



Llywodraeth Cymru  
Welsh Government

[www.cymru.gov.uk](http://www.cymru.gov.uk)

# Welsh Government Draft Budget 2015-2016

## Priorities for Wales



September 2014



## Ministerial Foreword

We are committed to improving outcomes for the people of Wales as set out in the Programme for Government. We are clear about our vision for Wales. We want a more prosperous economy. We want better public services that equip people to fulfil their potential and maximise their contribution to society. These themes run through the Programme for Government and underpin the spending plans set out in our 'Priorities for Wales' Draft Budget for 2015-16.

This Draft Budget is influenced by the impact of the cuts we have seen to our Budgets over this Spending Review period. By 2015-16 the Welsh Budget will be around 10% lower in real terms than it was in 2010-11. In this financial context, it is more important than ever that we invest for the long term and deliver sustainable Budget plans. These principles, together with our focus on prevention and early intervention, have shaped our approach to the Budget.

Over the last four years, we have done everything we can to mitigate the impact of cuts to our Budget on the people of Wales and Welsh public services. Given the scale of the cuts the UK Government has made and the increased pressure it has placed on public services through its welfare reform, we have always said that it would be nearly impossible to ensure that there was no adverse impact in Wales.

We have been open about the challenges we face. Over the last six months, I have been meeting staff who deliver frontline public services as well as those who use our services to listen to their views and experiences and find out what matters most to them. Last week, I published my end of Budget Tour Report. This highlights the many examples of good practice and innovation I saw first hand across Wales and shows the commitment of our frontline staff in our public services and the Third Sector. The clear message from the Tour is that we all value and cherish our public services in Wales.

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 do not underestimate the challenges facing the NHS in Wales, challenges which are replicated across the Western World. 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.

We also recognise the importance of social services to the health service. The Strategic Integrated Impact Assessment which I am publishing alongside this Draft Budget highlights that demographic pressures have led to a near doubling in social services expenditure since 2001-02. These concerns have also been echoed by local government and we are investing an additional £10m in recognition of these pressures. This additional investment, together with the continuing protection we have afforded schools budgets, means we have been able to reduce the impact of the budget reductions on the local government settlement.

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.

We have shown that through our *Priorities for Wales* we can continue to make a difference despite the reductions we have seen to our Budget over this Spending Review period. This is a Draft Budget which builds on the distinctive Welsh approach we have taken over the last four years and one which will deliver our ambitions for Wales.

Jane Hutt AM  
Minister for Finance and Government Business

## Contents Page

1. Strategic Context .....	4
2. Priorities for Wales .....	10
3. Wales Infrastructure Investment Plan .....	18
4. Legislation .....	23
5. Impact Assessments .....	26
6. Focusing Budgets on Outcomes .....	29
7. Welsh Government Budget Proposals.....	34
8. Health and Social Services .....	39
9. Local Government .....	46
10. Communities and Tackling Poverty .....	52
11. Economy, Science and Transport .....	59
12. Education and Skills.....	65
13. Natural Resources .....	71
14. Central Services and Administration MEG .....	76
<b>Annex A – Reconciliation of Administrative Budget and Resource Allocations in the Draft Budget Proposals.....</b>	<b>80</b>
<b>Annex B – Year-on-Year Changes .....</b>	<b>83</b>
<b>Annex C – Impact of the Autumn Statement 2013 and March Budget 2014 on the Welsh Budget.....</b>	<b>97</b>
<b>Annex D – Legislation Costs.....</b>	<b>99</b>
<b>Annex E – Protection for Schools Budgets .....</b>	<b>101</b>
<b>Annex F – Budget Structure Changes.....</b>	<b>102</b>
<b>Annex G – Glossary .....</b>	<b>105</b>

Any queries on the content of this document should be sent to:  
[wag-en@mailuk.custhelp.com](mailto:wag-en@mailuk.custhelp.com)

## 1. Strategic Context

- 1.1 The UK Government has set detailed spending plans up to 2015-16 and this is the final year for which we have a firm settlement. This Draft Budget sets out our spending plans for this period.
- 1.2 Since 2010, we have seen successive reductions to the Welsh budget as a result of the UK Government's austerity measures. In the Spending Round 2013, which set budgets for 2015-16 for the first time, the UK Government continued its plans for further reductions to public spending. Taken together with the successive reductions announced over the course of the Spending Review period, the Welsh Budget will be around 10% lower in real terms than it was in 2010-11.
- 1.3 Last Autumn, we published indicative plans for 2015-16. However, in line with good financial planning, we keep our plans under constant review in order to respond to changing circumstances. This includes taking account of wider factors, such as trends in public services and increasing demographic pressures, for example, population growth and the demands of an ageing population. Since we published our indicative plans for 2015-16, growing pressures mean that we have faced difficult decisions in order to manage our priorities within a reducing budget. In this context, there are no easy choices and we know that all areas are facing pressures. We have considered all of the emerging evidence in order to shape our response, including the evidence from the Nuffield Trust's report on the NHS 'A Decade of Austerity in Wales?'<sup>1</sup>. We also recognise the importance of considering wider issues, such as the impact of the UK Government's welfare reform changes, which are having a significant impact on the lives of people across Wales and on demand for devolved services.
- 1.4 In addition to these growing pressures, we also need to take into account changes as a result of UK Government spending decisions. Since we published the Budget last year, the UK Government has announced the Autumn Statement 2013 and March Budget 2014. These events included changes to the level of funding available both in 2014-15 and 2015-16. The impact of Autumn Statement 2013 and March Budget 2014 on our budget in 2015-16 are set out at Annex C.
- 1.5 In the face of these new developments we have revisited our previous plans for 2015-16. This Draft Budget sets out those plans and continues our focus on delivering our *Priorities for Wales*.

## Future Outlook for the Welsh Budget

- 1.6 In last year's Budget we highlighted the possible impact of the UK Government's current plans for the Welsh Budget for 2016-17 and 2017-18. However, we acknowledged that the exact allocation will depend on future UK

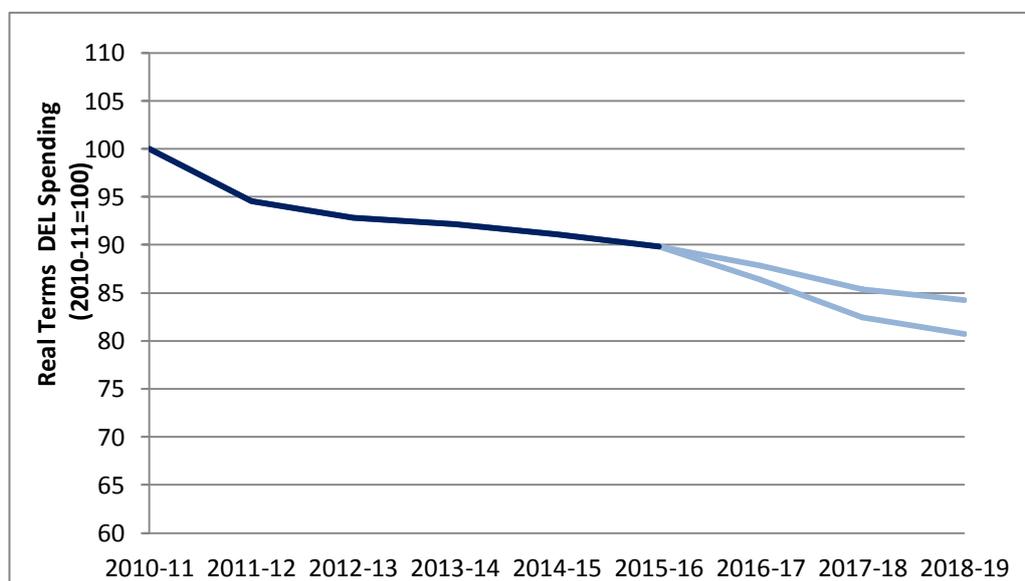
---

<sup>1</sup> Roberts A and Charlesworth. A (2014) *A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26*. Nuffield Trust.

Government decisions on the distribution of changes to spending between devolved and non-devolved areas. This means we will not know the exact implications for the Welsh budget until the outcome of the Spending Review 2015, following the UK Government Election.

- 1.7 Earlier this year, the Office for Budget Responsibility (OBR) released its projections for 2018-19, enabling us to extend our projections for future Welsh settlements for another year.
- 1.8 Chart 1.1 illustrates the possible Welsh Budget settlements up to 2018-19 in real terms. These scenarios<sup>2</sup> are consistent with the overall public expenditure envelope issued by the UK Government and with the implied UK DEL budget published in the OBR fiscal projections, which accompanied the 2014 March Budget.

**Chart 1.1 – Welsh Government Expenditure (real terms)**



- 1.9 The trajectory of public spending shows that managing the impact of reductions to our Budget is a challenge that is set to continue for the remainder of this decade. We are using all the levers at our disposal to mitigate the impact of reductions on our Budget, including taking steps to ensure we maximise the opportunities represented by European funding. These will support our key *Priorities for Wales*, particularly in terms of our investments to support growth and sustainable jobs and to tackle poverty. We are also continuing to take the steps we need to secure a package of financial reforms and deliver a wide-

<sup>2</sup> The chart displays two possible budget scenarios, both dependent on the spending decisions that the next UK Administration makes. If the UK Government decides to maintain the current protections for devolved areas (such as health), imposing cuts on non-devolved areas, then the Welsh settlement will follow the higher resource line. If the UK Government decides not to maintain its current protections, and imposes overall DEL spending changes on a common basis across all UK departments, then the Welsh settlement will fall drastically, as demonstrated by the lower resource line.

range of innovative and non dividend financial measures to boost our infrastructure investment.

## Delivering Efficiencies and Reform

- 1.10** Since we began our preparations for the Spending Review 2010, we have continued to drive public service reform and efficiency in the development of each of our successive Budgets. We have made significant progress. However, we know that the accumulation of the reductions to the Welsh budget as a result of the UK Government's austerity measures has placed growing pressure on public services in Wales. The need to prioritise the delivery of front-line services, as well as implementing specific reforms to protect and improve services, is central to responding to the challenge.
- 1.11** The NHS in Wales has a strong track record of achieving efficiencies and savings to manage within a challenging settlement and the Nuffield Trust Report concluded that the NHS in Wales will continue to be affordable in the future if it continues to reform and reshape services. The report did, however, conclude that there is a funding gap in 2015-16. We are responding to this and providing LHBs with the resources to meet that funding gap while they undertake the reform and the step change needed to secure the long-term sustainability of the health service in Wales. As well as the funding to Local Health Boards (LHBs), we have set aside funding to support the changes LHBs need to make. More broadly, our response to the Commission on Public Service Governance and Delivery will shape our reform agenda to deliver sustainable public services for the future.
- 1.12** Throughout this Spending Review period, a key consideration has been measures we can take now to realise cash savings in the future. That is why we have prioritised our investments through the **Invest-to-Save Fund** and since 2009-10, we have allocated £96.5m of repayable funds in respect of 94 public service improvement projects. A recent independent evaluation of the fund estimated that for every £1 invested in completed projects there was a gross return of £3. The evaluation, which was published in May 2014, estimated that £104m of cash releasing savings had been generated at the time of the study. This excludes the savings which will be generated by the latest round of funding announced in April, so the amount of cash releasing savings generated by the Fund will only increase as the various supported schemes are implemented.
- 1.13** In 2015-16, we will have £21.3m available to invest (see Table 1.2). We are working to attract bids which demonstrate collaboration and innovation, and those which reflect the spread of good practice.

**Table 1.2. Invest-to-Save Allocations and Repayments<sup>3</sup>**

	<b>2015-16 Indicative Plans Final Budget December 2013</b>	<b>Changes</b>	<b>2015-16 Draft Budget</b>
<b>Resource Repayments</b>			
Local Health Boards and Trusts	£13.9m	-£0.3m	£13.6m
Public Sector Broadband	£1m	-	£1m
Sponsored Body Schemes	£4m	£0.1m	£4.1m
<b>Total Resource (available for allocation)</b>	<b>£18.9m</b>	<b>-£0.2m</b>	<b>£18.7m</b>
<b>Capital Repayments</b>			
Local Authorities	£2.6m	-	£2.6m
<b>Total Capital (available for allocation)</b>	<b>£2.6m</b>	<b>-</b>	<b>£2.6m</b>
<b>Total Invest-to-Save Budget (available for allocation)</b>	<b>£21.6m</b>	<b>-£0.3m</b>	<b>£21.3m</b>

**1.14** Further information on the Invest-to-Save Fund can be found in the Invest-to-Save Annual Report, which will be published on 7 October. The Report will include case studies of investments, a directory of projects and financial data on past investments and repayments.

### **Constitutional and Financial Reform**

**1.15** The Commission on Devolution in Wales, led by Paul Silk, was established by the UK Government to consider the financial and constitutional arrangements in Wales. It produced two reports. The first dealt with the financial powers of the Assembly and the second made recommendations for addressing non-financial future powers.

**1.16** The first report recommended that further fiscal powers should be devolved to Wales and there is cross party consensus in the Assembly to take these recommendations forward. Many of the Silk recommendations, including devolution of stamp duty land tax and landfill tax, new borrowing powers, and the provision for a referendum on a Welsh rate of income tax, are being enabled through the Wales Bill. The Bill is currently progressing through Parliament and is on course to obtain Royal Assent before the next UK General Election in 2015. These changes will fundamentally alter the way that the National Assembly and the Welsh Government are funded, leading to an extension of the Welsh Government's existing 'Treasury' functions, in order to manage new tax and borrowing powers.

<sup>3</sup> Figures are rounded to one decimal place.

- 1.17** The first step in this broadening of Welsh Treasury powers will be the full devolution of Non-domestic rates (NDR) in April 2015. As this is already largely devolved, it does not require new primary legislation. 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.
- 1.18** The devolution of stamp duty land tax and landfill tax is planned to take place in April 2018, following the passage of the Wales Bill. The Wales Bill will also devolve borrowing powers to invest in capital projects from 2018. The Command Paper published alongside the Wales Bill contains an important commitment to review the borrowing ceiling for capital investment at each UK Spending Review and to take the impact of inflation into account when revising the ceiling.
- 1.19** As a result of these new fiscal responsibilities, we will need to reform the existing budgetary procedures. The Wales Bill will provide the Assembly with competence to legislate for its own budgetary procedures and the means to amend or repeal the existing requirement under Part 5 of the Government of Wales Act 2006. This will provide a broad and flexible framework within which a revised budget process, appropriate for Wales, can be developed and implemented. We will be working with the Assembly on devising budgetary procedures which are suitable for Wales.
- 1.20** The majority of the recommendations of the Silk Commission's first report that require primary legislation are addressed in the Wales Bill. However, we will continue to press for implementation of the report in its entirety, which would additionally entail the resolution for the long term of 'fair funding' for Wales; the devolution of direct long haul air passenger duty; and the ability to vary Welsh rates of income tax independently of one another, rather than in the 'lockstep', currently provided by the Wales Bill (income powers would continue to be subject to a referendum). Discussions with the UK Government on the implementation of the financial reform agenda are continuing.
- 1.21** We published our response to the second Silk report on 1 July, in "*Devolution, Democracy and Delivery: Powers to achieve our aspirations for Wales*". We outlined our support for the proposals to restructure our settlement and extend the Assembly's powers, for example in relation to energy, policing and youth justice, transport and water, which will promote Wales' well-being for the long term. We are seeking broader powers to provide the maximum flexibility to shape and integrate the public services that Wales needs, which will support people to improve their own lives and the well-being of future generations. We are committed to working with the UK Government to strengthen our devolution settlement to enable more decisions affecting Wales to be made democratically in Wales.

- 1.22** Following the outcome of the referendum in Scotland, the First Minister has reaffirmed the case for a constitutional convention to draw up a new settlement for the UK, reflecting the aspirations of all of its constituent nations. He has underlined that his priorities for Wales continue to be the resolution of fair funding; and delivery of Part 1 and Part 2 of the Silk Commission's recommendations.
- 1.23** We will work to ensure that we are at the heart of the debate on the future of the UK, making the case for Wales.

## 2. Priorities for Wales

- 2.1** The *Programme for Government* continues to set the strategic priorities which underpin the spending plans set out in this Draft Budget. We remain focused on our key priorities of boosting growth and jobs, promoting educational attainment, supporting children, families and deprived communities and improving health and well-being for all our citizens.
- 2.2** In response to the economic downturn, our focus on growth and jobs underpinned our Budgets in the early years of this Spending Review period. Over the last year, we have seen clear evidence that our interventions are making a difference and that the Welsh economy is showing signs of recovery. We have seen the number of people unemployed in Wales dropping significantly in recent months. In the three months to July 2014, the number stood at 96,000, down 22,000 (over 20%) on the same period a year ago. Through Jobs Growth Wales, our flagship youth employment programme, 15,625 job opportunities for young people have been created. We have also recorded our best ever foreign inward investment results since records began 30 years ago, creating and safeguarding over 10,000 jobs.
- 2.3** The Programme for Government Summary Report published in June also shows that Welsh public services are moving forward despite tough times. Over this Spending Review period, we have sought to protect all areas from the scale of reductions we have faced. However, as resources go down and demand for services go up, there will be, inevitably, real delivery challenges and the need to target funding effectively is more important than ever. Ensuring our plans are sustainable against the backdrop for future public spending is central to the decisions informing our spending plans for 2015-16. Sustainability lies at the heart of the Well-being of Future Generations (Wales) Bill and lies at the heart of our decision-making. This means thinking about the longer term so we address the well-being of future generations, working better together to achieve our ambitions, taking early action to tackle problems and engaging with people in the decisions that affect them.
- 2.4** Through our preventative approach, we are also seeking to tackle problems at source, rather than tackling the consequences of these problems at a later date. Prevention and early intervention is an approach which not only benefits people and communities but has the potential to generate long term cost savings. This approach is also central to our Tackling Poverty Action Plan. Further information on the measures we are taking through our preventative approach is provided in the Departmental chapters.

### Budget Agreement

- 2.5** In line with our focus on thinking about the longer term, the Agreement with the Welsh Liberal Democrats reflects our shared commitment to investing in the future of our young people.
- 2.6** For the first time we have reached a two year agreement, ensuring stability for the people of Wales in these challenging financial times. This Draft Budget

reflects the measures agreed for 2015-16 and comprise the following additional allocations:

#### Pupil Deprivation Grant

- We are providing an extra £44m in 2015-16 to increase the Pupil Deprivation Grant (PDG) from £918 per eligible pupil in 2014-15 to £1,050 in 2015-16. This builds on the existing programme which is an important response to breaking the link between poverty and educational attainment. Crucially, this funding is over and above the Welsh Government's commitment to increase school funding by 1% above overall changes to the Welsh budget over this Spending Review period.
- In line with our commitment to raising standards and equality of opportunity for all to achieve their potential, we are also extending the PDG to under 5s, with an additional £3.8m to ensure that those most disadvantaged children have access to high quality early education in their early years.

#### Youth Concessionary Fares

- Enabling young people to access opportunities for work, education, training and apprenticeships has been a shared objective. Our public transport system plays a vital part in enabling young people to access these opportunities. The announcement of a new Youth Concessionary Fare Scheme will help to ensure affordability is not a barrier for young people. A new discounted scheme for 16 and 17 year olds will start from September 2015, with £5m allocated in 2015-16.

#### Apprenticeships

- We know that apprenticeships are an excellent pathway to employment for young people in Wales and we are allocating £5m in 2015-16 to help mitigate against planned cuts. This investment will deliver around 2,500 new apprenticeships in 2015-16.

#### Care to Learn

- We recognise the importance of ensuring that young people have the support they need to continue their education. In line with this, the Agreement includes funding to undertake a feasibility study in 2015-16 to inform a pilot childcare scheme for further education students in 2016-17.

#### Improving transport networks

- We are allocating additional capital to support delivery of improved transport infrastructure across Wales, consisting of:
  - £30m to ensure the £57m Cardiff Eastern Bay Link road scheme starts construction in 2015. This investment will deliver improved access to the

Central Cardiff Enterprise Zone and enhanced connectivity within the city region; and

- £10m to improve transport connectivity in North Wales.
- Over this period, we will also be investing around £1.2m as part of a package to accelerate delivery of the new £22m A487 Dyfi Bridge, a vital crossing on Wales's principal South to North coastal route, linking the West coast communities.
- We are also committed to continuing sustained investment in the Llandrindod Wells county War Memorial Hospital. We will be investing over £1.4m in 2015-16, as part of a £5.3m scheme, to help deliver integrated services for the local population including a new maternity unit and improved patient facilities. This investment is subject to Full Business Case approval.

