact of the Nuffield Trust independent report, which was published earlier this year. That was not only when he made that statement and he said that he would be discussing this with me over the coming weeks in terms of informing budgetary decisions, but also in terms of the supplementary budget, when I think, in July, I also made it very clear that we would have to look at the impact of the Nuffield report in terms of health and social services. If you look at the indicative plans, you can see the difference in terms of health and social services on page 83 of the narrative. I do not think that it is any surprise to the committee that that is a major change, and, of course, that has meant that that has had an impact on the whole budget in the context of a reducing budget, not a growing budget, where one might then have made decisions about where you put that growth.”⁸⁵

133. In the final evidence session with the Committee the Minister said that the Welsh Government has a responsibility to address the pressures facing the health sector.⁸⁶

134. When questioned whether the emphasis put on the Nuffield Trust Report in making funding decisions encouraged other ministerial

⁸⁴ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 178

⁸⁵ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 182

⁸⁶ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 7

portfolios to seek independent reports the Minister said that the Welsh Ministers had agreed there would be a focus on Health.⁸⁷

Committee view

135. The Committee notes the most significant reallocation in the Draft Budget has been the 1.9% real terms increase in Health and Social Services MEG, at the expense of Local Government. The evidence received indicates that the sole reason for this is as a result of the Nuffield Trust Report.

136. The Committee does not question the findings of the Nuffield Trust Report. There is however a justifiable challenge around the precedent set. The consequences for future budget setting could be that the Government is expected to consider and act on independent reports from other Government portfolios.

137. The Committee understands it is inevitable that comparisons will be made between the financial management in local government and the financial management in the health sector. Evidence has shown that the health sector is considered to be weaker at financial planning and receives additional funding. Whilst Local Government shows evidence of change, with stronger financial planning but is facing reduced budgets and reform/reorganisation.

Conclusion: The Committee notes that Health is one of the Government's stated priorities. Consideration of the 2015-16 budget in isolation identifies that Health and Social Services is the only portfolio where there is a real terms budget increase. The Committee has been unable to test the extent to which the level of resources applied to other government priorities is in fact adequate. This leads to the conclusion that the Programme for Government should be modified to reflect the order of priorities which will enable more effective financial scrutiny in future years.

Health Finance

138. The draft budget allocates an additional £225 million in 2015-16 (and details an additional £200 million to be made available for 2014-

⁸⁷ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 15

15 in a subsequent supplementary budget). The principal justification cited by most witnesses was the findings of the Nuffield Trust Report.⁸⁸

139. The narrative document provides a table showing Local Health Board ('LHB') allocations for 2015-16, but this excludes the additional £225 million. It is stated that the distribution of this funding will not be determined until the conclusion of the work to update the allocation formula.

140. The overall DEL for the Health and Social Services Department allocations for 2015-16 compared to 2014-15 are:

- Revenue (or resource) allocations have increased by £291.2 million (4.8%, or 3.1% in real terms) to £6.4 billion. This does not include £200 million announced by the Minister when publishing the draft budget which is intended to be reflected in the next Supplementary Budget, if this allocation were to be added to the 2014-15 figure the budgeted year-on-year increase would be 1.4% or a 0.1% in real terms. The main increases being in the NHS Delivery and Social Services Spending Programme Areas ('SPAs');
- Capital allocations have reduced by £65.5 million, or 21.8%, to £235 million. All reductions are in the NHS Delivery SPA;
- Annually Managed Expenditure, composed entirely of NHS impairments, has increased by 8.1% to £195 million.

141. It is stated the additional funding is to ensure that the Welsh NHS is sustainable and meets future challenges. However, health economist Marcus Longley has stated that the NHS needs around £200-£250 million per year, just to stand still, to avoid a potentially "catastrophic failure of service".⁸⁹

142. The Committee heard from Health witnesses that the additional £200 million in 2014-15 was intended to 'plug a gap'⁹⁰ identified in the Nuffield Trust Report. The witnesses were clear that this funding was needed to deal with existing pressures rather than to fund

⁸⁸ Nuffield Trust, [A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26](#), June 2014

⁸⁹ BBC News, [Welsh NHS's extra £425m over two years](#), 30 September 2014

⁹⁰ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 18

reforms. The witnesses emphasised that the public should not get the impression that the money was to provide new services.⁹¹

143. However, this seemed to be contradicted by the NHS Confederation who suggest the funding “does allow headspace ... [to] get on a more even keel and a more sustainable footing”.⁹²