## Budget Priorities

### Health and Well-being

- 2.7** From the outset of the current Spending Review period we have protected Health funding in cash terms, against a backdrop of unprecedented reductions to our overall budget. During this period, the Welsh Health Service has continued to make significant efficiencies. For example, the length of stay for emergency inpatient spells fell by an average of 4.5% a year between 2010-11 and 2012-13. At the same time, the proportion of elective inpatient episodes performed as day cases rose from 49.4% in 2010-11 to 50.9% in 2012-13<sup>4</sup>.
- 2.8** There are many positive indicators demonstrating progress in improving the health and well-being of our communities, with mortality rates for cancer and circulatory disease decreasing and life expectancy rising. Successive surveys have shown that the people of Wales are overwhelmingly satisfied with the way the NHS is run and the treatment they receive. However, significant challenges remain and there is no room for complacency in our stewardship of the Welsh NHS.
- 2.9** Last year, in response to the Francis Review into the Mid Staffordshire Foundation Trust we invested an additional £570m over three years (2013-14 to 2015-16). This funding was provided in response to the pressures in unscheduled care, particularly in terms of ensuring patient safety, and to support the implementation of best practice standards, such as national immunisation advice. When we announced this funding, we acknowledged that despite the significant additional investment, the combination of rising demand and increasing costs meant that the funding settlement for the Health Service remained challenging. As a responsible Government we have kept matters under review, continuing to work closely with the NHS as it responds to these challenges and commissioning an independent review by the Nuffield Trust.

---

<sup>4</sup> Roberts A and Charlesworth. A (2014) *A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26*. Nuffield Trust

- 2.10** The Nuffield Trust report sets out the key drivers for spending pressures in the NHS, including a growing and ageing population, an increase in the proportion of people living with long-term chronic conditions and a rising pay bill. It also sets out measures to mitigate these pressures, including actions that are already happening – such as improvements in acute sector productivity and better management of chronic conditions. However, even after taking account of potential efficiencies, the Nuffield model suggested that the NHS would face a financial shortfall in 2015-16, based on our indicative plans.
- 2.11** Since publication of the Nuffield Report, we have given careful consideration to its findings and have also reviewed the information coming from Local Health Boards as part of the integrated planning framework. As a result, we are allocating an additional £225m to the Health Service in 2015-16 as part of this Draft Budget. This funding will be utilised to help meet the increasing pressures faced by the NHS in Wales. These are the same pressures facing health services across the UK and, based on current information, we are confident that the additional funding we are providing for the NHS in Wales will help ensure that spend per head does not fall behind England.

### Growth and Jobs

- 2.12** Delivering growth and sustainable jobs continues to be at the centre of our efforts to combat poverty and inequality. In developing our plans, we have kept a strong focus on the interventions we can make to support growth and jobs. Our proactive approach to supporting the economy is centred around improving the country's infrastructure, improving the skills base of the population and creating the conditions for economic growth and wealth.
- 2.13** Since its inception in 2012, the Wales Infrastructure Investment Plan (WIIP) has provided a framework for prioritising capital expenditure that will deliver the greatest benefits for growth and jobs. In line with this, we are announcing a further £90m capital funding as part of this Draft Budget, details of which are provided in Chapter 3.
- 2.14** We are also continuing to invest in a range of employment and skills programmes, including Jobs Growth Wales, which is one of our Five for a Fairer Future. In this Draft Budget, we are providing funding to enable us to create 16,000 job opportunities by March 2016.
- 2.15** We are also continuing to protect the investment we make to provide vital business support to Welsh companies and have allocated £139.2m for Sectors and Business in 2015-16. This funding will be used, alongside European and private sector investment, to enable the provision of vital financial support and advice to businesses in Wales. Our approach is already proving successful and in 2013-14, over 37,000 jobs were supported. The funding that we have provided for 2015-16 will build on this, continuing to support businesses to create employment opportunities for people in Wales.

**2.16** In addition to the support we provide directly to businesses, we are also continuing to invest to create the conditions for growth. In line with this, we are maintaining our investment in our road and rail networks with £245.1m in 2015-16, recognising the role that transport plays in supporting growth and jobs, as well as in enabling people to access services.

### Educational Attainment

**2.17** Raising educational attainment and investing in skills has a positive impact on the economy and increases the life chances of individuals. We are committed to improving the education system and the qualification levels of the Welsh workforce. Investing in the skills of both our current and future workforce is key to reducing levels of worklessness, and therefore to reducing poverty.

**2.18** Throughout the current Spending Review, we have protected schools funding by 1% above changes to the Wales DEL overall. This means that over this period we have provided an additional £105.9m investment to schools. Funding for schools is delivered both through the Revenue Support Grant and budgets which sit in the Education and Skills MEG. In line with the call for greater transparency on how we deliver this commitment, a schedule showing how we have protected funding for schools at 1% above the average annual growth in the Wales DEL over the Spending Review period is provided at Annex E.

**2.19** Alongside this continued investment, wide-ranging reforms to our education system are starting to bear fruit. The most recent Annual Report on the Programme for Government shows that overall examination results are rising, at the same time that the attainment gap for deprived pupils is narrowing. However, we are not complacent and our focus on raised standards of literacy and numeracy remains undiminished.

**2.20** We are allocating an additional £12.1m from Reserves in this Draft Budget to support Schools Challenge Cymru in 2015-16. This funding will support the programme to accelerate and concentrate our school improvement efforts, focusing on secondary and primary schools in Wales that face the largest challenge in terms of circumstance and stage of development. The Challenge will continue to empower and equip these Pathways to Success Schools to achieve continuous self-improvement by building on existing good practice, mobilising additional support and monitoring the impact of their efforts.

**2.21** We are continuing to protect funding to deliver on our commitment to ensure that no full time undergraduate student ordinarily resident in Wales will pay higher fees in real terms during the lifetime of this administration than if they had been students in 2010/11. We are also providing statutory financial support packages for eligible Welsh full-time and part-time students as part of a new modernised service. As a result, our means tested grant support system is more generous than the system in place in any other UK administration.

## Supporting Children, Families and Deprived Communities

- 2.22** We remain committed to prioritising investment that helps to make Wales a more equal society, where everyone has an opportunity to progress and do well in life. This commitment to social justice underpins everything we do and is particularly important given the high proportion of households in Wales living in relative poverty. Around a quarter of adults and a third of children live in households with below 60% of the contemporary UK median income, after housing costs. This is the context in which we are prioritising our investments to improve outcomes for people from low income households and to take action to mitigate the impact of poverty on children, families and across deprived communities in Wales. This includes our continued support of £1m for the Lift programme, which provides training and employment opportunities for people in workless households and at risk of persistent poverty.
- 2.23** We remain committed to do everything we can to protect the delivery of frontline services, particularly where we know that there are important links between health and social services. In this context, in addition to the protection we have given to health funding, over the course of this Spending Review period we have also looked to cushion local authorities from the full impact of the UK Government's reductions to our Budget overall. Whilst the cumulative reductions to our Budget mean we cannot continue to fund everything at the same level, we have recognised the importance of social services to the health service. We have listened to the concerns of local government in Wales and we are investing an additional £10m in 2015-16 in recognition of the pressures on social services. This additional investment also means that the local government settlement will be better on average than local authorities were expecting.
- 2.24** We are maintaining funding for the EMA at £30 per week for eligible students, which helps to address the link between low income and low participation by providing a weekly financial incentive to encourage young people, aged 16-19, from low-income households to remain in full-time education beyond the compulsory school age. This grant funding is means tested and non repayable and support goes to those in households with the lowest income. Demand for this support is continuing to increase year on year and whilst some of this is attributable to increasing student numbers, it also suggests that household incomes are continuing to feel the effect of the economic downturn. We have recognised that living costs are a key consideration for students, particularly during a time of austerity, which is why we are continuing to maintain the support on offer.
- 2.25** Evidence suggests that investing in the early years of childhood significantly improves outcomes for children, including in their educational, physical and social development. In line with our ambition to prioritise preventative spend, we are delivering our commitment to double the number of children who benefit from Flying Start, which is one of our Five for a Fairer Future commitments. This Draft Budget includes the additional £11m we announced last year and a further increase of £5m of capital funding, to provide the infrastructure needed

to support the doubling of the number of children benefitting from 18,000 to 36,000.

- 2.26** We are also maintaining funding to provide an additional 500 Community Support Officers (CSOs), which is another of our Five for a Fairer Future. This Draft Budget includes the £16.8m we announced in last year's Budget to ensure they are still serving our communities in 2016. By strengthening links between communities and the local police force, conducting high visibility foot patrols, gathering intelligence on suspects and dealing with minor offences, CSOs help police officers to reduce crime and the fear of crime, thus contributing to safer and more resilient communities.
- 2.27** We are continuing our support for Universal Benefits, reflecting our vision of a more equal society. These are important initiatives which provide assistance to people in every walk of life, but particularly the most vulnerable in our society and also those who narrowly miss out on means tested support. We have therefore maintained our commitments to provide:
- Free School Breakfasts and School Milk – providing vital nutrition to children during the school day;
  - Free Prescriptions – ensuring that those on low incomes are not deterred from taking regular medication;
  - Free Swimming – encouraging the people of Wales to take up exercise and healthy lifestyles; and
  - Concessionary Fares – supporting older people and people with disabilities to remain independent.

### Preventative Spend

- 2.28** Across all areas of Government, focusing on preventative spend is key to our efforts to continue delivering improved outcomes for the people of Wales. In line with this, our budget proposals for 2015-16 are underpinned by a commitment to prevention and early intervention, which complements the thematic approach we have taken to presenting our spending plans.
- 2.29** In terms of **Health and Well-being**, we are continuing to drive up immunisation rates, protecting children and adults from a number of significant illnesses. £17.6m is being invested in 2015-16 to support programmes such as the seasonal flu vaccination for children and shingles vaccinations for older people. We are also maintaining investment of £4.9m in a range of preventative programmes and legislation, which are working to reduce risky behaviours, such as smoking and alcohol misuse, whilst supporting people to make more positive lifestyle choices. The additional investment of £10m in social services is also vital in terms of preventative spend, particularly in terms of reducing pressures on health services.
- 2.30** The investments we make to support **Growth and Jobs** are vital in terms of preventing poverty by helping people into work, which is why we are maintaining our support for employment and skills, including the React programme. In terms of raising **Educational Attainment**, we are continuing to provide opportunities for individuals to improve their life chances and ensure

that people are able to participate fully in creating a more prosperous nation. This includes the support we provide for a range of initiatives, which help to reduce the impact of poverty on levels of attainment. Our continued investment in the Foundation Phase, as part of the amalgamated Education Improvement Grant for schools totalling £141m, is directed to ensure that all children have the best possible start in life enabling them to achieve their full potential

- 2.31** Our spending decisions reflect our focus on preventative spend but also balance our long term aims with addressing the immediate needs of our citizens. Although this can be a difficult balance to achieve, this dual approach is reflected in Budget priorities, including our additional investment of £225m to support the NHS in Wales.
- 2.32** It is also reflected in our interventions to **Support Children, Families and Deprived Communities**, including our £76.9m investment for Flying Start in 2015-16, which provides support to families, whilst also improving the long-term outcomes for children and our continued investment in our energy efficiency programmes, Nest and Arbed, which are crucial in terms of reducing fuel poverty. These plans also reflect the additional funding we allocated last year for homelessness, which will provide long-term cost benefits and reduce homelessness in the short term. Our decision to protect investment in Domestic Abuse services will also help to support the victims of domestic abuse now and generate savings in the future.
- 2.33** The Tackling Poverty Action Plan aligns with this approach and aims to reduce poverty in the future whilst mitigating the immediate effects of poverty in the short term. In this context, our Communities First programme will continue to support people living in some of the most deprived areas of the country, with £36m allocated for the programme in 2015-16.
- 2.34** We also recognise the importance of using every level available to use to drive a shift towards prevention, including the use of legislation. The Public Health White Paper outlined a series of practical proposals in line with the principles of prudent health care, which have the potential for long-term benefit, both for the health of individuals and in seeking to avoid or reduce the societal and financial costs associated with preventable ill health. Drawing on the responses to the White Paper, we will be introducing the Public Health Bill before the Summer recess in 2015.
- 2.35** The Departmental chapters of this Budget narrative provide further information on our detailed spending plans.

### 3. Wales Infrastructure Investment Plan

- 3.1** Since the UK Government's Spending Review in 2010, our capital budget has faced considerable constraint and in 2015-16 will be 30% lower than its peak in 2009-10. Despite this, we have continued to focus on maximising the opportunities and benefits that Welsh infrastructure investments provide to support growth and jobs. Since its launch in 2012, through a mix of additional capital allocations and innovative finance schemes, the Wales Infrastructure Investment Plan (WIIP) has generated additional investment worth over £3bn for the Welsh economy.
- 3.2** We have continued with our commitment to report annually on the progress of the WIIP. Our latest Annual Report, published in June, evidenced progress made against the Plan's four key goals over the previous year.
- 3.3** Through our pipeline of infrastructure investments we continue to provide greater clarity of activity to our delivery partners and the people of Wales, whilst enabling the private sector to effectively plan for future procurement and investment opportunities. This year's edition detailed over 320 schemes across the public and private sectors, with an investment value in excess of £34bn. We will continue to work with stakeholders to build a complete picture of infrastructure investment activity in Wales and plan to include key investment data for ports and water infrastructure in the next version.
- 3.4** We are also working to maximise the use of the pipeline in delivering our wider policy benefits. For example, over the last year we have ensured that all Welsh Government schemes identified in the pipeline reflect our approach to community benefits to maximise job and training opportunities from public procurement in Wales in response to our Wales Procurement Policy Statement. To date, of the 30 completed projects recorded with a combined value of over £445m, 84% of the total contract value has been spent with Wales-based businesses. We are now working to extend this approach to Local Authority pipeline investments.
- 3.5** In line with the goals of our infrastructure Plan, our Wales Procurement Policy Statement (WPPS) sets out the procurement practices and the specific actions required of every public sector organisation in Wales to maximise the benefits of public investment from construction through to ongoing maintenance and service provision.
- 3.6** We have looked for opportunities to drive efficiencies in back office functions and as a result of establishing the National Procurement Service, which has enabled a structured and strategic approach to the procurement of common and repetitive expenditure, we are anticipating savings of £18.8m in 2015-16, increasing to £25m in 2016-17, when the service is likely to have its full portfolio of contracts in place.
- 3.7** We are also continuing to drive efficiencies and improvements in the way in which public estate infrastructure assets are used across Wales. The Asset Management Working Group has developed a set of tools to support effective

management of the public sector estate, as well as supporting a number of pilot projects, which seek to encourage collaboration to achieve best value, such as the Y Lanfa project in Aberystwyth, which has produced savings of £1.6m over a six year period.

## Additional Capital Allocations

**3.8** In this Draft Budget we are allocating additional funding of £90m in 2015-16, comprising £52m traditional capital and £38m financial transactions funding. When coupled with the additional support of £11m for schemes in 2014-15, we are announcing a total additional investment package of over £101m. This investment will support the delivery of schemes with a total value in excess of £1bn and support the creation or retention of around 1,400 jobs.

## Capital Investments in 2015-16

**3.9** Details of investments reflected in this Draft Budget are set out below.

### Investing in Telecommunications

- **Next Generation Broadband for Wales** - we are continuing to support delivery of our flagship Next Generation Broadband for Wales (Superfast Cymru) with further traditional capital funding of £10m in 2015-16. The Programme, together with BT's overall investment in Wales, will see £425m invested to expand high-speed broadband throughout Wales.

### Investing in Housing

- We are investing additional capital of £32m in housing initiatives, comprising:
  - **Gypsy and Traveller Sites Programme** – £2m of traditional capital in 2015-16 to refurbish, expand, relocate or develop Gypsy and Traveller Sites to improve the life and standard of living for Gypsy and Traveller residents throughout Wales.
  - **Affordable Housing Land Scheme** – Financial transactions funding of £10m in 2015-16 to extend the pilot scheme. This will provide loans to local authorities and Registered Social Landlords to acquire sites in order to accelerate the development of affordable housing schemes.
  - **Houses into Homes** – Financial transactions funding of £10m in 2015-16 to expand investment in this scheme to over £30m since its launch in 2012. This successful initiative has already delivered almost 500 residential units and leveraged an additional £7.8m of private sector funding to bring empty homes in Wales back into use and increasing the supply of housing across Wales.
  - **Home improvement Loans** – Financial transactions funding of £5m in 2015-16, together with an additional £5m in 2014-15, brings the total

additional support to £10m. This initiative will provide short to medium term loan finance, enabling individual property owners to bring poor housing back to suitable living conditions. Making the best possible use of existing homes in Wales is fundamental to addressing the housing demand and supply pressure.

- **Town Centre Loans Scheme** – Financial transactions funding of £5m in 2015-16 to support the regeneration of town centres and increase housing supply. This funding will provide a recyclable loans scheme to assist developers to convert empty commercial properties into much needed homes whilst condensing vacant commercial provision to create sustainable town centres.

#### Supporting the investment of the energy industry in Wales

- We are allocating additional financial transactions funding of £5m to support Wales' renewable energy sector through a Green Growth Fund.
  - **Green Growth Wales** – our additional £5m of early support will help deliver the first phase of this scheme, which could total £500m. This initiative aims to increase and accelerate projects to deliver green investment in Wales. It will focus on infrastructure projects which will reduce carbon emissions, including renewable energy generation, resource efficiency, and energy from waste projects. The programme will aim to work with the public and private sectors across Wales, providing additional skills and capacity to support the early stages of project development and implementation. This new innovative scheme will:
    - Progress the Government's sustainable development agenda by demonstrating leadership on climate change issues and creating additional renewable capacity equivalent to at least 10% of Wales' electricity needs over the next 20 years.
    - Benefit the Welsh economy and people by securing additional investment (£400m over the next 5 years) and creating/protecting employment (more than 500 jobs) through renewable energy projects and resource reduction.
    - Deliver these goals over the long term on a self sustaining basis, ultimately returning the original investment to the taxpayer through dividends / interest payments, etc.

#### Developing our Enterprise Zones

- In this Draft Budget we are supporting our Enterprise Zones and economic development priority with an additional £3m investment for **Cardiff Airport Route Development**. We are providing financial transactions funding of £3m to support a £13m development package. This loan funding will enable

Cardiff International Airport to increase its commercial potential and enhance route development.

### Improving Transport Networks

- We are also providing £40m of traditional capital in 2015-16 to bring forward essential transport infrastructure schemes comprising:
  - **Cardiff Eastern Bay link road** – We are investing £30m to enable the construction of this key transport link by 2017-18.
  - **North Wales transport infrastructure** – £10m is also being allocated to support key transport connectivity in North Wales.

### **Innovative Finance**

**3.10** The approach we are taking to promote growth and create jobs is clearly having a significant impact and the Welsh economy and labour market has grown strongly over the past year, closing the gap in employment with the UK. In this context, we are continuing to use all the levers available to us to deliver our investment priorities as set out in the Wales Infrastructure Investment Plan.

**3.11** We have continued to supplement capital budgets and boost investment through a range of innovative finance schemes. In May, we announced a new £1bn programme of investment in priority infrastructure projects to finance the development of a new specialist cancer care facility and to complete dualling of the A465. We also set out our intention to ensure that we can make full use of the £500m of direct borrowing that we will be able to undertake as a result of the Wales Bill.

**3.12** Furthermore in June, we announced our intention to co-finance an additional £250m investment in social and affordable housing, which from 2017-18 will triple the size of the successful Housing Finance Grant. This successful scheme is delivering around £125m of much needed investment in social and affordable housing.

**3.13** This year has also seen a third year of investment in the Local Government Borrowing Initiative for highways' improvements, and a first year of investment in the Local Government Borrowing Initiative for 21<sup>st</sup> Century Schools. In 2015-16 alone, this latter scheme, combined with an additional £30m capital boost which we announced last year, will provide around £110m to accelerate delivery of our 21st Century schools programme. Together, our LGBI schemes will raise around £340m of additional resources in transport and educational assets. These three innovative initiatives, the Housing Finance Grant and LGBI schemes, which are the vanguard of the programme that we announced in May and June, are being enabled with revenue support of £24m in 2015-16.

**3.14** Table 3.1 below sets out the Fiscal Resource funding provided in 2015-16 to support our innovative finance programme.

**Table 3.1 Innovative Finance Revenue Support in 2015-16**

<b>Scheme</b>	<b>2015-16</b>
LGBI Highways' Improvements	£12m
LGBI 21 <sup>st</sup> Century Schools	£8m
Housing Finance Grant	£4m

## 4. Legislation

- 4.1** From the outset of this Assembly term, we have been clear in our commitment to use our legislative programme as a vehicle to bring forward Bills that create opportunities for everyone and which would help to deliver our vision of an efficient, accessible and sustainable Welsh public sector.
- 4.2** We are delivering on this commitment and there are now 16 Welsh Acts<sup>5</sup>, ranging from the Social Services and Well-being (Wales) Act 2014, which aims to improve the well-being outcomes for people who need care and support, and carers who need support, to the National Health Service Finance (Wales) Act 2014, which has introduced increased flexibility for Local Health Boards to manage their resources.
- 4.3** The breadth of our legislative programme reflects the scale of our ambition and we remain committed to using all the levers available to us, including legislation, to deliver our vision for Wales. In line with this, during the third year of the current legislative programme we introduced six Government Bills, including the Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill and Well-being of Future Generations (Wales) Bill.
- 4.4** In July, the First Minister announced a further 10 Government Bills, which will be introduced before Summer 2015. These proposals will legislate across the full range of the Welsh Government's responsibilities, and will fully reflect the Welsh Government's *Priorities for Wales*, including:

### *Health and Well-being*

- A Bill relating to **public health** to make a positive cumulative impact on health and well-being.
- A Bill relating to the **regulation and inspection of social care** to secure well-being for citizens and improve the quality of care and support that they receive.

### *Growth and Jobs*

- **Planning (Wales) Bill** – to reform and simplify our current planning system.
- A Bill to establish an independent body - **Qualifications Wales** - that will be responsible for the regulation and quality assurance of non-degree level qualifications available in Wales.

### *Educational Attainment*

- A Bill relating to **additional learning needs** (ALN) which will create a new legislative framework for children and young people with ALN and replace the existing statutory Special Educational Needs framework and provisions for the

---

<sup>5</sup> Of these, one Act was proposed by an Assembly Member and one by the Assembly.

assessment for post-16 education and training of children and young people with Learning Difficulties and Disabilities.

### *Supporting Children, Families and Deprived Communities*

- A Bill relating to **renting homes** which will provide a fairer, simpler and more efficient legal foundation for the relationship between landlords and tenants.
- The **environment Bill** will establish a modern and innovative legislative framework for the sustainable management of natural resources.
- A Bill relating to **heritage** which will introduce greater transparency and accountability into decisions taken on the historic environment.

**4.5** The First Minister has also indicated his intention to bring forward a Tax Collection and Management Bill in July 2015, which will confer the powers of tax collection and management in Wales, establishing a corporate body, operationally separate from Welsh Ministers, and vesting it with the legal powers of tax collection and management. Further information on this legislation is provided in Chapter 1.

**4.6** In order to pave the way for our planned reform of local authorities in Wales, we will also be bringing forward a local government Bill at the beginning of 2015.

### **Financial Scrutiny of the Legislative Programme**

**4.7** We acknowledge the important role played by the National Assembly for Wales in scrutinising legislative proposals, particularly in terms of affordability and value for money. In recent years, we have worked closely with the National Assembly for Wales' Finance Committee to improve the transparency and presentation of all our budget documentation, including information provided on the costs of legislation. In line with this, last year, we took steps to set out the costs of legislation in the Departmental chapters of the Budget Narrative.

**4.8** In publishing the Draft Budget 2015-16, we have looked to build on our previous approach and in this year's Budget, we have set out, in a Table at Annex D, the additional costs of both previously enacted legislation and draft legislation covered by this Budget period, where Bills have been introduced into the National Assembly for Wales. In providing this table, it should be noted that not all Acts or Bills will incur costs in 2015-16. Many of the costs associated with legislation will not materialise until the legislation is implemented, which may be outside the period covered by this Draft Budget. In these cases, legislation does not appear in the table.

**4.9** In the Table at Annex D, the cost information provided for draft legislation predominantly reflects the financial information provided in the Regulatory Impact Assessment (RIA). However, in line with our commitment to provide an open and accurate account of the costs of our legislative proposals, some cost details have been developed further subsequent to the publication of the RIA. This reflects our commitment to robust policy development, with the costs

specified in RIAs being subject to change as further work is undertaken to develop policy and to understand costs, including information which may emerge through, or changes that are made during, the scrutiny process. This is a normal part of policy development. As a result, the figures shown in Annex D reflect our current understanding of the costs associated with the draft Bills.

## 5. Impact Assessments

**5.1** The Impact Assessment that we published alongside our Budget plans in 2010 was ground-breaking – we were the first UK administration to assess the impact of our spending plans. Since then, we have looked to improve our approach each year. In 2012, we established the Budget Advisory Group for Equality to provide advice and support and we have worked closely with this group throughout the year. The Equality and Human Rights Commission (EHRC) has advised us on how we can improve our assessments, through an Appreciative Inquiry in 2012. We have also looked to learn from best practice elsewhere – most notably the approach taken to impact assessing the European Structural Funds Programmes 2014-2020, where the EHRC concluded that the Operational Programmes are based on a very sound and thorough socio-economic analysis with appropriate use of the evidence base. This work has culminated in the Strategic Integrated Impact Assessment of the Draft Budget 2015-16, which we have published today.

### Draft Budget 2015-16: Strategic Integrated Impact Assessment

**5.2** Last year, we set out our intention to continue on our improvement journey by moving towards a more integrated approach to the impact assessment of the Budget, which considered not only equality and socio-economic disadvantage but also looked to reflect children’s rights and Welsh language.

**5.3** We concluded that an integrated assessment provided a more realistic assessment of the overall impact of spending decisions. Against a backdrop of reducing budgets, there is not always a single answer that will manage the impact of a decision in all areas. What is important is that we understand the full range of impacts and make a decision informed by that understanding. This approach reflects our wider understanding of the sustainability of our decisions and the aims and objectives set out in the Well-being of Future Generations (Wales) Bill, including the focus on prevention, collaboration and long-termism.

**5.4** This approach was informed by recommendations from a range of stakeholders including the Assembly Committees, the Budgetary Advisory Group for Equality and the EHRC.

**5.5** Our approach under each of the strands is set out below:

#### Equality

- We are continuing to ensure that we meet our duty to consider the impacts of our policy decisions in respect of the nine protected characteristics, as defined in the Equality Act 2010. The Strategic Equality Plan sets out how we will meet our duty.
- We take this to mean that equality is not only considered but that it is central to the budget process. The Integrated Impact Assessment includes an analysis of the equality implications of our budgetary decisions and sets out the work we have undertaken to review our budget proposals. In undertaking

this work, we have been clear that moving to an integrated impact assessment does not dilute the impact on equality but, instead, recognises the importance of considering equality and the effect on groups with protected characteristics as well as other key considerations addressed through other impact assessments, such as tackling poverty.

### Children's Rights

- Supporting children in Wales to access their rights is fundamental to the key aims of the Programme for Government. Effective policies to provide the very best education, public services, health services and measures to tackle poverty are clear examples of that commitment in respecting the Articles of the United Nations Convention on the Rights of the Child.
- In preparing the Draft Budget 2015-16, we have built on the approach taken in previous years to ensure that children's rights have been fully considered throughout the decision making process for the Budget, with specific reference to the UN Convention on the Rights of the Child. Our emphasis on children's rights has been reinforced since May 2014, with the Rights of Children and Young Persons (Wales) Measure 2011 requiring all Ministers to have due regard to children's rights whenever they exercise any of their functions, including the development of their spending plans

### Welsh Language

- The Welsh language is an official language in Wales and the Welsh Government's vision is to see the Welsh language thrive in Wales. *'A living language: A language for living'* is the Welsh Government's strategy for the promotion and facilitation of the use of Welsh language in everyday life.
- The Welsh Language (Wales) Measure (2011) specified policy making standards which include considering the effects (both positive and negative) on the Welsh language in policy decisions. In line with the standards set out in the Measure, all Ministers have considered the impact of their spending decisions on the Welsh language.

### Tackling Poverty/Socio-economic Disadvantage

- Tackling poverty remains a key commitment and is one of the themes underpinning our Budget priorities. It has been reflected at every level of decision-making to ensure that the Budget proposals reflect the priority the Welsh Government gives to tackling poverty, as set out in the Tackling Poverty Action Plan.
- We are continuing to support a wide range of projects and programmes that aim to assist the most vulnerable and disadvantaged communities across Wales. This commitment to tackling poverty underpins our budget priorities of Health and Well-being, Growth and Sustainable Jobs, Educational Attainment and Supporting Children, Families and Deprived Communities. Preventative spending is also a key element of the measures we are taking to tackle

poverty and we recognise that tackling inequality now will prevent future inequality.

- 5.6** Further detail on the approach we have taken to consider the impact of our spending decisions is provided in the Strategic Integrated Impact Assessment of the Draft Budget 2015-16, published alongside this narrative.

## **6. Focusing Budgets on Outcomes**

**6.1** The Welsh Government is committed to delivering better outcomes to the people of Wales. As demand for public services rises, and the downward pressure on the Welsh Government's budget continues, it is critical that we invest in services and programmes that make the biggest positive difference to people's life. Value for money is always a key consideration of the Welsh Government, given the pressures public finances are under in Wales we need to use our funding to deliver the top priorities of the Government. We want to show how our activities are delivered in an ever more effective and efficient way to ensure we are getting maximum value from the Welsh pound. Central to this is a clear understanding of what we are seeking to achieve, how we will allocate budgets to that end, and how we account for progress that we have made.

### **Programme for Government**

**6.2** The Programme for Government (PfG) is the Welsh Government's roadmap for this Assembly term. It is a clear statement of what this Government is looking to achieve. It represents a real commitment to delivery and a move away from an approach to measuring success that placed too much emphasis on the amount of money spent, or the number of policies implemented, rather than the impact Government is actually having on people's lives. It emphasises the key outcomes the Welsh Government is working towards: better health and well-being, growth and sustainable jobs, improved educational attainment and supporting children, families and deprived communities.

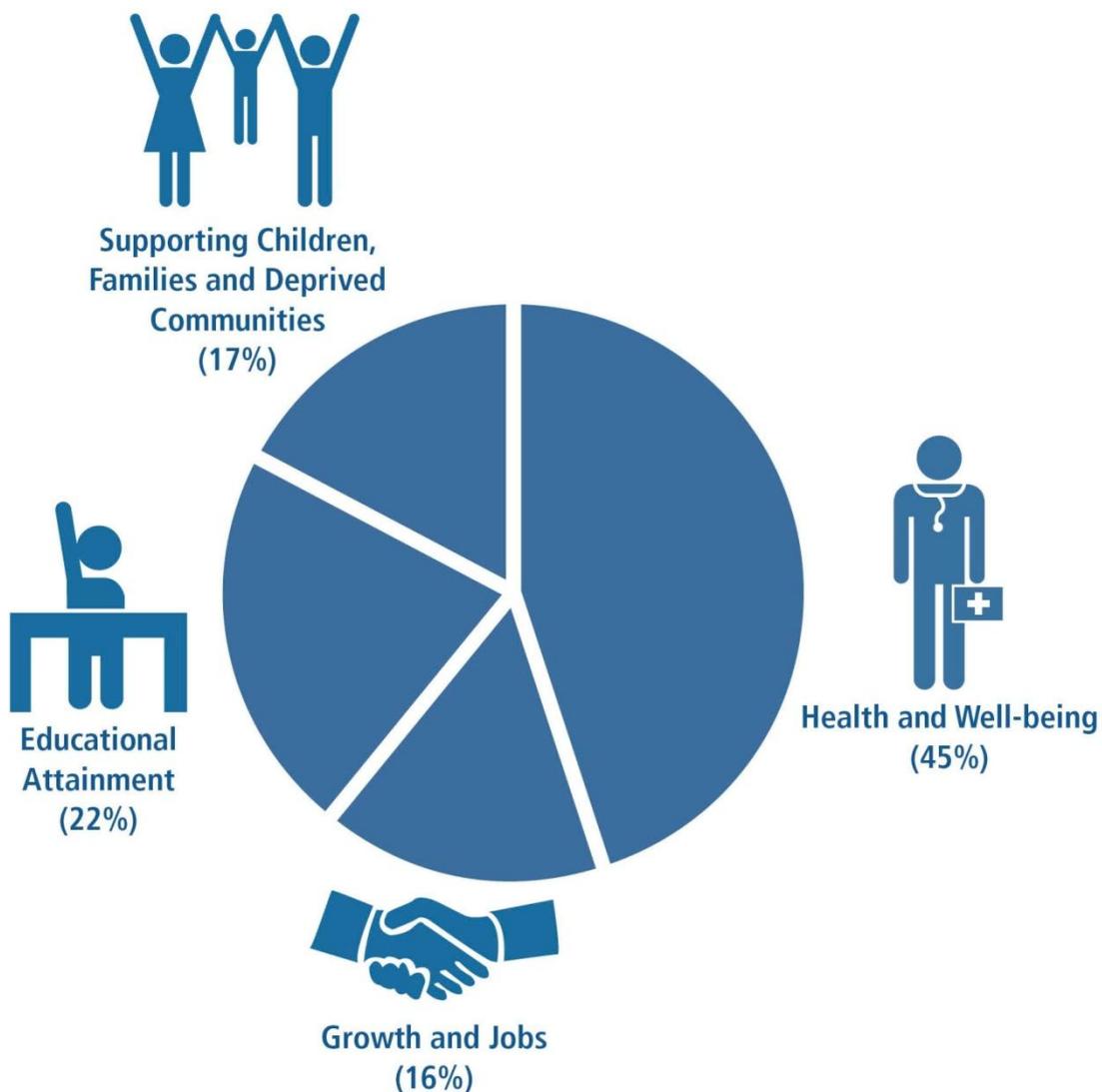
**6.3** Each year, the Welsh Government publishes an Annual Report which sets out the progress that we have made towards delivering better outcomes for the people of Wales. It provides the information on which people can assess the difference that we are making. This year's Annual Report highlighted the significant progress that this Government has made on its priorities over the previous 12 months. This included evidence demonstrating our success in taking preventative action, including steps to reduce the number of smokers and to increase immunisation rates. We also reported on the progress of flagship Foundation Phase programme during 2012/13, with latest figures showing that this progress has continued, with around 4 in 5 (85.2%) of pupils achieving the expected outcome in all mandatory areas of learning at the end of Foundation Phase in 2013/14.

### **Aligning Budgets to Programme for Government**

**6.4** Since the publication of the PfG we have been working to provide clear information on how budget allocations reflect the outcomes we seek to deliver. Since 2012, we have published an analysis of how our budget proposals align to the outcomes in the Programme for Government. The work of Government is complex and diverse and this means that providing an alignment of budgets to themes will not be perfect. Taking an outcome focused approach means that there are often multiple funding streams underpinning commitments. Likewise,

a significant number of our programmes and policies support more than one of the themes.

- 6.5 Nevertheless, we acknowledge the importance of understanding and explaining the impact of our spend and are committed to improving how we demonstrate the impact. Improvements that we have made to the Impact Assessment of budget proposals is evidence of this commitment. However we know that we need to do more to link outcomes to budgets.
- 6.6 This year for the first time, the Programme for Government Annual Report showed how resources are aligned to the four outcome themes that have shaped our budget allocations. The following chart describes how the Draft Budget for 2015-16 aligns to these budget themes.



Source: Figures are provided on the basis of the Draft Budget 2015-16

## Improved Links to Outcomes

- 6.7** The Finance Committee of the National Assembly for Wales has worked with the Welsh Government to help deliver the strides that the Welsh Government has made in setting out what is being delivered and what is being achieved for the resources that the Welsh Government invests. We are committed to building on this approach, in collaboration with all our key stakeholders and welcome the Review of Budgetary Processes.
- 6.8** The Commission on Public Service Governance and Delivery recognised the importance of Government setting out its strategic outcomes and how progress should be assessed, but it also said that current measurement frameworks are complex and considerable effort is needed to make an assessment of progress from the performance information that arises from them.
- 6.9** The Well-being of Future Generations Bill will provide the framework for achieving even greater clarity of purpose for the longer term. The Bill is a major step towards developing the improvements we want, which also echo those called for by the Finance Committee and the Commission on Public Service Governance and Delivery. It is intended that the Bill will establish a focused set of national outcome goals for the public sector in Wales and a process by which key public service organisations will need to demonstrate how they have attempted to maximise their contribution to achieving those. It will provide the focus on “what” needs to be done. Public service organisations and partnerships will respond with “how” it will be done. The Bill will also provide for a set of national indicators which will help us to make a more meaningful assessment of progress. These indicators will be developed as the Bill progresses and should be at the heart of the next Welsh Government’s strategic plan. This approach will be integral to the new National Performance Framework which, in responding to the Commission’s report, we have committed to deliver. Taken together, these developments give us the opportunity to change how we make decisions and how we explain the decisions that we have made. Linking our objectives clearly to our financial plans will enhance accountability and evidence the value for money of our proposals.
- 6.10** These developments give us an opportunity to shape the future development and presentation of Budget proposals. As already acknowledged, we have made improvements over a number of years but realising the full benefits of these opportunities may require a more wholesale approach to improvements. The development of new budgetary procedures following the Wales Bill provides a context in which to do exactly that. We will be working with the Assembly on devising budgetary procedures which are holistic, match best practice and are suitable for Wales.

## Budget Outcomes

- 6.11** In the Draft Budget 2015-16, we have improved the evidence we use to support the development of our budget strategy and this is reflected in our decisions to prioritise funding for health, schools, universal benefits and the Five for a Fairer

Future commitments. In developing this strategy, we have examined information both from the PfG Annual Report about people's overall well-being, and evidence from programme level performance reporting. Each of these levels of information – outcomes, outputs and inputs – are equally important to our budget planning.

### **Case Study One: Additional Health Funding**

Our commitment to ensure that we make evidenced based decisions has been vital in determining the settlement for the Welsh NHS in 2015-16 and we have drawn on a number of key pieces of evidence to support our considerations, including the Nuffield Trust's report on the NHS 'A Decade of Austerity in Wales?'<sup>6</sup> and Local Health Boards' assessment of investment need as set out in their three year plans.

We commissioned the Nuffield Trust to undertake an independent and authoritative analysis of the demands and pressures facing the NHS in Wales, as well as the impact of our strategies to manage them.

The Nuffield Trust report considered the pressures faced by the Health Service in Wales and the impact of these in the context of a range of funding scenarios. These pressures are the same as those faced by health services across the UK and include changing demographics, increased service demand and pay bill costs. The Nuffield Trust report determined that these pressures would amount to an increase in costs of 3.2% a year in real terms. The Nuffield Trust report also highlighted that the NHS in Wales was affordable in the longer term, if it continues to drive efficiencies and savings as it has done over this Spending Review period. In terms of 2015-16, the report identified that by continuing its current approach to deliver efficiencies, including maintaining acute productivity improvements at current levels and supporting better management of chronic conditions, pressures could be reduced to £221m.

Taking together with the information emerging from LHB's assessment of investment need as detailed in their integrated medium term plans, we are allocating £225m in 2015-16 to support the NHS in Wales to maintain its delivery of high quality and safe services, whilst it continues to reform and reshape its services to sustain the productivity and efficiency gains it has delivered over recent years.

### **Case Study Two: Five for a Fairer Future**

**Jobs Growth Wales:** Acting on the evidence that our younger people in Wales were harder hit by the recession, we responded by implementing our highly successful Jobs Growth Wales programme. In choosing our intervention, we recognised that the presence of a well-qualified workforce is likely to be one of the most important factors in creating, attracting and retaining employment opportunities within a region. Since April 2012, through our investment we have already seen over 15,000 job opportunities created with over 12,000 filled and are on track to deliver

<sup>6</sup> Roberts A and Charlesworth. A (2014) *A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26*. Nuffield Trust

16,000 by March 2016.

**Flying Start:** Experiences in early life are profoundly influential on a person's future. In recognition of the evidence that early development of language and cognitive skills are vital, as is access to high quality childcare which allows parents to work, we took the decision to double the numbers of children who benefit from our Flying Start programme. To date our investments have ensured that over 31,000 children have benefitted from Flying Start services in Wales. Going forward we are maintaining our investments to ensure that 36,000 children benefit by 2015-16.