144. The Health witnesses also noted issues around the Capital DEL for Health and Social Services which has fallen from £300 million in 2014-15 to £235 million in 2015-16. Adam Cairns from Cardiff and Vale NHS trust stated:

“...we do not currently have the room for manoeuvre that would allow us to invest in substantial changes, which would drive down revenue costs but at a capital cost that we currently do not have the means to deploy.”⁹³

145. However, Helen Birtwhistle, Welsh NHS Confederation, noted that many buildings were not fit for purpose and the NHS needed to move away from ‘building focused’ services and reinvest in ‘patient focused’ services.⁹⁴

146. Evidence provided to the Health and Social Care Committee on 16 October implied that £140 million of the additional funding was targeted at funding gaps identified in the agreed plans of NHS bodies. The Minister for Health and Social Services said:

“The extra £200 million allows us to go further than that for those organisations that have the best plans. We have to retain the £60 million centrally against the day when some other health boards that do not have three-year plans may need some extra assistance in the round to allow the whole of the NHS and social services MEG to live within our means.”⁹⁵

⁹¹ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 18

⁹² National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 168

⁹³ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 32

⁹⁴ National Assembly for Wales, Finance Committee, Rop 8 October 2014, paragraph 36

⁹⁵ Health and Social Care Committee, RoP 16 October 2014, paragraph 22

147. The £200 million additional funding announced for 2014-15 also links closely with the latest estimate of a £198 million funding gap in the current year reported in the recent Wales Audit Office report.⁹⁶

148. The Health and Social Care Committee has raised concerns with the relevant Minister over how the extra funding will be allocated to the health sector, and have stated the importance of using a “transparent, evidence-based formula to ensure a sustainable method of allocating funding”.⁹⁷

Minister’s evidence

149. The Minister said funds:

“... will be allocated to individual local health boards in accordance with their fair share of funding as identified by the Townsend formula, and it will be about them preparing integrated medium-term plans on how it will improve and deliver healthcare to the local populations.”⁹⁸

150. In further evidence to the Committee when asked whether the additional funding will be linked to reform Minister said:

“It is very clearly linked to the three-year integrated planning process, which was mentioned earlier on. I think that four health boards have now had approved medium-term plans, and six have their annual plans in place. So, it is clearly linked to reform.”⁹⁹

Committee view

151. The Committee is concerned by the evidence which indicates that the additional £200 million provided in 2014-15 was to ‘plug a gap’ in existing services rather than to deliver new services. There was no evidence provided which would clarify that the additional funding is being provided to finance an expected funding shortfall or whether

⁹⁶ Wales Audit Office, [NHS Wales: Overview of Financial and Service Performance 2013-14](#) October 2014

⁹⁷ National Assembly for Wales, Health and Social Care Committee, [letter to the Minister for Health and Social Services & the Deputy Minister for Health](#) [accessed 3 November 2014]

⁹⁸ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 410

⁹⁹ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 145

there will be expectations in terms of delivering transformational change to services.

152. Also, the Committee has concerns around the ability of health boards plan strategically when additional funding is provided in-year.

Recommendation: The Committee is concerned about the conflicting evidence that was received on the underlying rationale for the increase in resources. The Minister asserts that the additional funding for health will be accompanied by reform, yet the health sector witnesses have said the funding will be used to 'plug a gap'. The Committee recommends that the Government clarify the position as soon as possible.

Recommendation: The Committee recommends the Government provide details of exactly what reform the health service will be expected to achieve and what will be the financial consequences if that reform is not evident.

Conclusion: The Committee has concerns around the reform of the health sector and will be notifying the Health and Social Care Committee of these concerns with a recommendation that they undertake a piece of work on health reform before the end of this Assembly.

Conclusion: The Committee is concerned that the timing of the announcement of additional in-year funding to the Health sector has complicated the draft budget scrutiny. Much of the evidence has been linked to these additional funds. The most appropriate time to consider this additional funding would have been during a supplementary budget. The Committee will be examining the additional funds allocated to health for 2014-15 when a supplementary budget is presented.

Conclusion: The Committee continues to be concerned about the lack of transparency in the allocation of funding to the NHS in the draft budget. The Committee believes that having a single budget line for delivery of core NHS Services does not represent transparency and accountability.

Recommendation: The Committee recommends significant future in-year funding announcements should not be made at the same time as introducing the Draft Budget.

Local Government Finance

153. Overall the draft budget shows a reduction of some £86 million to local government in comparison to previous indicative plans. Compared to 2014-15, this is a reduction of £192.6 million, or 5.7% in real terms.