**500 Community Support Officers:** Evidence shows that total recorded crime and the perception of crime are important factors which can impact on people's wellbeing. Through our investment we have met our commitment to fund 500 additional Community Support Officers. These Community Support Officers are playing a vital role in tackling anti-social behaviour and crime in communities throughout Wales, for example, providing reassurance to over-60s groups and helping local businesses address shoplifting. In continuing to demonstrate our commitment to ensuring safer communities for all we are maintaining the investment for these posts over the next year.

**Protecting Schools Expenditure:** It is internationally accepted that investment in education is important both for individual learners and for society as a whole. Amongst many other benefits, there is strong evidence that improving educational outcomes and increasing skills can help individuals both in gaining employment and in increasing their earning levels, thereby helping to prevent poverty. The overall picture of school performance in Wales is improving, which has only been possible through sustained investment in our education system. Going forward, we are relentlessly focused on driving up standards and skills, adding rigour and challenge at every level of the system. Already our wide range of reforms to the entire system are starting to deliver results. That is why we are committed to maintaining our protection for schools budgets by 1% above changes to the Wales DEL over this Spending Review period, which translates to an additional £105.9m for schools since 2010-11.

**Improving Access to GP surgeries:** Evidence shows that the burden on the NHS continues to increase, with A&E attendances continuing to rise. It is important that we ensure we are meeting patients needs at the earliest opportunity through enabling access to their local GPs. Prudent healthcare aims to rebalance the NHS and create a patient-centred system and we are delivering this through our ongoing investment of over £460m in General Medical Services to improve access to GP services. Already we have seen that 76% of practices are now open for either the full daily core hours or within one hour of the full daily core hours, up from 60% in 2011. 95% of practices now offer appointments at any time between 5pm and 6.30pm at least two days a week, and the percentage of practices closed for half a day on one week day has fallen from 19% in 2011 to 6% in 2013.

## 7. Welsh Government Budget Proposals

### Wales DEL Budget

- 7.1** Devolved expenditure in Wales for 2015-16 comprises the Wales Departmental Expenditure Limit (DEL) of just over £15.8bn and Annually Managed Expenditure (AME) of just under £600m.
- 7.2** Table 7.1 shows the components of the Wales DEL budget, which includes the Welsh Government's DEL budget and indicative budgets for the Assembly Commission, the Auditor General for Wales and the Public Services Ombudsman for Wales. It also shows the Resource Reserves and Capital Reserves. The Wales DEL also includes Direct Charges to the Wales Consolidated Fund.

**Table 7.1 – Allocation of the Wales DEL Budget**

MAIN EXPENDITURE GROUPS (MEGs)		£000s	
		2014-15 <sup>7</sup>	2015-16
<b>Departmental Expenditure Limits (DEL)</b>			
Health and Social Services		6,396,630 <sup>8</sup>	6,622,334
Local Government		4,597,013	4,404,372
Communities and Tackling Poverty		740,753	737,494
Economy, Science & Transport		1,073,915	1,088,007
Education and Skills		1,783,277	1,754,443
Natural Resources		437,199	404,405
Central Services and Administration		345,983	322,912
<b>Total Allocation to Welsh Government Departments</b>		<b>15,374,770</b>	<b>15,333,967</b>
Resource Reserves	Fiscal Resource DEL	152,992	137,382
	Non Fiscal Resource DEL	91,534	208,180
Capital Reserves		12,618	74,072
Assembly Commission		50,598	50,905
Auditor General for Wales		5,974	5,974
Public Services Ombudsman for Wales		4,247	4,228
Direct Charges to the Welsh Consolidated Fund		672	672
<b>Total Expenditure within the Wales DEL Budget</b>		<b>15,693,405</b>	<b>15,815,380</b>

- 7.3** The largest element of the Wales DEL is the funding allocated to Welsh Government Departments, which in the Draft Budget 2015-16 comprises £13.9bn of Resource and £1.4bn of Capital.

- 7.4** Departmental allocations are set out below (see Tables 7.2, 7.3 and 7.4 below).

<sup>7</sup> As at First Supplementary Budget 2014-15, approved by the Assembly on 15 July 2014.

<sup>8</sup> This figure excludes the additional £200m allocated to the NHS in 2014-15, which will be reflected in the Second Supplementary Budget 2014-15.

**Table 7.2 – Allocation of the Welsh Government’s Fiscal Resource DEL Budgets**

MAIN EXPENDITURE GROUPS (MEGs)	£000s			
	2014-15 Baseline <sup>9</sup>	2015-16 Indicative Plans Final Budget December 2013	Changes	2015-16 New Plans
Health and Social Services	5,926,580 <sup>10</sup>	5,998,582	219,202	6,217,784
Local Government	4,573,686	4,466,824	-85,779	4,381,045
Communities and Tackling Poverty	353,933	353,484	-11,410	342,074
Economy, Science and Transport	527,048	500,461	-5,331	495,130
Education and Skills	1,522,512	1,453,163	20,515	1,473,678
Natural Resources	317,369	306,960	-21,575	285,385
Central Services and Administration	302,670	298,691	-3,214	295,477
<b>Total Allocation to Welsh Government Departments</b>	<b>13,523,798</b>	<b>13,378,165</b>	<b>112,408</b>	<b>13,490,573</b>

<sup>9</sup> As at First Supplementary Budget 2014-15, approved by the Assembly on 15 July 2014.

<sup>10</sup> This figure excludes the additional £200m allocated to the NHS in 2014-15, which will be reflected in the Second Supplementary Budget 2014-15.

**Table 7.3 – Allocation of the Welsh Government’s Non Fiscal Resource DEL Budgets**

MAIN EXPENDITURE GROUPS (MEGs)	£000s			
	2014-15 Baseline <sup>11</sup>	2015-16 Indicative Plans Final Budget December 2013	Changes	2015-16 New Plans
Health and Social Services	170,000	170,000	0	170,000
Local Government	407	407	0	407
Communities and Tackling Poverty	0	0	0	0
Economy, Science and Transport	113,677	113,677	3,000	116,677
Education and Skills	106,931	106,931	0	106,931
Natural Resources	3,340	3,340	0	3,340
Central Services and Administration	16,000	16,000	0	16,000
<b>Total Allocation to Welsh Government Departments</b>	<b>410,355</b>	<b>410,355</b>	<b>3,000</b>	<b>413,355</b>

<sup>11</sup> As at First Supplementary Budget 2014-15, approved by the Assembly on 15 July 2014.

**Table 7.4 – Allocation of the Welsh Government’s Capital DEL Budgets**

MAIN EXPENDITURE GROUPS (MEGs)	£000s			
	2014-15 Baseline <sup>12</sup>	2015-16 Indicative Plans Final Budget December 2013	Changes	2015-16 New Plans
Health and Social Services	300,050	234,550	0	234,550
Local Government	22,920	22,920	0	22,920
Communities and Tackling Poverty	386,820	363,420	32,000	395,420
Economy, Science and Transport	433,190	433,390	42,810	476,200
Education and Skills	153,834	173,834	0	173,834
Natural Resources	116,490	110,490	5,190	115,680
Central Services and Administration	27,313	11,435	0	11,435
<b>Total Allocation to Welsh Government Departments</b>	<b>1,440,617</b>	<b>1,350,039</b>	<b>80,000</b>	<b>1,430,039</b>

<sup>12</sup> As at First Supplementary Budget 2014-15, approved by the Assembly on 15 July 2014.

## Reserves

**7.5** In this Draft Budget, our Fiscal Resource Reserves for 2015-16 are set at 1% of the Fiscal Resource DEL. Our Capital Reserves for 2015-16 are set at 4.92% of the Capital DE, all of which is financial transactions funding, which is ring fenced for loans and equity investments.

**7.6** We are satisfied that the level of Reserves in future is adequate to manage risks and give us sufficient flexibility to respond to unforeseen events.

## Annually Managed Expenditure

**7.7** Table 7.5 shows forecast levels of the Welsh Government's Annually Managed Expenditure (AME) budgets. AME is defined as expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL. AME typically consists of programmes which are large, volatile and demand-led. For a full definition see Annex G – the Glossary.

**Table 7.5 – Welsh Government AME Budget**

MAIN EXPENDITURE GROUPS (MEGs)	£000s	
	2015-16	
	Resource	Capital
Health and Social Services	195,400	0
Local Government	23,501	0
Communities and Tackling Poverty	0	0
Economy, Science & Transport	69,285	0
Education and Skills	-105,578	405,449
Natural Resources	2,900	0
Central Services and Administration	5,496	0
<b>Total Welsh Government AME Budget</b>	<b>191,004</b>	<b>405,449</b>
Assembly Commission	750	0
Public Services Ombudsman for Wales	-219	0
<b>Total Welsh AME Budget</b>	<b>191,535</b>	<b>405,449</b>

## Changes to Budget Structures

**7.8** Annex F provides an overview of the changes to budget structures arising as a result of the changes to Ministerial portfolios announced by the First Minister on 11 September.

## 8. Health and Social Services

### Overview of Portfolio

**8.1** The purpose of the Health and Social Services portfolio is to promote, protect and improve the health and well-being of everyone in Wales by delivering high quality health and social care services. We provide funding for the NHS in Wales and set the strategic framework for adult and children's social care services. Where there are inequalities in health, we also work across Government to tackle the social, economic and environmental influences that affect health and well-being.

### Approach to the Draft Budget 2015-16

**8.2** The continued delivery of safe high quality health care with improving health outcomes for the people of Wales remains a top priority for the Welsh Government. Delivering sustainable high quality healthcare services in a period of austerity is a challenge faced by healthcare systems across the developed world.

**8.3** The recently published independent report by the Nuffield Trust confirms that rising costs, increasing demand, an ageing population and a growth in the number of people experiencing chronic conditions places an increasing challenge on all parts of the system and requires an innovative response. However, the report also indicates that the NHS will remain affordable well into the future, provided that the NHS shares in the projected real-terms growth in the UK economy and makes the efficiency and productivity gains that Nuffield identifies as achievable.

**8.4** The message from Nuffield is clear; a sustainable NHS is within our grasp, provided we make the necessary improvements in efficiency, productivity and service delivery to secure its long term future. We believe in a universal and equitable NHS, free at the point of delivery and we are determined to drive the necessary changes through. That is why, after careful consideration of the evidence provided by the Nuffield Trust report, and reviewing the evidence from the Health Boards' own integrated plans, we are announcing an additional £225m for the NHS in this Draft Budget.

**8.5** Whilst the additional funding allocated to the Health and Social Services MEG will help support the continued delivery of high quality safe services, the NHS will need to continue to demonstrate new innovative ways of delivering health care, with a greater focus on prevention and early intervention. These developments will be underpinned by the principles of Prudent Healthcare, an approach which we believe will help us achieve the twin aims of better outcomes for patients, as well as securing a sustainable, universal health service for the people of Wales well into the future.

**8.6** By providing the additional funding of £225m in 2015-16, and through our continued focus on providing care for patients in the right settings, by rebalancing the NHS to provide more services outside of hospitals wherever

possible, we will ensure we meet the future challenges facing our health service and secure the longer term sustainability of the NHS in Wales.

### Budget Priorities

- *In 2015-16, the Health and Social Services DEL is £6,622.3m. This represents a increase of £219.2m, compared to previously published plans for 2015-16.*
  
- 8.7** The majority of the funding in the Health and Social Services MEG is allocated to support the NHS to deliver the Welsh Government's priorities for a healthy and prosperous Wales. Most notably, this includes the core funding we provide to LHBs in the Delivery of Core NHS Services Action.
  
- 8.8** As evidenced in the Nuffield report, the additional funding announced in this Draft Budget is required to enable the NHS in Wales to maintain its delivery of high quality and safe services, whilst it continues to reform and reshape its services to sustain the productivity and efficiency gains it has delivered over recent years. Consequently the majority of this funding will be allocated to individual Local Health Boards in accordance with their fair share of funding as identified by the Townsend Formula and with reference to the integrated medium term plans developed during the current financial year. The exact allocations to each Health Board will be determined following the completion of work to update the current Townsend allocation formula, based on the most recent population trends and needs based data. This will be concluded in advance of the formal allocation letters issued in January 2015.
  
- 8.9** The table below sets out indicative resource allocations for each LHB for 2015-16, for illustrative purposes only. Under the NHS Finance (Wales) Act, which came into force on 1 April 2014, LHBs are required to prepare integrated medium term plans which set out how it will improve and deliver health care provision to its resident population, utilising their core provision. For 2015-16, these plans will be developed during the Autumn and submitted to the Welsh Government for approval by 31 January 2015. The figures provided in Table 8.1 exclude the additional funding of £225m, as the distribution of this funding will be determined following the conclusion of the work to update the allocation formula.

**Table 8.1 – LHB Allocations<sup>13</sup>**

	2015 -16
	£m
Abertawe Bro Morgannwg University Health Board	932
Aneurin Bevan University Health Board	999
Betsi Cadwaladr University Health Board	1,224
Cardiff and Vale University Health Board	747
Cwm Taf University Health Board	546
Hywel Dda University Health Board	670
Powys Teaching Health Board	237
<b>Total</b>	<b>5,355</b>

**8.10** In addition to the funding set out above, we also allocate funding to support Public Health Wales and other delivery partners such as Local Authorities and voluntary sector organisations, to deliver a wide range of targeted programmes. In 2015-16, we are maintaining our investment in these vital programmes at previously published levels, funded from the central budgets within the Health and Social Services MEG.

**8.11** Regardless of whether funding is provided through the core LHB allocation or through our central health budgets, in allocating funding to deliver our health service priorities, we recognise the importance of taking a **prudent approach to healthcare** to ensure we secure greater value for patients. Prudent healthcare is underlined by a commitment to rebalance the healthcare system by **strengthening primary and community-based care** to support the establishment of a more equal relationship between patient and professionals and changing the relationship between healthcare services and the public, characterised by a shared responsibility for securing improved health outcomes.

**8.12** We also recognise that the **integration of services and greater collaboration** between those working at the sharp end of delivery is essential if we are to provide services which are designed to prevent problems and detect ill health early, avoid the need for hospital and support prompt discharge, and enable people to die in their preferred place of care such as in their own home. That is why, as part of the steps we are taking to rebalance resources towards primary care, we are also committed to integrating all aspects of the health services with social care, housing and the third sector.

<sup>13</sup> The budget is the main revenue allocation budget issued to Health Boards at the beginning of the financial year. The allocation provides funding for:

- Hospital and Community Health Service (HCHS) and Prescribing revenue discretionary allocation;
- HCHS protected and ring-fenced services;
- General Medical Services Contract allocation;
- Community Pharmacy Contract allocation; and
- Dental Contract allocation.

- 8.13** In doing this, our investment in social services is key and we are continuing to drive forward a programme of change and innovation in the way social services and their partners co-produce new solutions with citizen and communities, in order to protect and sustain in the community those most in need of support. In recognition of the contribution social services makes to health, we are allocating an additional £10m through the Revenue Support Grant in the Local Government MEG to support the delivery of sustainable social services in Wales. In terms of the funding provided within the Health and Social Services MEG, we are also maintaining funding of £67.4m to support policy transformation that underpins the delivery of social care in Wales.
- 8.14** The new Social Services and Well-being (Wales) Act provides the framework for driving the changes needed to create sustainable social services for the future. The Act will come into force in April 2016 and our programme will support the changes the Act will put in place. We know that transformation, framed through the Social Services and Well-being (Wales) Act, must be a priority for social services. This includes ensuring that people themselves have a stronger voice and greater control over the services they receive, focussing on prevention and early intervention and developing much greater focus on integration of health and social services in critical areas. To support this, we are allocating £3m in 2015-16 to support the implementation of the Act.
- 8.15** We are also allocating £3.8m to Support Mental Health Policies and Legislation in 2015-16. This programme provides funding to the NHS and third sector bodies working directly with vulnerable people in order to promote recovery which helps them live independently and participate economically. This element is only a small part of the overall funding for Mental Health Services which is ring-fenced and sits within the main Health Board Budget Allocation. In 2015-16 the ring-fenced element of £587m will remain in place within the core LHB allocation. This is the largest funding allocation for a specific healthcare condition. All of this funding is directed at supporting the implementation of our mental health strategy 'Together for Mental Health' which aims to drive improvements in six high level areas including improving mental health and well being for the whole population of Wales and reducing the impacts of mental ill health on individuals, their families and the economy. This investment contributes to the tackling poverty agenda by supporting people to recover quickly and become economically active.

#### Preventative Spend

- 8.16** We know that providing high quality care when people are sick is only part of the solution to good health. We also have a collective responsibility to prevent poor health arising where possible. A renewed focus on **prevention** is particularly important when we consider the need to safeguard the future health of children and young people. The importance of rebalancing the health system in Wales towards prevention has been noted in a number of key strategic documents including *Together for Health*.
- 8.17** Our activity in this area ranges from programmes focused on promoting positive lifestyle messages and supporting people to become better informed about

their health and wellbeing. We are continuing to invest in our immunisation and vaccination programmes, with £17.6m in 2015-16 to support programmes such as seasonal flu vaccination for children and shingles for older people. This is in addition to further funding available through the core LHB allocation in support of these and other programmes such as MMR.

**8.18** We recognise that different aspects of policy are inextricably linked to the underlying causes of ill health. That is why we are continuing to provide funding of £4.9m within the Promote Healthy Improvement and Healthy Working Action to help support people in leading a healthy lifestyle by encouraging them to be more active, eat a balanced diet and discouraging people from risky behaviours such as smoking and excessive drinking. In addition, we are allocating £9.7m within the Tackle Health Inequalities and Develop Partnership Working Action to support the implementation of *Fairer Health Outcomes for All*, which aims to reduce health inequalities that exist between communities in Wales.

**8.19** Further information on the allocations in the Health and Social Services MEG is provided at [Tables 8.2](#) and [8.3](#).

**Table 8.2 – Health and Social Services Resource Allocations<sup>14</sup>**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Resource DEL Budget</b>				
NHS Delivery	5,859,766	5,704,768	228,330	5,933,098
Health Central Budgets	222,030	222,030	-5,519	216,511
Public Health & Prevention	158,643	158,643	1,985	160,628
Social Services	45,979	72,979	-5,594	67,385
CAFCASS Cymru	10,162	10,162	0	10,162
<b>Total Resource DEL</b>	<b>6,296,580</b>	<b>6,168,582</b>	<b>219,202</b>	<b>6,387,784</b>
<b>Resource AME Budget</b>				
NHS Impairments	180,700	165,400	30,000	195,400
<b>Total Resource AME</b>	<b>180,700</b>	<b>165,400</b>	<b>30,000</b>	<b>195,400</b>
<b>Total Managed Expenditure (TME)</b>	<b>6,477,280</b>	<b>6,333,982</b>	<b>6,333,982</b>	<b>6,583,184</b>

<sup>14</sup> These figures include the additional £200m allocated to the NHS in 2014-15, which will be reflected in the Second Supplementary Budget 2014-15.

**Table 8.3 – Health and Social Services Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Capital DEL Budget</b>				
NHS Delivery	285,775	220,275	0	220,275
Health Central Budgets	5,072	5,072	0	5,072
Public Health & Prevention	4,492	4,492	0	4,492
Social Services	4,711	4,711	0	4,711
<b>Total Capital DEL</b>	300,050	234,550	0	234,550
<b>Total Managed Expenditure (TME)</b>	300,050	234,550	0	234,550

## 9. Local Government

### Overview of Portfolio

- 9.1** Local Government expenditure is key to supporting education, social care, housing and a range of other services that are designed to give people the best opportunity for healthy, prosperous lives. These investments make an important contribution to all of our Budget themes.
- 9.2** In particular, the Local Government portfolio is essential in delivering on our commitments in our Programme for Government to support the delivery of effective and efficient public services to meet the needs of people in Wales. Local Government continues to play a key role in the transformation of public services, including the drive to increase investment in preventative approaches.
- 9.3** We have set out our ambitions for a more effective Local Government in Wales, as part of our response to the Commission on Public Service Governance and Delivery, led by Sir Paul Williams. In taking this reform agenda forward to deliver more sustainable public services for the future, we will consult further and seek views from Local Authorities, the wider public sector and the public to inform the development of a draft Bill for consultation in the Autumn of 2015.

### Approach to the Draft Budget 2015-16

- 9.4** Over the course of this Spending Review period we have been able to cushion local authorities from the impact of UK Government reductions to our Budget. Last year we were open and honest that we would not be able to continue to fund everything at the same level, given the cumulative reductions to our Budget. In developing our budget proposals for the Local Government MEG this year, we have once again been open about the difficult decisions we face to manage our priorities with growing pressures and a reducing budget. We have worked with Local Authorities to help them prepare for their Budget settlement. In this context, we have continued to focus on how best to deliver our *Priorities for Wales*, whilst supporting preventative approaches and the tackling poverty agenda.
- 9.5** In line with this, we recognised the importance of maintaining our commitment to prioritise our investment in schools and have continued to provide funding at 1% above changes to the Wales DEL over the Spending Review period. We have also acknowledged the vital contribution that our investment in social services can make to achieve our ambitions for a healthy and prosperous Wales and in this Draft Budget, we are investing an additional £10m in 2015-16 to support the delivery of social services across Wales. This additional investment also means that the local government settlement will be better on average than local authorities were expecting.
- 9.6** In addition to mitigating the scale of reductions facing local authorities, we have also sought to enable increased flexibility in the management of budgets and in this Draft Budget, we are transferring £5.5m of grant funding to the Revenue

Support Grant, including £4.6m in respect of Integrated Family Support Service and £0.9m in respect of Autistic Spectrum Disorders.

### Budget Priorities

- *In 2015-16, the Local Government DEL is £4,404.4m. This represents a decrease of £85.8m, compared to previously published plans for 2015-16.*
- 9.7** In total, we are allocating £4.3bn to the **Funding Support for Local Government Action** in 2015-16, which provides unhypothecated revenue funding for Unitary Authorities and Police and Crime Commissioners to carry out their core functions and duties. Whilst this represents a challenging settlement for Local Government, it follows a number of years of budget stability during which the Welsh Government encouraged and supported Local Government to invest in transforming services in preparation for challenging settlements ahead.
- 9.8** In providing this level of funding, we have maintained our protection for schools at 1% above changes to the Wales DEL. This reflects our commitment to raise **Educational Attainment** and in total, we are providing an additional £105.9m for schools over this Spending Review period.
- 9.9** We are allocating additional funding of £10m to support the delivery of social services in Wales, which make an important contribution to **Health and Well-being** and to **Supporting Children, Families and Deprived Communities**. We are committed to ensuring that sustainable Social Services become a reality in Wales and that the services we provide meet the needs of the people of Wales in the most targeted and effective way possible. This investment is also vital if we are to rebalance the provision of services to strengthen primary and community-based care and to support the integration of health and social services.
- 9.10** We are also committed to **Supporting Children, Families and Deprived Communities** by ensuring safer communities and we are protecting funding for **Community Support Officers** (CSOs) with £16.8m in 2015-16 to maintain our Programme for Government commitment to put 500 CSOs on the beat. This investment makes an important contribution to preventive spend as CSOs work with local primary schools on crime prevention; providing reassurance to over-60s groups; helping local businesses address shoplifting, as well as taking part in searches, seizures of alcohol and tobacco and house to house inquiries for criminal investigations. They are also active in Communities First Clusters, directly supporting the tackling poverty agenda.
- 9.11** We are also maintaining funding for the **Inspectorates** in recognition of the important contribution that these organisations make to ensuring the delivery of high quality services across Wales. This includes the Healthcare Inspectorate Wales, Care and Social Services Inspectorate Wales and Estyn. The funding that each inspectorate requires in future will continue to be reviewed in light of relevant published reports and legislative obligations.

## Preventative Spend

- 9.12** Whilst our investments in education, social care, housing and the range of other services provided by local authorities all make an important contribution to preventative spend, there are also specific actions and investments we are supporting to drive a shift towards prevention. This includes our investment in Domestic Abuse services, Youth Justice Services and Fire and Rescue interventions.
- 9.13** In 2015-16, we are allocating £4.1m resource and £1m capital in the **Domestic Abuse Action** to support victims of gender-based violence, domestic abuse and sexual violence. This represents an increase on indicative plans for 2015-16 and will support the implementation of the Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill, as well as supporting improvements to the infrastructure of service provision across Wales, resulting in improved access to vital services for victims. The annual cost of domestic abuse in Wales is estimated to be £826.4m across the criminal justice system, healthcare, social services, housing and refugees, and civil legal costs. It also includes costs related to lost economic output and human and emotional costs. Evidence from Co-ordinated Action Against Domestic Abuse (CAADA) suggests that every £1 spent towards domestic abuse services saves the public purse £2.90. Our investment in the Domestic Abuse Action will also contribute to alleviating poverty and tackling domestic abuse, ensuring that services are available to all, regardless of gender, ethnicity, or social standing, whilst also generating savings across several other public services.
- 9.14** In terms of Youth Justice Services, we are maintaining the budget of £5.2m in the **Youth Justice Action** in 2015-16, to support a range of initiatives aimed at preventing and reducing youth crime, predominantly through the Youth Crime Prevention Fund. This Fund supports projects aimed at diverting young people away from crime and anti-social behaviour, including projects relating to education, training and initiatives to combat substance misuse. Preventing children at risk of offending from doing so, and keeping them out of the justice system, will help to improve their prospects of training and employment and reduce the risk of them getting into poverty.
- 9.15** In 2015-16, we are also allocating £1m resource and £0.7m capital through the **Fire and Rescue Services National Framework Action**. This investment, which contributes towards **Supporting Children, Families and Deprived Communities**, aims to improve the safety of our communities and reduce the incidents of fire, by implementing and supporting interventions, advice and preventative equipment. Whilst this budget has been reduced, the revised budget has been allocated in the context of a reduction in the overall incidence of accidental and deliberate fires. In the case of the latter specifically, performance data has shown a reduction in deliberate fires, false alarms, malicious calls by young people, and in attacks on fire crews. Whilst managing this revised budget, we will consider how to focus on the most effective interventions and on the balance between preventative and responsive activity in the Authorities' own budget setting processes.

- 9.16** Local Government continues to play a key role in the transformation of public services, including the drive to increase investment in preventative approaches. We have worked with Local Authorities to actively encourage a shift towards preventative spend, through the Public Service Reform programme and we will continue to work in partnership to support Local Authorities in managing their budgets in the most efficient and effective ways, both to minimise the impact on the delivery of core services now and to reduce demand in the future.
- 9.17** In line with this approach, we are allocating £34.1m through the **Local Government Improvement Action** to support challenge, openness and accountability in Local Authority decision-making and to assess, support and build corporate capacity and incentivise Local Authorities to improve service delivery. This work supports our focus on prevention by encouraging consideration of more efficient and effective service delivery options, as well as incentivising improvements in the delivery of effective services across Local Authorities. Whilst this settlement represents a reduction against previously published indicative plans for 2015-16, the reductions 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. Our response to the Commission on Public Services Governance and Delivery was published on 8 July in ‘Devolution, Democracy and Delivery: Improving public services for people in Wales’, and will shape our approach to continuing this agenda of public service reform and efficiency in the future.
- 9.18** Further information on the budget allocations in the Local Government MEG is provided at **Tables 9.1** and **9.2**.

**Table 9.1 – Local Government Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Resource DEL Budget</b>				
Local Government Funding	4,454,935	4,384,155	-82,807	4,301,348
Safer Communities	16,365	16,252	-1,145	15,107
Improving Services, Collaboration and Democracy	74,077	38,108	-1,827	36,281
Care and Social Services Inspectorate	14,461	14,461	0	14,461
Healthcare Inspectorate Wales	2,591	2,591	0	2,591
Estyn	11,664	11,664	0	11,664
<b>Total Resource DEL</b>	4,574,093	4,467,231	-85,779	4,381,452
<b>Resource AME Budget</b>				
Local Government Funding	24,488	24,488	-987	23,501
<b>Total Resource AME</b>	24,488	24,488	-987	23,501
<b>Total Managed Expenditure (TME)</b>	4,598,581	4,491,719	-86,766	4,404,953

**Table 9.2 – Local Government Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Capital DEL Budget</b>				
Local Government Funding	20,000	20,000	0	20,000
Safer Communities	2,639	2,639	0	2,639
Estyn	281	281	0	281
<b>Total Capital DEL</b>	22,920	22,920	0	22,920
<b>Total Managed Expenditure (TME)</b>	22,920	22,920	0	22,920

## 10. Communities and Tackling Poverty

### Overview of Portfolio

- 10.1** The Communities and Tackling Poverty portfolio aims to unite the work of the Welsh Government and its partners in achieving our key outcomes of tackling poverty and achieving equality through a fairer, sustainable future for communities, families and individuals. In doing this, we invest to improve the outcomes of our young people by helping children get the best start in life. Through the support we provide to families, we are also supporting some of our most vulnerable people to achieve their potential.
- 10.2** The Programme for Government also identified the importance of ensuring that people have a high quality, warm secure and energy efficient home to live in as an important factor in improving wellbeing. Housing related services are a vital front line service for delivering against our outcomes and this portfolio works to improve housing-related services, particularly for vulnerable people and those from disadvantaged groups. In doing this, we focus our investment on supporting the development of well-connected, vibrant, viable and sustainable communities, with a strong local economy and a good quality of life.

### Approach to the Draft Budget 2015-16

- 10.3** Whilst many of the levers to tackle poverty do not sit with the Welsh Government, we are committed to ensuring that our investments are focused on preventing poverty, mitigating the impact of poverty and helping people into work. This is the context in which we have developed our budget proposals for 2015-16.
- 10.4** In terms of preventing poverty, we are maintaining a strong focus on the early years of life and taking action to improve educational attainment, across all portfolios. In this Draft Budget, we are also maintaining our support for our flagship Flying Start programme, which is one of our Five for Fairer Future commitments, to ensure that we are able to double the number of children benefitting from 18,000 to 36,000. Our Tackling Poverty Action Plan also recognises the role of housing and regeneration, both as a means of generating training and employment opportunities for those living in deprived communities and to mitigate the impact of poverty by improving the quality of housing. In line with this, we are providing £32m of capital support in 2015-16 to support increased housing provision across Wales.
- 10.5** We are also maintaining the additional investment we made last year to support the implementation of the homelessness element of the Housing Bill. This preventative programme aims to stop people from becoming homeless in the first place and to help those who do become homeless, delivering tangible benefits for the individuals assisted. As a result of the additional funding of £5m we provided last year to mitigate the level of reductions to the Supporting People Programme we have also been able to cushion the impact of budget reductions this year.

**10.6** As part of the Budget Agreement with the Welsh Liberal Democrats we are also allocating additional funding of £0.05m to undertake a feasibility study in 2015-16 to inform a pilot childcare scheme for Further Education students in 2016-17.

### Budget Priorities

- *In 2015-16, the Communities and Tackling Poverty DEL is £737.5m. This represents an increase of £20.6m, compared to previously published plans for 2015-16.*

**10.7** The Communities and Tackling Poverty portfolio provides much needed investment to support the most disadvantaged in our society, working to eradicate poverty in Wales and to ensure that every individual, family and community in Wales has access to a fair future. Many of the interventions we support make a vital contribution to the prevention and early intervention agenda.

**10.8** It is important that children get the best possible start in life. We are continuing to provide budgetary support for Flying Start, our flagship Early Years programme, with £76.9m funding in 2015-16. In addition, we are increasing the capital budget for Flying Start by £4.95m compared to our indicative plans for 2015-16. This additional funding will support Flying Start as it expands to provide support for double the number of children that it helps, from 18,000 to 36,000, providing much need support to **Children, Families and Deprived Communities**. The programme's expansion will ensure that, by March 2016, Flying Start's support will benefit the 25% of children in Wales under the age of 4 and their families who live in some of our most deprived communities.

**10.9** We are allocating £36m to Communities First in 2015-16, which is key in terms of **Supporting Children, Families and Deprived Communities** in Wales. Communities First focuses on raising **Educational Attainment**, improving **Health and Well-being**, and increasing prosperity and employment, with a particular emphasis on reducing youth unemployment. We will continue to provide budgetary support for the core programme, as well as £1m for the Lift programme which works to create **Growth and Sustainable Jobs** by providing training and employment opportunities for people in workless households and at risk of persistent poverty. We are also continuing to work across Government to maintain our support for our priority programmes, such as Jobs Growth Wales.

**10.10** The **Supporting People Programme** provides essential support for vulnerable people and helps them to live independently in their own homes, which is vital in terms of support for **Children, Families and Deprived Communities**. It also has a heavily preventative element which reduces the pressures on more costly health and social service budgets; for every £1.60 spend of Supporting People Services, the saving for the public purse is £3.41<sup>15</sup>.

---

<sup>15</sup> The Chartered Institute of Housing (2010) 'House Proud' Campaign with Shelter, Cecodhas, Housemark, CLG and Cap Gemini.

We are continuing to support this programme within the Supporting People Action, and have allocated £124.4m in 2015-16. In last year's Budget we were able to cushion the impact of cuts on this programme. Work has been undertaken to realign funding with the areas of most need and we will continue to collaborate with the Supporting People National Advisory Board to understand what impact the budget reduction will have on local needs, to manage the reduction and to understand whether the distribution formula can be adjusted to ensure that the impact of the reductions is minimised as far as possible.

- 10.11** We have allocated £48.4m capital within the Regeneration Action in order to support our commitment to provide £100m of funding for **Vibrant and Viable Places** over three years (2014-15 to 2016-17). Vibrant and Viable Places aims to revitalise and promote the sustainable development of town centres, coastal communities and Communities First clusters, helping these areas to make the most of their green infrastructure, heritage and historic character. Our investment through the Vibrant and Viable Places budget aims to tackle poverty by creating jobs, encouraging skills development and helping people into work. In line with this, we will maintain the £7m Vibrant and Viable Places Tackling Poverty Fund, which contributes directly to our Tackling Poverty Agenda by providing funding to those who need it most. We are also allocating financial transactions funding of £5m to support the Town Centre Loans Scheme, which will provide recyclable loans to convert empty commercial properties into much needed homes whilst condensing vacant commercial provision to create sustainable town centre.
- 10.12** We have also protected the capital budget for the Major Repairs Allowance within the Achieve Quality Housing Action at £108m. This funding will assist with the eradication of poor social housing by ensuring that 151,000 homes meet the Welsh Housing Quality Standard by 2020 and are then maintained to that standard. The programme helps to create jobs, training and other opportunities, with landlords being required to maximise the investment made through the Major Repairs Allowance by using a community benefits approach. HM Treasury calculates that 32.6 workers are needed over a year to deliver £1m of output in housing repair and maintenance<sup>16</sup>. By providing £108m of funding, we are directly supporting over 3,500 jobs in the construction industry.
- 10.13** We are addressing housing demand and supply pressure by investing an additional £5m of financial transactions funding in our Home Improvement Loans scheme within the Achieve Quality Housing Action. This initiative provides short to medium term loan finance, enabling individual property owners to bring poor housing back to suitable living conditions. We are also providing additional financial transactions funding of £10m to the Empty Properties Programme Action to expand investment in our Houses into Homes scheme to over £30m. This successful initiative has already delivered almost 500 residential units and leveraged an additional £7.8m of private sector funding to bring empty homes in Wales back into use and increasing the supply of housing across Wales.

---

<sup>16</sup> HMT Guidance on estimating the employment impacts for planned capital expenditures

**10.14** We recognise that bringing the existing housing stock up to standard will not solve all the housing needs and it is fundamental that we promote the construction of new housing stock in Wales. To this end, we are investing additional financial transactions funding of £10m in 2015-16 to extend our Affordable Housing Land scheme within the Increase the Supply and Choice of Affordable Housing Action. This will provide loans to local authorities and Registered Social Landlords to acquire sites in order to accelerate the development of affordable housing schemes.

**10.15** There has been concern for many years at the substantial transfer from local authorities in Wales to HM Treasury as a result of the Housing Revenue Account Subsidy (HRAS) system. Last year, we successfully negotiated a financial agreement with HM Treasury that will enable the 11 stock retaining local authorities in Wales to exit HRAS system. We have since reached agreement with HM Treasury on timescales for Authorities to exit the subsidy system which will take place on 2 April 2015 and is reflected in the adjustment to the Draft Budget by reducing the Achieve Quality Housing AME Action from £71m to £0m. Exit from HRAS and the introduction of new self-financing arrangements is expected to generate revenue savings for each of the eleven LHAs each year. This will enable Local Authorities to increase investment in their existing housing stock and, where possible, support the delivery of new housing supply.

#### Preventative Spend

**10.16** The focus of this portfolio is largely on investing now to prevent problems in the future and supporting other portfolios to make a similar difference.

**10.17** In this context, we are allocating £2.2m to support Advice Services to continue their preventative work, which offers people advice and support on budgeting, debt and benefits matters, with the aim of helping people before they are in a position where they have to seek sources of funding such as the Discretionary Assistance Fund.

**10.18** As set out in the Tackling Poverty Action Plan, our efforts to improve financial inclusion contribute to reducing poverty in Wales, whether through Credit Unions, Advice Services, the implementation of the Discretionary Assistance Fund, or the work of the Financial Inclusion Champions. Additional funding of £0.2m is being provided to Credit Unions as part of a three year plan to help Credit Unions become more sustainable, while continuing to provide support to those who are financially excluded.

**10.19** We are also providing additional capital funding of £2m through the Communities and Tackling Poverty Action for the refurbishment of existing, or the development of new, Gypsy and Traveller sites. The new sites will support these communities to access stable and appropriate accommodation, with evidence demonstrating that living on these sites improves access to health and education services. Developing new sites will also ensure future savings through preventative spend, as the creation of appropriate sites will lead to a

reduction in unauthorised encampments, which cost large sums through legal proceedings and clean-up costs.

**10.20** Within the Increase the Supply and Choice of Affordable Quality Housing Action, we are allocating a total of £62m for the Social Housing Grant. The Social Housing Grant increases the supply of quality, affordable housing across Wales, ensuring that the right types of properties are built in the right places. The programme is integral to our aim of tackling poverty, particularly given the importance of housing and the environment to people living in poverty. The homes provided through the programme are let at either social or intermediate rents, which are below market rent, thereby helping those on low incomes. The Social Housing Grant Programme represents a preventative investment in our children and young people, with every £1.20 spent on decent homes saving the taxpayer £1.80 on the cost of providing support for young people who are Not in Employment, Education or Training.

**10.21** We have protected the budget for the **Homelessness Prevention** programme and have allocated £11.3m in 2015-16 within the Homelessness Action. As well as focusing on tackling poverty, this programme provides long-term cost benefits, as preventing one 16-18 year old from becoming homeless saves £1,467 from the average council's temporary accommodation budget<sup>17</sup>. Within this budget, we have protected £4.9m in 2015-16 to support the implementation of the homelessness elements of the Housing Bill, which will come into force from 1 April 2015.

**10.22** Further information on the allocations in the Communities and Tackling Poverty MEG is provided at [Tables 10.1](#) and [10.2](#).

---

<sup>17</sup> The Chartered Institute of Housing (2010) 'House Proud' Campaign with Shelter, Ceodhas, Housemark, CLG and Cap Gemini

**Table 10.1 – Communities and Tackling Poverty Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Resource DEL Budget</b>				
Children, Young People and Families	125,613	127,413	-969	126,444
Supporting Communities and People	64,012	61,500	-3,317	58,183
Equality and Inclusion	1,845	1,845	0	1,845
Housing Policy	147,115	147,874	-6,394	141,480
Homes and Places	15,348	14,852	-730	14,122
<b>Total Resource DEL</b>	<b>353,933</b>	<b>353,484</b>	<b>-11,410</b>	<b>342,074</b>
<b>Resource AME Budget</b>				
Housing	-73,000	-71,000	71,000	0
<b>Total Resource AME</b>	<b>-73,000</b>	<b>-71,000</b>	<b>71,000</b>	<b>0</b>
<b>Total Managed Expenditure (TME)</b>	<b>280,933</b>	<b>282,484</b>	<b>59,590</b>	<b>342,074</b>

**Table 10.2 – Communities and Tackling Poverty Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Capital DEL Budget</b>				
Communities and Tackling Poverty	20,450	14,450	2,000	16,450
Housing Policy	16,641	1,641	0	1,641
Homes and Places	349,729	347,329	30,000	377,329
<b>Total Capital DEL</b>	<b>386,820</b>	<b>363,420</b>	<b>32,000</b>	<b>395,420</b>
<b>Total Managed Expenditure (TME)</b>	<b>386,820</b>	<b>363,420</b>	<b>32,000</b>	<b>395,420</b>

## 11. Economy, Science and Transport

### Overview of the Portfolio

- 11.1** The Economy, Science and Transport portfolio aims to strengthen the economic conditions that will support growth and sustainable jobs in Wales. The portfolio works to improve infrastructure and the business environment, as well as supporting finance, innovation and enterprise activities. We also provide the investment and strategic support that enables Welsh businesses to become more competitive in the international investment market.
- 11.2** Transport has a critical role to play in supporting growth by improving Wales' economic competitiveness and tackling poverty through providing enhanced access to jobs and services. Investment for the long term ensures that Wales has excellent national and international connections that enable access to markets, employment, education and services.
- 11.3** We are committed to the Culture and Heritage of Wales and the important role that access to our culture plays in improving health and well-being. In this context, the portfolio plays a vital role in investing and preserving our cultural heritage for future generations and supports our Tourism industry in providing growth and sustainable jobs in our rural communities.