154. The draft budget narrative states that the reduction:

“...will be managed by driving more efficient and focused delivery of improvement, assessment and support; and by Local Government taking a more collaborative approach to service delivery.”¹⁰⁰

155. Whilst Local Government representatives said it was a priority to ‘retain services’¹⁰¹, councils are warning of the potential for service failure as a result of the cuts.¹⁰²

156. The 2 year agreement reached with the Liberal Democrats includes £44m for the Pupil Deprivation Grant (‘PDG’) (in addition to protection for schools funding).

157. The Welsh Government have commissioned an evaluation of the PDG, to be undertaken by the Wales Institute of Social & Economic Research. This study began in April 2013, an initial evaluation was published on 22 October 2014 and a final evaluation is expected in 2015. This evaluation report does not look at the impacts of the PDG, only how it has been implemented.¹⁰³

158. In relation to the PDG the Children, Young People and Education Committee wrote to the Minister for Education and Skills, and the Deputy Minister for Skills and Technology to ask for further information on any assessment being made on the impact of the decision to prioritise PDG over other funding priorities.

¹⁰⁰ Welsh Government, Draft Budget 2015-16 Narrative, September 2014

¹⁰¹ National Assembly for Wales, Finance Committee, Rep 2 October 2014, paragraph 46

¹⁰² BBC News, [Cash cuts 'comprehensive service failure' warning by councils](#) 1 October 2014

¹⁰³ Wales Institute of Social & Economic Research, Data & Methods [Evaluation of the Pupil Deprivation Grant](#)

Minister's evidence

159. In response to questions about the cuts facing social services the Minister said:

“you need to look through all the spend that is coming its way to support it in terms of capital and the programmes, many of which are ring-fenced, and the extra money that is coming for pupil deprivation grant, Flying Start and the money that is going into Communities First, twenty-first century schools and highways investment; all of these will help local government. If you look over the border at the loss of public services, it is stark. However, some local authorities have also, I have to say, been preparing the way and recognising that there are going to be cuts. Some of them have been looking at ways in which they can manage their services in partnership with the third sector. It is very important that we see that some have been preparing better than others for this budget and are making very tough decisions, and those that are making them in partnership with their local communities and partners are best placed, I think, and I am sure that the Minister for Public Services said that too.”¹⁰⁴

160. In further evidence on the 3 November the Minister said that real term cuts to local authorities in Wales was less than local authorities in England were experiencing, and that more funding was being provided for protected services such as schools and education.¹⁰⁵

161. When asked about the evaluation of the PDG the Minister said:

“it is early days, but we are undertaking the evaluation. I have already given you some clear numeric impacts in terms of how schools are investing, particularly targeting disadvantage. It is like Flying Start; there will be a time lag in terms of data around impacts, but I think that it is very clear that the investment is reaching the children who need it in those schools. I think that the fear that schools had that they would not be getting PDG

¹⁰⁴ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 371

¹⁰⁵ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 24

next year at the levels that they get—and, of course, they are getting a bit more—was considerable.”¹⁰⁶

Committee view

162. The Committee has concerns that the size of the cuts to local government will severely impact on service delivery, particularly in relation to services for vulnerable people. The Committee was also interested in the evidence which demonstrated that after protected or ring-fenced services were excluded the level of budget reduction was in excess of 20% in some cases.

Recommendation: The Committee recommends that the Government calculate the extent of the impact on non-protected services and that this should be clearly set out in the strategic impact assessment.

Recommendation: Given the additional allocation to the Pupil Deprivation Grant, the Committee strongly recommends that work is undertaken to identify the benefits of the grant to pupil performance.

¹⁰⁶ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 123

7. Value for Money

163. This chapter looks at some of the key recommendations from each of the Assembly's subject committees. Each Committee has undertaken an in-depth value for money scrutiny session with the relevant portfolio Minister(s) on the allocation of funding within their portfolio areas.

Enterprise and Business Committee

164. The Enterprise and Business Committee wrote to the Minister for Economy Science and Transport and raised concerns about the revenue reductions to the Economy and Science budget and how these reductions have been achieved. There were also concerns on how the National Transport Plan is evaluated and how it links with the budget setting process.

165. The Committee welcomed the Minister for Economy, Science and Transport's commitment to maintain a capital allocation of £2 million for tourism.

166. The Committee sought clarification on "the origins of the additional £10 million funding for Superfast Cymru".¹⁰⁷

167. In a letter to the Minister for Education and Skills the Committee raised concerns regarding the funding of apprenticeships and Jobs Growth Wales.

168. The Committee also asked for clarification on how the Welsh Government is ensuring and monitoring that the Minister's priorities for the higher education sector are being delivered and details on how the Welsh Government will ensure that Youth Entrepreneurship is prioritised in other budgets.

Environment and Sustainability Committee

169. The Environment and Sustainability Committee wrote to the Chair of the Finance Committee outlining their concerns regarding the level of reduction planned for the Natural Resources MEG, which is the largest reduction to any departmental budget. Specific concerns on policy areas were also raised; these included the Rural Development

¹⁰⁷ National Assembly for Wales, Enterprise and Business Committee, [Letter to the Minister for Economy, Science and Transport](#) [accessed 3 November 2014]

Grant, regulation of breeding dogs, particularly the resourcing of this at local authority levels and the implementation of the Wales Audit Office recommendations in relation to Glastir.

Health and Social Care Committee

170. The Health and Social Care Committee have raised a number of issues, some of which have been referred to in this report. This Committee raised additional concerns around the Intermediate Care Fund, mental health services, the costs of legislation and moving services from hospitals to the community.

171. One of the overarching themes raised by the Health and Social Care Committee, echoed in this report, is the need for significant changes to the health service to sustain services in Wales. The letter from the Committee said:

“The Committee acknowledges the hard work that has been undertaken by NHS Wales to achieve efficiencies in recent years. It remains clear, however, that to achieve the savings the Nuffield Trust states are necessary to sustain services in Wales, significant changes to services are needed.”¹⁰⁸

172. The Minister for Health and Social Services has responded to the letter for the Health and Social Care Committee, Members of the Finance Committee consider that it was very helpful to have this response available for discussion at the Committees final consideration of the Draft Budget report.¹⁰⁹

Communities, Equality and Local Government Committee

173. The Communities, Equality and Local Government Committee have, unsurprisingly, expressed concern over the level of cuts to the local government sector; particularly in relation to preventative spend, tackling poverty, supporting people and homelessness, and the impact of cuts on vulnerable groups accessing the arts sector.

174. This Committee also raised concerns over the mergers expected to take place by local government, with the Committee stating that

¹⁰⁸ National Assembly for Wales, Health and Social Care Committee, [letter to the Minister for Health and Social Services & the Deputy Minister for Health](#) [accessed 3 November 2014]

¹⁰⁹ Welsh Government, [letter from the Minister for Health and Social Services to the Chair of the Health and Social Care Committee](#) [accessed 6 November 2014]

“the decision to proceed with the programme of mergers would have been better informed by a comprehensive and robust cost benefit analysis”.¹¹⁰

175. In a letter to the First Minister regarding the Welsh Language, the Communities, Equality and Local Government Committee raised concerns regarding the reprioritisation of support for Welsh learners, particularly adult learners. The Committee were also disappointed that the First Minister was unable to provide a clear picture of funding for the Welsh Language across Ministerial portfolios. Concerns were raised about the Welsh Language Commissioners assertion that her ‘budget will have been reduced by 24.8 per cent cut, in real terms, by 2016, which is just four years after her office was established’¹¹¹.

Children, Young People and Education Committee

176. In the scrutiny of the Draft Budget undertaken by the Children Young People and Education Committee, concerns were raised regarding the PDG, funding protection for schools, the rationalising of grants into one ‘Educational Improvement Grant’ and Post 16 Education.

177. In a letter to the Minister for Communities and Tackling Poverty the Committee raised concerns around the lack of a Child Rights Impact Assessment.

178. The Committee also raised concerns around the lack of assessment of effectiveness of the Flying Start Programme, and the Children and Family Delivery grant. The Committee were concerned that some organisations were told they would no longer receive funding (including Play Wales and Funky Dragon). Yet, Play Wales was subsequently allocated £50,000, the Committee raised concerns around the process for deciding on allocation of this grant.

Recommendation: The Committee recommends the Welsh Government take greater care to evidence the Value for Money considerations that go into funding decisions. Without clear evidence Assembly Committees and the public are not able to see

¹¹⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, [letter to the Minister for Public Services](#) [accessed 3 November 2014]

¹¹¹ National Assembly for Wales, Communities, Equality and Local Government Committee, [letter to the First Minister](#) [accessed 3 November 2014]

clearly whether Government policies and initiatives are delivering Value for Money.