### Approach to the Draft Budget 2015-16

- 11.4** The budgets have been prioritised to support the Welsh economy in delivering strong, sustainable growth and providing opportunities for all. That is why we are providing additional capital funding of £10m to support our flagship Next Generation Broadband for Wales (Superfast Cymru) in 2015-16, which will boost commercial roll-out to deliver high speed fibre broadband.
- 11.5** Our investment in transport infrastructure and services are key factors in economic sustainability and growth and help people access vital services and employment. Long term strategic investment is also vital. We have provided financial transactions funding of £3m to support route development at Cardiff airport, which will enable Cardiff International Airport to increase its commercial potential, attracting new airlines and developing new routes to increase passenger numbers.
- 11.6** As part of the Budget Agreement with the Welsh Liberal Democrats we are also allocating £5m in 2015-16 to support a Youth Concessionary Fares scheme, which will provide discounted bus travel for 16 and 17 year olds. The scheme, which is due to start in September 2015 will help to ensure that affordability is not a barrier for young people.

### Budget Priorities

- *In 2015-16, the Economy, Science and Transport DEL is £1,088m. This represents an increase of £40.5m, compared to previously published plans for 2015-16.*

- 11.7** We are committed to supporting investment to create **Growth and Sustainable Jobs** across Wales. Our budget proposals will help continue the recent growth in the Welsh economy and labour market. We will use all of the levers at our disposal to secure the economic recovery and to deliver on our vision for a confident, outward looking and balanced economy.
- 11.8** We have increased funding for Sectors by £6.7m for 2015-16. This funding will provide significant support to our aim of tackling poverty by supporting **Growth and Sustainable Jobs**. The additional funding will support industry-led investment in our nine key sectors. This includes an increase in funding of over £3m for the Advanced Materials and Manufacturing Sector, to enable targeted investment in route development for Cardiff International Airport and capacity building initiatives that, together, will create a sustainable business environment.
- 11.9** We are also allocating additional funding of £2.5m for the ICT sector, supporting the Broadband Exploitation programme, the development of the digital innovation hub and the pilot Software University. This will also help increase the number of businesses making the most of the opportunities created by the expansion of superfast broadband throughout Wales.
- 11.10** We are allocating £8.2m for the Entrepreneurship and Business Information Action, ensuring the continuation of mentoring and financial support for both potential entrepreneurs and existing businesses. Within this funding, the Business Start Up service will continue to provide support for those wishing to enter self-employment and to start up enterprises, whilst financial bursaries for graduates and the Young Entrepreneurs bursary will assist young people to set up in business. In addition, we have maintained our commitment to the £3.4m High Potential Start project, which supports new high growth business ventures through bespoke services and a bursary fund.
- 11.11** In transport, we are providing an additional £25.3m to the Rail and Air Services programme, to meet our financial obligations for the operation of the Wales and Borders rail franchise, as well as providing support for the Intra-Wales air service and associated costs. This funding will safeguard current services and will ensure the continuation of access to services for some of the most **Children, Families and Deprived Communities** in Wales. Rail services provide important connectivity in rural areas and our decision to maintain and, in some cases, enhance services in rural areas recognises the social and economic community benefits supported by rail services, especially for community cohesion and tourism.
- 11.12** We are providing £40.9m funding to the Museums, Archives and Libraries sector. The Programme for Government sets out our commitment to continue free entry to the sites operated by Amgueddfa Cymru – National Museum Wales. The budget settlement for the Museums' revenue grant-in-aid budget, set at £21.9m for 2015-16, will ensure that this commitment is honoured. The Museum continues to enrich education for children living in poverty, in line with our Tackling Poverty Action Plan, by acting as the largest provider of out of

school education in Wales, providing access to over 200,000 children each year. We are also contributing a total of £7m capital funding over a number of years to support the strategically important St. Fagan's: National History Museum redevelopment project. This will lead to a projected increase of 30% in visitor numbers.

**11.13** We have allocated £9.7m to the National Library of Wales to contribute to a number of Welsh Government Programme for Government commitments, including providing free entry to the Library and developing the potential of digital media, in both the Welsh and English languages via projects such as People's Collection Wales. The National Library is also a key partner in the delivery of the Welsh Government's *Libraries Inspire: The strategic development framework for Welsh Libraries 2012-16*; *Libraries Inspire's* priorities include modernising public library buildings, developing a shared library management system for Wales and promoting reading and digital literacy.

**11.14** Through our Support and Sustain a Strong Arts Sector action we are providing £32m funding to the Arts Council for Wales (ACW). Whilst the ACW's budget is being reduced by £0.7m compared to previously published plans for 2015-16, we have provided additional funds, matched by the ACW, to enable Arts and Business Cymru to work on encouraging the business community to invest in the arts and to help the arts sector become more sustainable and more business focused.

### Preventative Spend

**11.15** We are committed to ensuring that our budget proposals not only provide benefits to the people of Wales through the delivery of efficient and effective public services but also make important contributions to ensuring future financial sustainability by reducing the pressures on other services. In terms of preventative spend, this has positive outcomes for health and social challenges and assists in establishing a fairer and more equal society.

**11.16** Employment offers a high level of protection against poverty for individuals and families. We are working to tackle worklessness and poverty by encouraging and supporting employment retention and creation across Wales. The science and innovation budget of £12.9m is important in supporting the improvement in education, training and research to assist in tackling unemployment.

**11.17** We are reallocating £29.6m from our revenue to capital budgets to support our Concessionary Fares programme, maintaining overall funding at £60.5m for 2015-16. Concessionary Fares work to tackle poverty by providing free bus travel for a range of groups who are more likely to experience poverty, including people over 60, pensioners, disabled people and their carers, and seriously injured war veterans and armed forces personnel living in Wales. We are also providing an additional £4.6m of funding for the Bus Support Grant, which provides funding to local authorities to support the running of bus services that would not be commercially viable. Both of these programmes make an

important contribution to preventative spend, enabling people to travel to access services, employment or to visit family and friends without the cost of, or ability to access, private transport acting as a barrier. Concessionary Fares and the Bus Support Grant support people in remaining more active and more connected in their communities, all of which has a positive impact on **Health and Well-being**. The additional funding for the Bus Support Grant will also support trials to develop more cost-effective and efficient methods of delivering bus services, exploring the potential for collaborative projects to co-ordinate bus, community and local authority transport to assist people in accessing health and social care.

**11.18** We are providing £28.5m funding for the delivery of sports and physical programmes and investment in facilities. We are committed to improving levels of participation in sport and increasing overall levels of physical activity across Wales' population, to deliver the **Health and Well-being** benefits this brings and to address the health inequalities between the most economically disadvantaged and better off sectors of society, as highlighted in the Tackling Poverty Action Plan. We have allocated funding of £23.5m to Sport Wales in 2015-16. This includes funding to support Free Swimming, one of the Government's Universal Benefits, which support greater **Health and Well-being** through its preventative approach to supporting an active lifestyle.

**11.19** In line with the priority to increase rates of physical activity to improve health, we are maintaining our additional investment of £5m for 2015-16, announced in the Draft Budget 2014-15, for a Capital Loan Scheme for Sport and Leisure Facilities. The new pilot scheme will facilitate a strategic and integrated invest-to-save approach to Capital investment. It is aimed at improving the management and efficiency of sport and leisure assets and facilities, increasing participation in sport and physical activity and contributing to health outcomes.

**11.20** Further information on the budget allocations in the Economy, Science and Transport MEG is provided at [Tables 11.1](#) and [11.2](#).

**Table 11.1 –Economy Science and Transport Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Resource DEL Budget</b>				
Sectors and Business	51,065	48,985	-1,452	47,533
Science and Innovation	13,202	12,882	-2,936	9,946
Major Events	4,456	4,354	-436	3,918
Infrastructure	19,446	20,397	-1,726	18,671
Strategy & Corporate Programmes	26,836	9,349	-1,850	7,499
Motorway & Trunk Road Network Operations	170,146	168,998	-2,518	166,480
Rail & Air Services	163,968	160,389	25,290	185,679
Sustainable Travel	77,304	75,502	-18,293	57,209
Improve Road Safety	4,243	4,243	521	4,764
Support and sustain a strong arts sector via the Arts Council and others	33,408	33,158	-615	32,543
Museums, Archives and Libraries	37,045	36,695	-525	36,170
Delivery of effective sports & physical activity programmes	23,739	23,474	-291	23,183
Media and Publishing	3,726	3,626	-100	3,526
Conserve, protect, sustain and promote access to the historic environment & natural environment	12,141	12,086	2,600	14,686
<b>Total Resource DEL</b>	<b>640,725</b>	<b>614,138</b>	<b>-2,331</b>	<b>611,807</b>
<b>Resource AME Budget</b>				
Infrastructure	20,000	20,000	0	20,000
Motorway & Trunk Road Network Operations	30,096	40,125	6,147	46,272
Museums, Archives and Libraries	2,740	3,013	0	3,013
<b>Total Resource AME</b>	<b>52,836</b>	<b>63,138</b>	<b>6,147</b>	<b>69,285</b>
<b>Total Managed Expenditure (TME)</b>	<b>693,561</b>	<b>677,276</b>	<b>-2,331</b>	<b>681,092</b>

**Table 11.2 – Economy Science and Transport Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Capital DEL Budget</b>				
Sectors and Business	83,144	88,633	3,000	91,633
Science and Innovation	11,979	2,979	0	2,979
Infrastructure	28,456	18,456	10,000	28,456
Strategy & Corporate Programmes	68	79	0	79
Motorway & Trunk Road Network Operations	71,450	92,550	-30,000	62,550
Road & Rail Investment	151,766	152,166	30,419	182,585
Sustainable Travel	52,566	42,866	29,581	72,447
Improve & Maintain Local Roads Infrastructure	13,667	13,667	0	13,667
Improve Road Safety	6,900	6,900	0	6,900
Support and sustain a strong arts sector via the Arts Council and others	355	355	0	355
Museums, Archives and Libraries	7,343	4,243	500	4,743
Delivery of effective sports & physical activity programmes	345	5,345	0	5,345
Media and Publishing	25	25	35	60
Conserve, protect, sustain and promote access to the historic environment & natural environment	5,126	5,126	-725	4,401
<b>Total Capital DEL</b>	433,190	433,390	42,810	476,200
<b>Total Managed Expenditure (TME)</b>	433,190	433,390	42,810	476,200

## 12. Education and Skills

### Overview of Portfolio

**12.1** Education changes lives, it provides opportunity, it enables individuals to shape their futures, it builds stronger, more tolerant and cohesive societies, it is the foundation of a strong economy. Achieving our vision for education and skills, as we set out in our Programme for Government, will make a major contribution to the Government's ambitions for Wales, including our priority areas of Health and Well-being, Growth and Sustainable Jobs, Educational Attainment and Supporting Children, Families and Deprived Communities. In this regard, the Education and Skills portfolio is fundamental in working to raise standards and performance in education and skills, and to secure the future of the Welsh Language.

### Approach to the Draft Budget 2015-16

**12.2** We remain committed to investing in raising the standards of education and training, not only to improve the educational outcomes by helping people achieve their potential, but also by supporting growth and sustainable jobs through the delivery of a skilled workforce.

**12.3** This is the context in which we are maintaining our commitment to protect schools budgets by 1% above changes to the Wales DEL over this Spending Review period. In doing this, our investments are helping to improve educational attainment and to ensure that children and young people are best equipped for the future. As a result of this commitment, we have provided an additional £105.9m for schools over this Spending Review period. We are also delivering on our commitment to ensure that no full time undergraduate student ordinarily resident in Wales will pay higher fees in real terms during the lifetime of this Administration than if they had been students in 2010/11. This means that our means tested grant support system is more generous than the system in place in any other UK Administration.

**12.4** Maintaining our protections in these vital areas has inevitably meant difficult decisions elsewhere, and in developing budget proposals within a reducing settlement we have sought to ensure that we remain on track to deliver the policies and programmes that support the Early Years and Childcare Plan and the Tackling Poverty Action Plan.

**12.5** As part of the Budget Agreement with the Welsh Liberal Democrats we have allocated additional funding of £44m in 2015-16 to increase the Pupil Deprivation Grant from £918 in 2014-15 to £1,050 in 2015-16. We have also allocated £3.8m to extend the PDG to under 5s. This investment is an important response to breaking the link between poverty and educational attainment. This funding is over and above the Welsh Government's commitment to increase school funding by 1% above changes to the Wales DEL over this Spending Review period.

## Budget Priorities

- *In 2015-16, the Education and Skills DEL is £1,754.4m. This represents an increase of £20.5m, compared to previously published plans for 2015-16.*
- 12.6** We are continuing to support students in Higher Education by maintaining levels of tuition fee grant funding in 2015-16, which also ensures that the Higher Education sector continues to benefit from increased income from student fees under the new tuition fee regime. In addition we have allocated £361.3m to HEFCW, maintaining their level of funding as they work through the requirements of the Higher Education policy statement, which builds on the strengths of the sector and establishes a clear set of priorities including interacting with businesses to stimulate innovation and economic growth and enhancing the employability of graduates.
- 12.7** We are committed to **Supporting Children, Families and Deprived Communities** through our continued investment in FE and HE. In line with this, the Welsh Government is continuing to provide statutory financial support packages for eligible Welsh full-time and part-time students as part of a new modernised service. Our means tested grant support system is more generous than the system in place in any other UK Administrations and we are allocating £313.1m in the Post-16 Learner Support Action in 2015-16 to provide Welsh Government Learning Grants for HE and FE, the Educational Maintenance Allowance, funding to support the Student Loans Company (SLC) Administration costs and the Financial Contingency Fund for FE.
- 12.8** In line with our commitment in the Tackling Poverty Action Plan, we are maintaining our weekly support for eligible students through the Education Maintenance Allowance (EMA) Wales Scheme. This funding helps to address the link between low income and low participation by providing a weekly financial incentive to encourage young people, aged 16-19, from low-income households to remain in full-time education beyond the compulsory school age. The Welsh Government has commissioned an independent evaluation to be carried out on EMA, which will look at how effective the Scheme has been and whether the funding can be better targeted. We expect to publish the report early in 2015 and will consider the implications for the delivery of the EMA in light of its findings and recommendations.
- 12.9** We are committed to raising **Educational Attainment** in post-16 education and in 2015-16, we are allocating £507.6m through the Post-16 Education Action, which includes funding for local authority sixth form provision, Adult Community Learning (ACL) provision, support for delivery in Further Education Institutions (FEI), support for projects and quality improvement activities and investment to deliver high quality work based learning opportunities.
- 12.10** We have allocated £400.2m for FE, ACL and School Sixth Forms, focusing on continuing to improve the efficiency of delivery in those sectors to minimise the impact on provision. We will look to utilise the new planning and funding methodology introduced for the 2014/15 academic year, to guide programme

delivery in these sectors and provide positive outcomes for learners. We have also continued to prioritise the provision for 16 to 18 year olds in the sector to support our policy drive to reduce the number of young people who are Not in Education Employment or Training (NEET). Nevertheless, we expect FE institutions to deliver, not only to the 16-18 cohort, but also to unemployed adults in most need of basic skills training.

**12.11** In terms of the funding for work based learning, we are allocating £101.3m in 2015-16. This funding makes an important contribution to support **Growth and Sustainable Jobs** through opportunities that increase the skill levels of the Welsh workforce and support an increase in Welsh GDP. In recognition of this, we have mitigated the scale of reductions by £5m, which will support around 2,500 new starts in 2015-16. We are also continuing to invest in the Young Recruits Programme by targeting places for those on shared apprenticeships and will also provide funding to support pilot projects aimed at supporting the promotion of apprenticeships; as well as the delivery of apprenticeship programmes and employability programmes for non-employed learners aged 16-18 (Traineeships) and non-employed adults aged 19+ (Work Ready). The budget will be prioritised to support those who are part way through their programmes at 1 April 2015 and to support as many new young apprentices as possible, as well as those wishing to start a Higher level Apprenticeship. In spite of reductions, we are maintaining funding for Traineeships and the Work Ready programme. We will also be looking to maximise our use of European funding to boost our impact in this area.

**12.12** In terms of Jobs Growth Wales, which is one of our *Five for a Fairer Future*, we have more than delivered on our Programme for Government commitment and are continuing to support the programme in 2015-16. Jobs Growth Wales commenced in 2012 and aims to create 16,000 job opportunities over four years across Wales for job ready unemployed 16-24 year olds, giving them paid work experience for a 6-month period. An evaluation of the programme was published earlier this month and recommendations will be fully considered in the future development and streamlining of the programme.

**12.13** The Education and Skills portfolio works to support **Growth and Sustainable Jobs** through its continued investment of £24.2m in the Employment and Skills Action. This supports company growth opportunities through the investment in skills development for the workforce, ensuring that the right training is available to deliver our priorities and individuals are equipped with the right skills to take up, remain in, and progress throughout employment. This will be achieved through the Skills Implementation Plan, published in July 2014, which aims to develop a skills system in Wales that supports our future competitiveness, by creating the right conditions for employers across Wales to thrive and prosper. Our primary focus will continue to be on raising productivity, reducing barriers into work and supporting people into sustainable employment.

**12.14** We have allocated £20m for Careers Wales for 2015-16 in the Educational and Careers Choices Action. To manage the reduction the careers services remit will be revised, with the focus still on a differentiated service to focus

support to those at greatest risk of disengagement. There will also be a greater use and reliance on web chat, phone and web based services.

### Preventative Spend

- 12.15** The Early Years and Childcare Plan launched in July 2013, recognises that investing in the early years through education has a significant influence on a child's development. That is why we are continuing to protect our investment in programmes and policies that support the early years and school age children.
- 12.16** This preventative approach is reflected in our decision to continue to prioritise investment in raising **Educational Attainment** by protecting funding for schools budget at 1% above changes to the Wales DEL. This investment in schools includes the additional allocation of £12.1m from Reserves that we are making in support of the Schools Challenge Programme, in 2015-16. This programme will inject support to boost the performance of 40 secondary schools in Wales that are facing the most challenging circumstances, supporting schools to take control of their own improvement journey by focusing on the four themes of leadership, learning and teaching, the pupil, and the school and the community. Further information on the 1% schools protection is provided at Annex E.
- 12.17** We are also continuing to provide support to schools to improve standards of **Educational Attainment** by investing to improve literacy and numeracy and to reduce the impact of poverty. In doing this, we have rationalised a number of grants to create the new Education/School Improvement Grant within the Education Standards Action. This grant brings together the 14-19 Learning Pathways Grants, Foundation Phase Grant, Minority Ethnic Achievement Grant, Welsh in Education Grant and funding from the Teaching and Leadership Action, which supports Inductions and Higher Level Teaching assistants. Taken together with the School Effectiveness Grant, Lead and Emerging Practitioner Schools Grant and Band 4 and 5 funding, we are allocating £141m in 2015-16.
- 12.18** We are also allocating £4.5m within the Literacy and Numeracy Action to support children to develop excellent literacy and numeracy skills, which are needed in education and the world of work. This is underpinned by the National Literacy and Numeracy Framework. Additional funding of £2.8m within the Curriculum Action has been provided to support the introduction of new, Wales-only, GCSEs in English and Welsh Language, Mathematics and Mathematics-Numeracy, for first teaching from September 2015. This funding will also support the development of a package of Science Literacy resources for the introduction of new Science GCSEs for first teaching in September 2016. This will contribute towards our target to raise attainment levels and our commitment to improve Wales' performance in PISA.
- 12.19** Further information on the budget allocations to the Education and Skills MEG is provided at [Tables 12.1](#) and [12.2](#).