8. Budget Process

Budget presentation and disclosure

179. As well as the additional disclosure in the Draft Budget narrative on preventative spending and outcomes referred to earlier in this report, there are also other new disclosures:

- Annex C to the Draft Budget discloses the Barnett consequential from the Autumn Statement 2014 and March 2014 UK Budget, as requested by the Finance Committee following the Supplementary Budget 2014-15 in July 2014;
- Annex D discloses the additional costs for Welsh Government in 2015-16 attributable to some recent legislation.

180. The presentation of multiple movements in the Welsh Government's Draft Budget 2015-16 has caused confusion. The two Voluntary Sector panels used different figures for budget reductions, and they also identified a lack of transparency in the budget generally.

181. Local Government noted that the average indicative figures for the Local Government settlement have later been significantly adjusted in each of the past three years,¹¹² making it difficult to use them for planning purposes. They said:

“Given the indicative budget changes during the year and the scale of changes that we are facing, we are having to accelerate some of the work that we would have wanted to do with those communities in a very short space of time. I just wanted to make that point in terms of the timing.”¹¹³

182. The Communities, Equality and Local Government Committee have also raised concerns about ‘the level of variation between indicative and actual allocations for local government, and the basis on which this enables authorities to plan effectively in the medium term’.¹¹⁴

¹¹² National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 116

¹¹³ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 52

¹¹⁴ National Assembly for Wales, Communities, Equality and Local Government Committee, [letter to the Minister for Public Services](#) [accessed 3 November 2014]

Minister's evidence

183. When questioned on how public services can effectively plan when indicative figures are subject to substantial change, the Minister said:

“‘Indicative’ is indicative, is it not? ... The public sector and our partners know what ‘indicative’ [is] ... Indicative figures will always be there, when we are also beholden to a Government in Westminster in terms of our block grant.”¹¹⁵

184. Following the appearance by the Minister at Committee on 2 October, the Minister wrote with further information. This letter stated that that it was important to present movements in Draft Budget headings relative to indicative estimates provided at the previous budget. The Minister believes that this is clearer for public bodies who have planned their budgets on the indicative figures.¹¹⁶

Committee view

185. The Committee believes that the presentation of multiple movements in the Welsh Government’s Draft Budget 2015-16 has caused confusion to readers of the report. However, the Committee welcomes the various additional disclosures provided in this year’s draft budget, including the estimated costs in 2015-16 of the impact of new Welsh legislation.

186. The Committee is concerned that the consequences of changes to Government ‘indicative’ figures has a profound impact on other public bodies (compounded by different planning timescales).

187. The Committee welcomes the various additional disclosures provided in this year’s draft budget, including the estimated costs in 2015-16 of the impact of new Welsh legislation. However, the Committee notes most of the information shown is stated to be based on the information contained in the original regulatory impact assessments, although it is stated that some further work has been done.

¹¹⁵ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 363

¹¹⁶ Letter from the Minister for Finance and Government Business to the Chair of the Finance Committee, 16 October 2014

Conclusion: Whilst it is noted that indicative figures, are simply estimates, the Committee is concerned that the scale of changes between indicative and final figures has serious consequences for strategic planning by the organisation affected.

Financial Planning

188. For the first time, the Welsh Government has also produced a Strategic Integrated Impact Assessment ('SIIA') of the Draft Budget. This aims to meet future statutory requirements on understanding the impact of budgets:

“To prepare for the Well-being of Future Generations (Wales) Bill and to implement the Programme for Government commitment to sustainability and fairness, with sustainable development as our core principle, we have been striving to improve the approach to assess impact in an integrated way.”¹¹⁷

189. The Communities, Equality and Local Government Committee raised concerns regarding the ‘lack of detail in the Strategic Impact Assessment’ in relation to assessing the impact of budget decisions on the Welsh language.¹¹⁸

190. The draft budget provides figures only for the 2015-16 financial year due to lack of firm settlement figures, as the latest Spending Round covers only up to 2015-16. However, the budget agreement with the Liberal Democrats is stated to cover two years, although no figures are given for the second year.