**Table 12.1 – Education and Skills Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Resource DEL Budget</b>				
Education and Training Standards	1,178,038	1,118,579	39,616	1,158,195
Skilled Workforce	69,043	70,903	-11,200	59,703
Improving Wellbeing, Reducing Inequality & Increasing Participation	354,837	344,052	-13,291	330,761
Welsh Language	24,376	23,511	3,737	27,248
Delivery Support	3,149	3,049	1,653	4,702
<b>Total Resource DEL</b>	<b>1,629,443</b>	<b>1,560,094</b>	<b>20,515</b>	<b>1,580,609</b>
<b>Resource AME Budget</b>				
Improving Wellbeing, Reducing Inequality & Increasing Participation	-92,240	-129,627	18,049	-111,578
Skilled Workforce	6,000	6,000	0	6,000
<b>Total Resource AME</b>	<b>-86,240</b>	<b>-123,627</b>	<b>18,049</b>	<b>-105,578</b>
<b>Total Managed Expenditure (TME)</b>	<b>1,543,203</b>	<b>1,436,467</b>	<b>38,564</b>	<b>1,475,031</b>

**Table 12.2 – Education and Skills Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Capital DEL Budget</b>				
Education and Training Standards	153,834	173,834	0	173,834
<b>Total Capital DEL</b>	153,834	173,834	0	173,834
<b>Capital AME Budget</b>				
Improving Wellbeing, Reducing Inequality & Increasing Participation	338,322	361,489	43,960	405,449
<b>Total Capital AME</b>	338,322	361,489	43,960	405,449
<b>Total Managed Expenditure (TME)</b>	492,156	535,323	43,960	579,283

## 13. Natural Resources

### Overview of Portfolio

- 13.1** The Natural Resources portfolio is integral to creating sustainable places by delivering 21<sup>st</sup> Century infrastructure (in waste, water, flood risk management, energy efficiency and energy supply) that move us towards a low carbon economy and make us resilient to future environmental pressures. The portfolio invests to meet its commitments and regulatory obligations to tackle the causes and consequences of climate change and to manage our eco-systems (“green infrastructure”) to deliver a positive, long-term outcome for water, air, soil, landscape and biodiversity.
- 13.2** The portfolio also has cross-cutting responsibility for sustainable development and invests to support the provision of a high quality of life for people who live and work in Wales, particularly in our rural and coastal communities by supporting the delivery of sustainable farming, food and fisheries industries. In addition, work is continuing to secure lasting improvements in standards of animal health and welfare, and to protect against the incursion and spread of animal infectious diseases and maintain a state of preparedness to deal with any outbreak that may occur in Wales, in particular, to pursue vigorously a programme of bovine TB eradication in Wales.

### Approach to Draft Budget 2015-16

- 13.3** In developing our budget proposals, we have prioritised investment which helps to tackle poverty and which supports our ambitions to drive a shift towards preventative spend. In line with this, we have prioritised the funding we provide for Arbed 2 and Nest, which provide improvements to households in some of the poorest communities across Wales.
- 13.4** We are also allocating £5m of financial transactions funding in 2015-16 to deliver the first stage of the *Green Growth Wales* investment programme, which will increase and accelerate green investment infrastructure projects in Wales. This investment is part of our new approach to the sustainable use of our natural resources.

### Budget Priorities

- *In 2015-16, the Natural Resources DEL is £404.4m. This represents a decrease of £16.4m, compared to previously published plans for 2015-16.*
- 13.5** We have allocated £63.8m within the *Sponsor and Manage Delivery Bodies* Action to support Natural Resources Wales (NRW). NRW aims to develop an integrated approach to managing the environment and natural resources of Wales, ensuring that they are sustainably managed, sustainably enhanced and sustainably used. In order to achieve this, NRW focuses on driving green growth by managing natural resources more efficiently and effectively, enhancing the resilience and diversity of both our natural resources and the key sectors that depend upon them, as well as building the resilience of both the

climate and of vulnerable groups. The budget in 2015-16 reflects the realisation of £6.4m net cash savings that will be made as a result of establishing NRW. In total, the establishment of NRW is forecast to deliver £61m net cash realisable savings over the next 10 years, as set out in the original business case.

- 13.6** We are providing £79.5m to the *Manage and Implement Waste Strategy and Waste Procurement Action*. Whilst this represents a reduction in work to improve the environment for waste management and prevention and on eco-innovation, we will explore the feasibility of using other innovative ways, including EU funding, to meet the goals set in *Towards Zero Waste*, to reduce the amount of waste by 1.5% each year until 2050. Welsh households are recycling more than ever and we are seeing a marked decrease in the amount of food waste produced. Significant waste infrastructure projects are also coming on stream and we also have a waste prevention plan. As a result of the steps we have already taken, Wales achieved a combined reuse/recycling/composting rate of 52% in 2012-13 and the funding allocated in this Draft Budget will support us as we work to meet our ambitious targets to divert waste from landfill and to continue to increase recycling in Wales to 58% in 2015-16, in conjunction with Local Authorities.
- 13.7** We are developing a new approach to the sustainable use of our natural resources in recognition of the £8bn contribution that Wales' environment makes to the domestic economy. In line with this, we are allocating £5m financial transactions funding within the *Develop and implement climate change, emission prevention, and fuel poverty policy, communications, legislation and regulation Action* to support our green growth programme, which will support the first stage of the £500m 'Green Growth Wales' investment programme, to increase and accelerate green investment infrastructure projects in Wales.
- 13.8** In total, we are allocating £44.5m to deliver the Rural Development Plan in 2015-16, which is the final year of the 2007-13 programme period and the first year of the 2014-20 programme period. In line with the aims of the RDP, this funding will be utilised to increase the productivity, diversity and efficiency of Welsh farming and forestry businesses, improve the Welsh environment and encourage sustainable land management practices. Funding also supports the sustainable management of our natural resources and climate action in Wales, promotes strong, sustainable rural economic growth in Wales and encourages greater community-led local development.
- 13.9** We will continue to invest over £30m towards the *Management and Delivery of TB Eradication and other Endemic Diseases Programme* works to protect against the incursion and spread of animal infectious diseases. Whilst the level of funding set for 2015-16 takes into account historic spending levels, we recognise the demand led nature of this budget and will keep the budget under review.
- 13.10** We are continuing to invest over £6m in 2015-16 to support a robust and efficient planning system in Wales. The *Planning programme* budget funds key

elements of the planning and building control systems, ranging from evaluation and development of policies and procedures to inform a primary and secondary legislation, Planning Policy Wales, technical advice notes and transposing European legislation, through to funding delivery by the Planning Inspectorate Wales. These policies underpin our priority of **Growth and Sustainable Jobs**.

### Preventative Spend

- 13.11** By investing in preventative measures to mitigate against future pressures we are supporting the people of Wales to ensure that future generations will be able to enjoy the benefits of our natural resources. The importance of prevention and early intervention is a vital component of sustainable development and we will look to build on the approach we take to this important agenda in the context of the Well-being of Future Generations Bill. In line with this, we are continuing to protect funding to support sustainable development, including supporting the establishment of an Office of the Future Generations Commissioner for Wales.
- 13.12** We are continuing to provide £62.1m funding through the Fuel Poverty and Energy Efficiency Programmes in order to address fuel poverty by implementing energy efficiency improvements and by providing advice for low income households on how to reduce their fuel bills. This includes £24m for Arbed 2 and Nest, which are continuing to **Support Children, Families and Deprived Communities** by improving the energy efficiency of households in some of the poorest communities across Wales. Since 2011 NEST has improved over 13,400 low income homes, whilst Arbed 2 is projected to help over 4,800 homes across Wales in the three years of its operation. NEST also contributes greatly to our key budget theme of **Health and Well-being**. Studies show that long-term exposure to a cold home can affect weight gain in babies and young children, increase hospital admission rates for children and increase the severity and frequency of asthmatic symptoms. By funding home energy improvements and tackling fuel poverty, Nest is taking preventative measures to improve the health of children across Wales.
- 13.13** In 2015-16 we are providing £50.7m for the Flood Risk Management and Water Programme, which aims to develop policy and provide advice on specific aspects of energy policy, water and sewage policy and flood and coastal erosion risk management. Through the Flood Risk Management and Water Programme we are taking a highly preventative approach to reducing the impact of flooding, as was made evident during the 2013-14 coastal storms. The 2013 Natural Resource Wales coastal review stressed that Welsh Government's continued investment prevented over £3bn in damages and loss from the winter storms, with over 74,000 properties around Wales being protected by defences. The programme reduces risk for essential services, transport links, communication and energy infrastructure, and also generates public service savings through reduced maintenance and clean up costs.
- 13.14** Further details on the budget allocations in the Natural Resources MEG can be found in **Tables 13.1** and **13.2**.

**Table 13.1 – Natural Resources Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Resource DEL Budget</b>				
Agriculture & Food	62,373	55,915	-3,838	52,077
Protecting and Improving Animal Health and Welfare	38,041	38,041	-7,385	30,656
Climate Change and Sustainability	118,795	117,795	-4,628	113,167
Environment	82,501	80,000	-4,519	75,481
Evidence Base	1,136	1,136	-200	936
Planning	6,806	6,806	-385	6,421
Landscape and Outdoor Recreation	11,057	10,607	-620	9,987
<b>Total Resource DEL</b>	<b>320,709</b>	<b>310,300</b>	<b>-21,575</b>	<b>288,725</b>
<b>Resource AME Budget</b>				
Environment	2,900	2,900	0	2,900
<b>Total Resource AME</b>	<b>2,900</b>	<b>2,900</b>	<b>0</b>	<b>2,900</b>
<b>Total Managed Expenditure (TME)</b>	<b>323,609</b>	<b>313,200</b>	<b>-21,575</b>	<b>291,625</b>

**Table 13.2 – Natural Resources Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Resource DEL Budget</b>				
Agriculture & Food	11,723	11,723	0	11,723
Climate Change and Sustainability	101,084	95,084	5,000	100,084
Environment	795	795	0	795
Evidence Base	38	38	0	38
Landscape and Outdoor Recreation	2,850	2,850	190	3,040
<b>Total Capital DEL</b>	116,490	110,490	5,190	115,680
<b>Total Managed Expenditure (TME)</b>	116,490	110,490	5,190	115,680

## 14. Central Services and Administration MEG

### Overview of Portfolio

- 14.1** The Central Services and Administration MEG supports a broad range of functions, including the running costs for the Welsh Government, central service costs and pan-Government information services and programmes.
- 14.2** The portfolio also supports the delivery of outcomes relating to International Relations, International Development, Invest-to-Save and the distribution and allocation of European funds, all of which support the Programme for Government.

### Approach to the Draft Budget 2015-16

- 14.3** In managing reductions, the focus has remained on protecting the delivery of the Government's priorities, particularly in terms of maintaining staffing levels to ensure the delivery of the Government's legislative programme. We have also prioritised investment in areas that make a contribution to our budget themes, including preventative spend, such as through the Invest-to-Save fund, which supports public sector organisations to deliver efficiency savings.

### Budget Priorities

- 14.4** *In 2015-16, the Central Services and Administration DEL is £322.9m. This represents a reduction of £3.2m, compared to previously published plans for 2015-16.*
- 14.5** We are allocating £202.9m to the Staff Costs Action, to enable the Welsh Government to continue to deliver its key priorities around Health and Well-being, Growth and Sustainable Jobs, Educational Attainment and Supporting Children, Families and Deprived Communities.
- 14.6** In 2015-16, we are allocating £29.8m to the General Administration Action to support the delivery of internal services such as accommodation, HR functions, training, health and safety, occupational health, translation services, records management and information security. Whilst this represents a reduction compared to previously published plans, this will be managed by scaling back existing corporate services such as office services and HR.
- 14.7** The accommodation budget has already achieved annual efficiency savings of £5m (against the 2010 baseline) through the rationalisation of the Welsh Government's estate, which has seen the number of administrative buildings, reduce from 80 to less than 40. We will continue to drive office accommodation savings from further rationalisation of the estate and by implementing energy efficiency schemes which will not only reduce cost but improve our carbon footprint.
- 14.8** We have allocated £3.2m for International Relations and £0.8m for International Development which are used to promote and protect the interests of Wales

within the UK, Europe and internationally. These budgets contribute to growth and sustainable jobs and tackling poverty. They are utilised to raise the profile and influence of Wales as a great place to live, visit, study and do business.

**14.9** We are allocating £2.1m to the Match Funding Action in 2015-16 to provide match funding for worthy European projects that have not been able to secure match funding from other sources. This funding level is based on the historic spending pattern but we will continue to review the budget level as part of our commitment to ensure high quality projects do not fail for lack of match funding.

**14.10** We have allocated £1m to Academi Wales in 2015-16, which provides a strategic Centre for Leadership Excellence across the Welsh Public Service. This represents a reduction, however, the level of funding provided is sufficient for Academi Wales to deliver its core services whilst we consider the recommendations regarding Academi Wales set out in the report of the Commission on Public Service Delivery and Governance.

#### Preventative Spend

**14.11** We are protecting funding through the Invest-to-Save Fund and have allocated £21.3m to support investments in 2015-16. The Invest-to-Save Fund has proved highly successful in providing organisations with repayable grants to enable them to invest to make efficiency savings in the future. An independent evaluation, published in May 2014, estimated that this preventative approach had delivered £104m savings by the time of the study.

**14.12** Further information on the allocations in the Central Services and Administration MEG is provided at [Tables 14.1](#) and [14.2](#).

**Table 14.1 – Central Services and Administration Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Resource DEL Budget</b>				
Delegated Running Costs	201,358	201,318	1,573	202,891
Central Running Costs	74,930	72,815	-2,040	70,775
Information & Support Services	12,765	12,529	-947	11,582
Central Programmes	28,095	26,507	-1,785	24,722
WEFO	1,522	1,522	-15	1,507
<b>Total Resource DEL</b>	<b>318,670</b>	<b>314,691</b>	<b>-3,214</b>	<b>311,477</b>
<b>Resource AME Budget</b>				
Central Running Costs	2,070	2,487	9	2,496
WEFO	0	0	3,000	3,000
<b>Total Resource AME</b>	<b>2,070</b>	<b>2,487</b>	<b>3,009</b>	<b>5,496</b>
<b>Total Managed Expenditure (TME)</b>	<b>320,740</b>	<b>317,178</b>	<b>-205</b>	<b>316,973</b>

**Table 14.2 – Central Services and Administration Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	Indicative Plans Final Budget 2014-15	Changes	New Plans Draft Budget
<b>Capital DEL Budget</b>				
Central Running Costs	13,435	11,435	0	11,435
Central Programmes	13,878	0	0	0
<b>Total Capital DEL</b>	27,313	11,435	0	11,435
<b>Total Managed Expenditure (TME)</b>	27,313	11,435	0	11,435

## Annex A – Reconciliation of Administrative Budget and Resource Allocations in the Draft Budget Proposals

**Table 15.1 - Health and Social Services**

	<b>£000s</b>
<b>DEL</b>	<b>2015-16</b>
Resource	6,387,784
Capital	234,550
<b>AME</b>	
Resource	195,400
Capital	0
<b>Total Managed Expenditure</b>	<b>6,817,734</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs and NHS bodies	-265,400
Supported Borrowing	-3,602
National Insurance Fund Receipts (and collection costs)	-942,891
<b>Resources requested</b>	<b>5,605,841</b>

**Table 15.2 - Local Government**

	<b>£000s</b>
<b>DEL</b>	<b>2015-16</b>
Resource	4,381,452
Capital	22,920
<b>AME</b>	
Resource	23,501
Capital	0
<b>Total Managed Expenditure</b>	<b>4,427,873</b>
<b>Reconciliation to Resources</b>	
National Non Domestic Rates payable (and collection costs)	-967,172
Resource Consumption of WGSBs	-407
<b>Resources requested</b>	<b>3,460,294</b>

**Table 15.3 - Communities and Tackling Poverty**

	<b>£000s</b>
<b>DEL</b>	<b>2015-16</b>
Resource	342,074
Capital	395,420
<b>AME</b>	
Resource	0
Capital	0
<b>Total Managed Expenditure</b>	<b>737,494</b>
<b>Reconciliation to Resources</b>	
Supported Borrowing	-31,340
<b>Resources requested</b>	<b>706,154</b>

**Table 15.4 - Economy, Science and Transport**

	<b>£000s</b>
<b>DEL</b>	<b>2015-16</b>
Resource	611,807
Capital	476,200
<b>AME</b>	
Resource	69,285
Capital	0
<b>Total Managed Expenditure</b>	<b>1,157,292</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-6,281
Supported Borrowing	-10,336
Direct Charges on the Welsh Consolidated Fund	-1,666
PFI	-8,012
<b>Resources requested</b>	<b>1,130,997</b>

**Table 15.5 - Education and Skills**

	<b>£000s</b>
<b>DEL</b>	<b>2015-16</b>
Resource	1,580,609
Capital	173,834
<b>AME</b>	
Resource	-105,578
Capital	405,449
<b>Total Managed Expenditure</b>	<b>2,054,314</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-6,082
Supported Borrowing	-33,781
<b>Resources requested</b>	<b>2,014,451</b>

**Table 15.6 - Natural Resources**

	<b>£000s</b>
<b>DEL</b>	<b>2015-16</b>
Resource	288,725
Capital	115,680
<b>AME</b>	
Resource	2,900
Capital	0
<b>Total Managed Expenditure</b>	<b>407,305</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-5,990
Supported Borrowing	-9,741
<b>Resources requested</b>	<b>391,574</b>

**Table 15.7 - Central Services and Administration**

	<b>£000s</b>
<b>DEL</b>	<b>2015-16</b>
Resource	311,477
Capital	11,435
<b>AME</b>	
Resource	5,496
Capital	0
<b>Total Managed Expenditure</b>	<b>328,408</b>
<b>Reconciliation to Resources</b>	
<b>Resources requested</b>	<b>328,408</b>

## Annex B – Year-on-Year Changes

Table 16.1 – Health and Social Services MEG Resource Allocations<sup>18</sup>

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Resource DEL Budget</b>				
NHS Delivery	5,859,766	5,933,098	4.8%	3.2%
Health Central Budgets	222,030	216,511	-2.5%	-4.0%
Public Health & Prevention	158,643	160,628	1.3%	-0.3%
Social Services	45,979	67,385	46.6%	44.2%
CAFCASS Cymru	10,162	10,162	0.0%	-1.6%
<b>Total Resource DEL</b>	<b>6,296,580</b>	<b>6,387,784</b>	<b>4.8%</b>	<b>3.1%</b>
<b>Resource AME Budget</b>				
NHS Impairments	180,700	195,400	8.1%	6.4%
<b>Total Resource AME</b>	<b>180,700</b>	<b>195,400</b>	<b>8.1%</b>	<b>6.4%</b>
<b>Total Managed Expenditure (TME)</b>	<b>6,477,280</b>	<b>6,583,184</b>	<b>4.9%</b>	<b>3.2%</b>

<sup>18</sup> For the purposes of showing an accurate year on year comparison, the Health and Social Services MEG Resource Allocations figures include the additional £200m allocated to the NHS in 2014-15, which will be reflected in the Second Supplementary Budget 2014-15.