191. The Local Government witnesses told the Committee that it is important for local authorities to receive firm longer term indications of funding. The degree of investment required to respond to the new funding environment needs several years planning. It is difficult to respond to unexpectedly high local government cuts at short-notice, as has occurred for the past three budgets.¹¹⁹

192. During the budget scrutiny it has been suggested that local authorities could use their reserves to make up for the funding

¹¹⁷ Welsh Government, [Strategic Integrated Impact Assessment](#) September 2014

¹¹⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, [letter to the First Minister](#) [accessed 3 November 2014]

¹¹⁹ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 129-52-54

shortfall. During evidence to the Communities, Equality and Local Government Committee, the Minister for Public Services asked:

“I think that we have to ask, very straightforwardly, to what extent those reserves are being effectively used, and to what extent we can really expect local government to carry reserves such as it is carrying at a time like this ... I think that local government has to look at all of the resources available to it. That includes the revenues from us, council tax receipts, its ability to borrow prudentially, and the judicious use of reserves. There may be another dialogue that I might want to open up with others in the public sector, including the auditor general, as to what is a sensible approach to the use of reserves in difficult times.”¹²⁰

193. Local Government witnesses were asked whether they should be using reserves to make up the funding shortfall. Chris Lee, Director of Financial Services, Rhondda Cynon Taf County Borough Council said:

“...if there are reserves available, clearly they are one-off cash balances and they do not address any base budget deficiencies. If we were suddenly able to access £30 million-worth of reserves for next year to balance Rhondda Cynon Taf’s books, for example, we would simply have £30 million added to the following year’s requirement in terms of a budget gap going forward. The other thing that we need to be very clear about is what we actually mean by usable reserves. A figure is often quoted for Rhondda Cynon Taf, for example, and within our statement of accounts there are usable reserves of £75 million. It seems to be an awful lot, but then when you actually drill down into that £75 million, you identify that £8 million of that is to pay for the PFI scheme that is operating within a school in Rhondda Cynon Taf; there is £11 million linked to insurance; there is £20 million that underpins our capital programme; there is £5 million that is treasury management reserves; there are delegated school balances of approximately—. Suddenly then, you whittle those down ...

“They are absolutely significant. In the council’s ISA report from the Wales Audit Office, I think that the quote was that our

¹²⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, Rop 9 October 2014, paragraph 172

reserves are appropriately labelled and earmarked for specific purposes. I think that we need to be very clear about that. However, there are opportunities to use reserves in the right way. For example, within Rhondda Cynon Taf we set up a transitional fund, recognising that there is a time delay often in implementing service cuts and changes. That reserve allows us to smooth the impact of those changes. I think that that is the right way to use reserves, rather than constantly badging it as an opportunity suddenly to solve.”¹²¹

194. The Committee notes the existence of guidance on good practice for reserves and balances which local authorities are expected to follow. The Local Authority Accounting Panel Bulletin No 99 sets out the approach local authorities are expected to take. Notably, the bulletin makes it clear that the level of reserve is a matter for local determination and subject to scrutiny by the Auditor General. The Committee supports this approach.

Minister's evidence

195. The main source of longer term financial planning referred to by the Minister was the paper produced by the Institute for Fiscal studies ‘Scenarios for the Welsh Government Budget to 2025-26’.¹²² The Minister said:

“We are planning based on just forecasts, and you will be aware of the forecasts that have been made by the Institute for Fiscal Studies, which at some levels take us to a 20% cut. If you look at page 5 of the budget narrative, you will see a graph that shows it all going down that way in 2017-18 and 2018-19.”¹²³

“...in fact, it lays out the trajectory of public spending forecasts. That is the overall public expenditure envelope that is forecast. Julie Morgan made the point earlier on about the fact that we are also moving into a time when we will have tax revenues, so this is a whole new way of working in terms of the medium and

¹²¹ National Assembly for Wales, Finance Committee, Rop 16 October 2014, paragraph 129-131

¹²² Institute of Fiscal Studies, [Scenarios for the Welsh Government Budget to 2025-26](#) 2013

¹²³ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 356-358

long term, and we can do it only on the basis of what we know and what is forecast.”

196. In relation to local authority reserves the Minister said:

“They are published every year in terms of the whole of Government accounts returns. I think the Minister for Public Services would say, as we would, that local authorities have a responsibility to manage their financial risks and to look to their reserves in terms of funding future pressures and there are clearly some considerable differences between local authorities in terms of their reserves.”¹²⁴

Committee view

197. The Committee welcomes the SIIA. However, while the SIIA considers the impact of one year spending decisions on particular groups of people, it does not make any assessment of longer term impacts. The document provides limited information on some key decisions, such as the negative impacts of reduced funding on sectors and groups. The Committee looks forward to the development of SIIAs into a useful tool for scrutiny.

198. Regarding the level of local government reserves as The Local Authority Accounting Panel Bulletin makes clear the level of reserve is a matter for local determination. The Committee is not minded to consider that a simple calculation of the arithmetic level of each reserve would provide meaningful information for Government budget scrutiny.

Conclusion: the Committee does not consider that the level of reserves held by individual local authorities is a matter for budget scrutiny by this Committee.

Recommendation: Whilst welcoming the Strategic Impact Assessment the Committee has concerns about the level of detail currently provided in the document. The Committee recommends the Minister develop future SIIAs with a view to providing more detail, particularly where there are negative impacts due to funding decisions.

¹²⁴ National Assembly for Wales, Finance Committee, draft Rop 3 November 2014, paragraph 103

The Wales Bill

199. The Wales Bill,¹²⁵ which provides for the devolution of stamp duty land tax and landfill tax from April 2018, has no direct impact on the budget for 2015/16 although preparatory costs related to the devolution of these taxes are likely in the coming financial year.

200. A White Paper has been published confirming the Welsh Government's intention to introduce a Tax Collection and Management Bill¹²⁶ during the current Assembly. This will establish a corporate body, separate from Welsh Ministers, with responsibility for collection and management of devolved taxes. This Bill is expected to follow in Summer 2015.

201. Legislation will also be required to establish the replacement Welsh taxes. It is planned that consultations will be launched in Spring 2015 on the replacement for stamp duty and landfill tax, with a view to bringing forward legislation early in the next Assembly term.¹²⁷

202. Clearly, there are likely to be associated costs falling within the 2015-16 financial year in relation to the Tax Collection and Management Bill and consultation on the two tax bills. One further aspect of tax devolution likely to impact on the 2015-16 budget, is the intention to create a Welsh Treasury function, which the Minister has stated is already underway.¹²⁸

Minister's evidence

203. The Minister outlined that the following work has commenced in preparation for the implementation of provisions in the Wales Bill:

- consultation on tax management and collection;
- setting up a Welsh revenue authority;
- Welsh treasury implementation programme;
- further consultation on Stamp Duty Land Tax.

¹²⁵ United Kingdom Government, [The Wales Bill](#), March 2014

¹²⁶ The Welsh Government, [Collection and management of devolved taxes in Wales](#), September 2014

¹²⁷ Welsh Government, Written Statement, Tax Devolution in Wales: Consultation and Legislation, 16 July 2014

¹²⁸ Welsh Government, Written Statement, Financial reform: Update on the Silk 1 intergovernmental talks, 6 February 2013

204. The Minister said:

"the preparations are under way, and the fact that I announced the consultation last week on our tax collection and management facilities and that we are setting up a Welsh revenue authority are also indicative of our preparation. We also have a Welsh treasury implementation programme. With the Wales Bill and the command paper that accompanied it, we are clearly preparing for the new responsibilities as the Wales Bill goes through Parliament. It means that we will be consulting on stamp duty land tax, for example. We will be consulting in the spring. Although we are going to get our legislation through on tax collection and management before our Assembly elections, we will not get the legislation for the reform of stamp duty land tax until after our elections. However, we have already started paving the way in terms of preparation for the reform of stamp duty land tax, and we will have full, open consultation on that in the spring of next year."¹²⁹

205. In relation to the volatility in revenue due to devolved taxes, the Minister said:

"We have to take responsibility. Part of the progress for making the devolution is that we take responsibility. It is empowering us. That is what the Silk Commission has said and for us to take responsibility. Obviously, that volatility will produce more uncertainty into our planning process. OBR will be important to us. You have met Robert Chote, as I have. Also, the Welsh treasury team is getting into place the capability, expertise and, indeed, my tax advisory group, to help us with this. When we go out to consultation on things like stamp duty and land tax, you will very clearly see the responsibilities that those in Government will have to take through scrutiny and making the right decision about how we manage that volatility. In the Wales Bill, we have a new cash reserve of £500 million, which will help

¹²⁹ National Assembly for Wales, Finance Committee, Rop 2 October 2014, paragraph 243

us to manage volatility. That is how Governments are managed.”¹³⁰

206. In relation to the collection of taxes the Minister said:

“It is important that local authorities have a key role to play. For example, they will be considered as an option for collecting some of our new taxes.”¹³¹

Committee view

207. The Committee notes that the two taxes to be devolved to Wales are likely to generate less than £200M, less than 1% of the overall budget, based on receipts in 2012-13.¹³²

208. The Committee also notes the work being undertaken in preparation for the passing of the Wales Bill, but is disappointed the draft budget does not cover the anticipated costs associated with the work already being undertaken. The Committee is currently undertaking an inquiry into how the Wales Bill can be effectively implemented, and will be monitoring this area in that inquiry.

Conclusion: In relation to Non Domestic Rates and the collection of devolved taxes the Committee intend to revisit these areas in the coming months.

¹³⁰ National Assembly for Wales, Finance Committee, draft Rep 3 November 2014, paragraph 95

¹³¹ National Assembly for Wales, Finance Committee, draft Rep 3 November 2014, paragraph 111

¹³² HMRC, *Disaggregated tax receipts*, July 2014

Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at

www.senedd.assembly.wales/ielIssueDetails.aspx?IId=9917&Opt=3

Wednesday 2 July 2014

Jane Hutt AM	Minister for Finance and Government Business
Jo Salway	Deputy Director, Strategic Budgeting, Welsh Government
Matt Denham-Jones	Head of Budgetary Control and Reporting, Welsh Government
Jeff Andrews	Specialist Policy Adviser, Welsh Government

Thursday 2 October 2014

Jane Hutt AM	Minister for Finance and Government Business
Jo Salway	Deputy Director, Strategic Budgeting, Welsh Government
Matt Denham-Jones	Head of Budgetary Control and Reporting, Welsh Government
Jeff Andrews	Specialist Policy Adviser, Welsh Government

Wednesday 8 October 2014

Helen Birtwhistle	Director, Welsh NHS Confederation
Adam Cairns	Chief Executive, Cardiff and Vale University Health Board
Paul Roberts	Chief Executive, Abertawe Bro Morgannwg University Health Board

Thursday 16 October 2014

Auriol Miller	Director, Cymorth Cymru
Sam Austin	Operational Director, Llamau
Simon Hatch	Director, Carers Trust Wales
Kieron Rees	Policy and Public Affairs Manager, Carers Trust Wales

Gareth Coles	Public Service Delivery Officer, Wales Council for Voluntary Action
John Watkin	Chief Executive, Denbighshire Voluntary Services Council
Ele Hicks	Policy & Funding Officer, Diverse Cymru
Jon Rae	Director of Resources, Welsh Local Government Association
Cllr Ellen ap Gwynn	Leader, Ceredigion County Council
Chris Lee	Director of Financial Services, Rhondda Taf County Borough Council
Dave Street	Corporate Director Social Services, Association of Directors of Social Services Cymru

Monday 3 November 2014

Jane Hutt AM	Minister for Finance and Government Business
Jo Salway	Deputy Director, Strategic Budgeting, Welsh Government
Lynne Hamilton	Director of Finance & Commercial, Welsh Government
Jeff Andrews	Specialist Policy Adviser, Welsh Government

List of written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at www.senedd.assembly.wales/mgConsultationDisplay.aspx?ID=139

Copies of the correspondence and policy committee letters considered in the course of this inquiry can be accessed at www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=9917

<i>Organisation</i>	<i>Reference</i>
Association of Voluntary Organisations in Wrexham	FIN(4) - 15-16WGDB01
ICE Wales Cymru	FIN(4) - 15-16WGDB02
Training Federation Wales	FIN(4) - 15-16WGDB03
Older People's Commissioner for Wales	FIN(4) - 15-16WGDB04
University and College Union Wales	FIN(4) - 15-16WGDB05
UCAC	FIN(4) - 15-16WGDB06
Care and Repair Cymru	FIN(4) - 15-16WGDB07
Cardiff University	FIN(4) - 15-16WGDB08
Federation of Small Businesses Wales	FIN(4) - 15-16WGDB09
Brecon Beacons National Park Authority	FIN(4) - 15-16WGDB10
Sustrans	FIN(4) - 15-16WGDB11
Community Housing Cymru Group	FIN(4) - 15-16WGDB12
The Welsh NHS Confederation	FIN(4) - 15-16WGDB13
Higher Education Wales	FIN(4) - 15-16WGDB14
Wales Council for Voluntary Action	FIN(4) - 15-16WGDB15
Dathlu'r Gymraeg	FIN(4) - 15-16WGDB16
The Welsh Language Society	FIN(4) - 15-16WGDB17
Carers Trust Wales	FIN(4) - 15-16WGDB18
WLGA	FIN(4) - 15-16WGDB19
Training Federation for Wales	FIN(4) - 15-16WGDB20
Equality & Human Rights Commission	FIN(4) - 15-16WGDB21