**Table 16.2 – Health and Social Services MEG Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Capital DEL Budget</b>				
NHS Delivery	285,775	220,275	-22.9%	-24.1%
Health Central Budgets	5,072	5,072	0.0%	-1.6%
Public Health & Prevention	4,492	4,492	0.0%	-1.6%
Social Services	4,711	4,711	0.0%	-1.6%
<b>Total Capital DEL</b>	<b>300,050</b>	<b>234,550</b>	<b>-21.8%</b>	<b>-23.1%</b>
<b>Total Managed Expenditure (TME)</b>	<b>300,050</b>	<b>234,550</b>	<b>-21.8%</b>	<b>-23.1%</b>

**Table 16.3 – Local Government MEG Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Resource DEL Budget</b>				
Local Government Funding	4,454,935	4,301,348	-3.4%	-5.0%
Safer Communities	16,365	15,107	-7.7%	-9.1%
Improving Services, Collaboration and Democracy	74,077	36,281	-51.0%	-51.8%
Care and Social Services Inspectorate	14,461	14,461	0.0%	-1.6%
Healthcare Inspectorate Wales	2,591	2,591	0.0%	-1.6%
Estyn	11,664	11,664	0.0%	-1.6%
<b>Total Resource DEL</b>	<b>4,574,093</b>	<b>4,381,452</b>	<b>-4.2%</b>	<b>-5.7%</b>
<b>Resource AME Budget</b>				
Local Government Funding	24,488	23,501	-4.0%	-5.5%
<b>Total Resource AME</b>	<b>24,488</b>	<b>23,501</b>	<b>-4.0%</b>	<b>-5.5%</b>
<b>Total Managed Expenditure (TME)</b>	<b>4,598,581</b>	<b>4,404,953</b>	<b>-4.2%</b>	<b>-5.7%</b>

**Table 16.4 – Local Government MEG Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Capital DEL Budget</b>				
Local Government Funding	20,000	20,000	0.0%	-1.6%
Safer Communities	2,639	2,639	0.0%	-1.6%
Estyn	281	281	0.0%	-1.6%
<b>Total Capital DEL</b>	<b>22,920</b>	<b>22,920</b>	<b>0.0%</b>	<b>-1.6%</b>
<b>Total Managed Expenditure (TME)</b>	<b>22,920</b>	<b>22,920</b>	<b>0.0%</b>	<b>-1.6%</b>

**Table 16.5 – Communities and Tackling Poverty MEG Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Resource DEL Budget</b>				
Children, Young People and Families	125,613	126,444	0.7%	-0.9%
Supporting Communities and People	64,012	58,183	-9.1%	-10.5%
Sustainable Development and Equality	1,845	1,845	0.0%	-1.6%
Housing Policy	147,115	141,480	-3.8%	-5.3%
Homes and Places	15,348	14,122	-8.0%	-9.4%
<b>Total Resource DEL</b>	<b>353,933</b>	<b>342,074</b>	<b>-3.4%</b>	<b>-4.9%</b>
<b>Resource AME Budget</b>				
Housing	-73,000	0	-100.0%	-100.0%
<b>Total Resource AME</b>	<b>-73,000</b>	<b>0</b>	<b>-100.0%</b>	<b>-100.0%</b>
<b>Total Managed Expenditure (TME)</b>	<b>280,933</b>	<b>342,074</b>	<b>21.8%</b>	<b>19.8%</b>

**Table 16.6 – Communities and Tackling Poverty MEG Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Capital DEL Budget</b>				
Communities and Tackling Poverty	20,450	16,450	-19.6%	-20.8%
Housing Policy	16,641	1,641	-90.1%	-90.3%
Homes and Places	349,729	377,329	7.9%	6.2%
<b>Total Capital DEL</b>	<b>386,820</b>	<b>395,420</b>	<b>2.2%</b>	<b>0.6%</b>
<b>Total Managed Expenditure (TME)</b>	<b>386,820</b>	<b>395,420</b>	<b>2.2%</b>	<b>0.6%</b>

**Table 16.7 – Economy Science and Transport MEG Resource Allocations**

Resource DEL Budget	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
Sectors and Business	51,065	47,533	-6.9%	-8.4%
Science and Innovation	13,202	9,946	-24.7%	-25.8%
Major Events	4,456	3,918	-12.1%	-13.5%
Infrastructure	19,446	18,671	-4.0%	-5.5%
Strategy & Corporate Programmes	26,836	7,499	-72.1%	-72.5%
Motorway & Trunk Road Network Operations	170,146	166,480	-2.2%	-3.7%
Rail & Air Services	163,968	185,679	13.2%	11.5%
Sustainable Travel	77,304	57,209	-26.0%	-27.2%
Improve Road Safety	4,243	4,764	12.3%	10.5%
Support and sustain a strong arts sector via the Arts Council and others	33,408	32,543	-2.6%	-4.1%
Museums, Archives and Libraries	37,045	36,170	-2.4%	-3.9%
Delivery of effective sports & physical activity programmes	23,739	23,183	-2.3%	-3.9%
Media and Publishing	3,726	3,526	-5.4%	-6.9%
Conserve, protect, sustain and promote access to the historic environment & natural environment	12,141	14,686	21.0%	19.1%
<b>Total Resource DEL</b>	<b>640,725</b>	<b>611,807</b>	<b>-4.5%</b>	<b>-6.0%</b>
<b>Resource AME Budget</b>				
Infrastructure	20,000	20,000	0.0%	-1.6%
Motorway & Trunk Road Network Operations	30,096	46,272	53.7%	51.3%
Museums, Archives and Libraries	2,740	3,013	10.0%	8.2%
<b>Total Resource AME</b>	<b>52,836</b>	<b>69,285</b>	<b>31.1%</b>	<b>29.1%</b>
<b>Total Managed Expenditure (TME)</b>	<b>693,561</b>	<b>681,092</b>	<b>-1.8%</b>	<b>-3.3%</b>

**Table 16.8 – Economy Science and Transport MEG Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Capital DEL Budget</b>				
Sectors and Business	83,144	91,633	10.2%	8.5%
Science and Innovation	11,979	2,979	-75.1%	-75.5%
Infrastructure	28,456	28,456	0.0%	-1.6%
Strategy & Corporate Programmes	68	79	16.2%	14.3%
Motorway & Trunk Road Network Operations	71,450	62,550	-12.5%	-13.8%
Road & Rail Investment	151,766	182,585	20.3%	18.4%
Sustainable Travel	52,566	72,447	37.8%	35.7%
Improve & Maintain Local Roads Infrastructure	13,667	13,667	0.0%	-1.6%
Improve Road Safety	6,900	6,900	0.0%	-1.6%
Support and sustain a strong arts sector via the Arts Council and others	355	355	0.0%	-1.6%
Museums, Archives and Libraries	7,343	4,743	-35.4%	-36.4%
Delivery of effective sports & physical activity programmes	345	5,345	1449.3%	1424.9%
Media and Publishing	25	60	140.0%	136.2%
Conserve, protect, sustain and promote access to the historic environment & natural environment	5,126	4,401	-14.1%	-15.5%
<b>Total Capital DEL</b>	<b>433,190</b>	<b>476,200</b>	<b>9.9%</b>	<b>8.2%</b>
<b>Total Managed Expenditure (TME)</b>	<b>433,190</b>	<b>476,200</b>	<b>9.9%</b>	<b>8.2%</b>

**Table 16.9 – Education and Skills MEG Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Resource DEL Budget</b>				
Education and Training Standards	1,178,038	1,158,195	-1.7%	-3.2%
Skilled Workforce	69,043	59,703	-13.5%	-14.9%
Improving Wellbeing, Reducing Inequality & Increasing Participation	354,837	330,761	-6.8%	-8.3%
Welsh Language	24,376	27,248	11.8%	10.0%
Delivery Support	3,149	4,702	49.3%	47.0%
<b>Total Resource DEL</b>	<b>1,629,443</b>	<b>1,580,609</b>	<b>-3.0%</b>	<b>-4.5%</b>
<b>Resource AME Budget</b>				
Improving Wellbeing, Reducing Inequality & Increasing Participation	-92,240	-111,578	21.0%	19.1%
Skilled Workforce	6,000	6,000	0.0%	-1.6%
<b>Total Resource AME</b>	<b>-86,240</b>	<b>-105,578</b>	<b>22.4%</b>	<b>20.5%</b>
<b>Total Managed Expenditure (TME)</b>	<b>1,543,203</b>	<b>1,475,031</b>	<b>-4.4%</b>	<b>-5.9%</b>

**Table 16.10 – Education and Skills MEG Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Capital DEL Budget</b>				
Education and Training Standards	153,834	173,834	13.0%	11.2%
<b>Total Capital DEL</b>	<b>153,834</b>	<b>173,834</b>	<b>13.0%</b>	<b>11.2%</b>
<b>Capital AME Budget</b>				
Improving Wellbeing, Reducing Inequality & Increasing Participation	338,322	405,449	19.8%	18.0%
<b>Total Capital AME</b>	<b>338,322</b>	<b>405,449</b>	<b>19.8%</b>	<b>18.0%</b>
<b>Total Managed Expenditure (TME)</b>	<b>492,156</b>	<b>579,283</b>	<b>17.7%</b>	<b>15.8%</b>

**Table 16.11 – Natural Resources Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Resource DEL Budget</b>				
Agriculture & Food	62,373	52,077	-16.5%	-17.8%
Protecting and Improving Animal Health and Welfare	38,041	30,656	-19.4%	-20.7%
Climate Change and Sustainability	118,795	113,167	-4.7%	-6.2%
Environment	82,501	75,481	-8.5%	-9.9%
Evidence Base	1,136	936	-17.6%	-18.9%
Planning	6,806	6,421	-5.7%	-7.1%
Landscape and Outdoor Recreation	11,057	9,987	-9.7%	-11.1%
<b>Total Resource DEL</b>	<b>320,709</b>	<b>288,725</b>	<b>-10.0%</b>	<b>-11.4%</b>
<b>Resource AME Budget</b>				
Environment	2,900	2,900	0.0%	-1.6%
<b>Total Resource AME</b>	<b>2,900</b>	<b>2,900</b>	<b>0.0%</b>	<b>-1.6%</b>
<b>Total Managed Expenditure (TME)</b>	<b>323,609</b>	<b>291,625</b>	<b>-9.9%</b>	<b>-11.3%</b>

**Table 16.12 – Natural Resources Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Capital DEL Budget</b>				
Agriculture & Food	11,723	11,723	0.0%	-1.6%
Climate Change and Sustainability	101,084	100,084	-1.0%	-2.5%
Environment	795	795	0.0%	-1.6%
Evidence Base	38	38	0.0%	-1.6%
Landscape and Outdoor Recreation	2,850	3,040	6.7%	5.0%
<b>Total Capital DEL</b>	<b>116,490</b>	<b>115,680</b>	<b>-0.7%</b>	<b>-2.3%</b>
<b>Total Managed Expenditure (TME)</b>	<b>116,490</b>	<b>115,680</b>	<b>-0.7%</b>	<b>-2.3%</b>

**Table 16.13 – Central Services and Administration MEG Resource Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Resource DEL Budget</b>				
Delegated Running Costs	201,358	202,891	0.8%	-0.8%
Central Running Costs	74,930	70,775	-5.5%	-7.0%
Information & Support Services	12,765	11,582	-9.3%	-10.7%
Central Programmes	28,095	24,722	-12.0%	-13.4%
WEFO	1,522	1,507	-1.0%	-2.5%
<b>Total Resource DEL</b>	<b>318,670</b>	<b>311,477</b>	<b>-2.3%</b>	<b>-3.8%</b>
<b>Resource AME Budget</b>				
Central Running costs	2,070	2,496	20.6%	18.7%
WEFO	0	3,000		
<b>Total Resource AME</b>	<b>2,070</b>	<b>5,496</b>	<b>165.5%</b>	<b>161.3%</b>
<b>Total Managed Expenditure (TME)</b>	<b>2,070</b>	<b>2,496</b>	<b>20.6%</b>	<b>18.7%</b>

**Table 16.14 – Central Services and Administration MEG Capital Allocations**

	£000s			
	2014-15	2015-16		
	Supplementary Budget June 2014	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
<b>Capital DEL Budget</b>				
Central Running Costs	13,435	11,435	-14.9%	-16.2%
Central Programmes	13,878	0	-100.0%	-100.0%
<b>Total Capital DEL</b>	27,313	11,435	-58.1%	-58.8%
<b>Total Managed Expenditure (TME)</b>	27,313	11,435	-58.1%	-58.8%

## Annex C – Impact of the Autumn Statement 2013 and March Budget 2014 on the Welsh Budget

**Table 17.1 - Autumn Statement 2013 and March Budget 2014 Consequentials**

	<b>Expenditure Classification<sup>19</sup></b>	<b>2015-16</b>
		<b>£m<sup>20</sup></b>
<b>Autumn Statement 2013<sup>21</sup></b>		
RDEL Top slice	RDEL	-19.7
Free School Meals	RDEL	36.5
Increasing HE student numbers by 30k in 2014/15 (lifting the cap on student numbers)	RDEL	14.1
FE apprenticeships	RDEL	1.7
FE apprenticeships (STEM)	RDEL	2
Rail fares RPI + 0	RDEL	1.7
Right to Buy	CDEL	2.4
Affordable Rent to Buy	CDEL (FTs)	14.5
Builders Finance Fund	CDEL (FTs)	11.8
Housing: Infrastructure to unlock housing on large sites	CDEL (FTs)	12.3
<b>Total Autumn Statement 2013</b>		<b>77.4</b>
<b>March Budget 2014</b>		
Cambridge City Deal	RDEL	1.2
Apprenticeship Grants for Employers	RDEL	4.9
Degree Level and Postgraduate Apprenticeships	RDEL	0.6
Early Years Pupil Premium	RDEL	2.9
Enterprise Zone Business Rates Discount	RDEL	0.1
Development Benefits	RDEL	0.1
Flooding & Potholes	RDEL	2
Flooding & Potholes	CDEL	1.4
Cathedral Repairs	CDEL	0.6
Estate Regeneration	CDEL (FTs)	1.2
Custom Build	CDEL (FTs)	0.6
<b>Total March Budget 2014</b>		<b>15.4</b>
<b>Total</b>		<b>92.8</b>

<sup>19</sup> Resource DEL (RDEL), Capital DEL (CDEL) (traditional) and Capital DEL Financial Transactions (CDEL FTs). Note, Capital DEL (financial transactions) can only be used for loans and equity and must be repaid to HM Treasury.

<sup>20</sup> Figures are rounded to one decimal place.

<sup>21</sup> This table excludes all consequentials in relation to Business Rates, which were not included in the revised Budgetary Control Totals issued by HM Treasury.

**Table 17.2 - Barnett Consequentials Aggregates**

	<b>2015-16</b>
	<b>£m</b>
Resource DEL reduction	-19.8
Resource DEL increase	67.8
Capital DEL	4.4
Capital DEL - Financial Transactions	40.4
<b>Total DEL</b>	<b>92.8</b>

## Annex D – Legislation Costs

MEG	Legislation	Budget Action	Additional costs for Welsh Government in 2015-16 <sup>22</sup>
<b>Health and Social Services</b>	Human Transplantation (Wales) Act 2013	Delivery of Targeted NHS Services	£2.8m
	Social Services and Well-being (Wales) Act 2014	Social Services Strategy	£3m
	Recovery of Medical Costs for Asbestos Diseases (Wales) Bill	Delivery of Targeted NHS Services	£0.1m <sup>23</sup>
<b>Local Government</b>	Local Government (Democracy) (Wales) Act 2013	Building Local Democracy	£0.01m
	Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill - if passed Royal Assent anticipated April 2015	Domestic Abuse	£0.4m
<b>Communities and Tackling Poverty</b>	Housing (Wales) Act 2014	Homelessness	£6.7m
<b>Economy, Science and Transport</b>	Active Travel (Wales) Act 2013	Sustainable Travel	£0.3m
<b>Education and Skills</b>	School Standards and Organisation (Wales) Act 2013	Funding Support for Local Government	£21.8m
	School Standards and Organisation (Wales) Act 2013	Education Standards Action	£5.1m
	Education (Wales) Act 2014	Teaching and Leadership (Education Workforce Council) Education Standards (School term dates)	£0.2m

<sup>22</sup> All figures relate to the additional costs arising as a result of the Act or Bill, excluding staff costs. All funding is Fiscal Resource DEL.

<sup>23</sup> This figure excludes anticipated receipts.

	Higher Education (Wales) Bill	Higher Education	£0.04m
<b>Natural Resources</b>	Agricultural Sector (Wales) Act 2014	Develop and deliver overarching policy and programmes on Agriculture, Food and Marine	£0.1m
	Control of Horses (Wales) Act 2014	Develop and deliver overarching policy and programmes on Agriculture, Food and Marine	£0.02m

## Annex E – Protection for Schools Budgets

**19.1** The Welsh Government has committed to protect funding for schools at 1% above changes to the Wales DEL over this Spending Review period. This has been calculated on the basis of protecting funding for schools at 1% above the average annual growth in the Wales DEL over the Spending Review period<sup>24</sup>.

**19.2** The average annual growth in the Wales Resource DEL between 2010-11 and 2015-16 was an increase of 0.02%. This means that, over the same period, we have provided an average annual growth to schools budgets of 1.02%. This equates to an increase of £105.9m between 2010-11 and 2015-16.

**Table 19.1 – Average Annual Growth in the Wales DEL over the SR Period**

	2010-11	2015-16	Average Annual Growth
	£000s	£000s	%
<b>Wales DEL</b>	13,391,272	13,407,341	0.02

**Table 19.2 – Average Annual Growth in Schools Budgets over the SR Period**

	2010-11	2015-16	Average Annual Growth	Change
	£000s	£000s	%	£000s
Education and Skills <sup>25</sup>	327,568	361,442	1.99	33,874
Local Government <sup>26</sup>	1,707,891	1,779,920	0.83	72,029
<b>Total</b>	<b>2,035,459,</b>	<b>2,141,362</b>	<b>1.02</b>	<b>105,903</b>

<sup>24</sup> The average annual growth relates to the annual compound growth rate that, if applied uniformly each year between 2010-11 and 2015-16, would result in the 2015-16 budget allocation. This approach takes account of the volatility in the Wales DEL.

<sup>25</sup> The figures in relation to the Education and Skills MEG are based on budgets at BEL level and below that directly or indirectly support learners in school settings.

<sup>26</sup> The figures in relation to the Local Government MEG are based on the level of funding protected for schools within the Revenue Support Grant. Authorities are required through the monitoring returns to evidence that their budgeted spending on schools (net of specific grants and allowing for adjustments in pupil numbers) increases in line with the Local Government funding element of the 1% protection commitment.

## Annex F – Budget Structure Changes

20.1 Tables 20.1 and 20.2 set out the 2015-16 indicative plans as published in the Final Budget 2014-16 in the former budget structures and new budget structures.

**Table 20.1 – Old Structures - 2015-16 Indicative Plans at Final Budget 2014-15**

	£000s			
	Resource DEL	Capital DEL	Total DEL	AME
Health and Social Services	6,168,582	234,550	6,403,132	165,400
Local Government	4,467,231	22,920	4,490,151	24,488
Communities and Tackling Poverty	191,534	14,450	205,984	0
Economy, Science and Transport	505,099	418,296	923,395	60,125
Education and Skills	1,560,094	173,834	1,733,928	237,862
Natural Resources and Food	292,111	107,640	399,751	2,900
Housing and Regeneration	169,532	348,970	518,502	-71,000
Culture and Sport	119,646	17,944	137,590	3,013
Central Services and Administration	314,691	11,435	326,126	2,487
<b>Total Welsh Government Departments</b>	<b>13,788,520</b>	<b>1,350,039</b>	<b>15,138,559</b>	<b>425,275</b>

**Table 20.2 – New Structures - 2015-16 Indicative Plans at Final Budget 2014-15**

	£000s			
	Resource DEL	Capital DEL	Total DEL	AME
Health and Social Services	6,168,582	234,550	6,403,132	165,400
Local Government	4,467,231	22,920	4,490,151	24,488
Communities and Tackling Poverty	353,484	363,420	716,904	-71,000
Economy, Science & Transport	614,138	433,390	1,047,528	63,138
Education and Skills	1,560,094	173,834	1,733,928	237,862
Natural Resources	310,300	110,490	420,790	2,900
Central Services and Administration	314,691	11,435	326,126	2,487
<b>Total Welsh Government Departments</b>	<b>13,788,520</b>	<b>1,350,039</b>	<b>15,138,559</b>	<b>425,275</b>

## Details of Transfers between Main Expenditure Groups

20.2 The following Tables highlight the budget changes at SPA level to effect the change in Ministerial portfolios.

**Table 20.3 – Communities and Tackling Poverty MEG**

	£000s			
	Resource DEL	Capital DEL	Total DEL	AME
<b>2015-16 Indicative Plans (as at Final Budget 2014-15)</b>	<b>191,534</b>	<b>14,450</b>	<b>205,984</b>	<b>-</b>
<b>Transfer In from the former Housing and Regeneration MEG</b>				
Housing Policy	147,874	1,641	149,515	-
Homes and Places	14,852	347,329	362,181	- 71,000
<b>Transfer Out to the Natural Resources MEG</b>				
Sustainability <sup>27</sup>	-776	-	-776	-
<b>2015-16 Indicative Plans (as at Final Budget 2014-15)</b>	<b>353,484</b>	<b>363,420</b>	<b>716,904</b>	<b>- 71,000</b>

**Table 20.4 - Economy, Science and Transport**

	£000s			
	Resource DEL	Capital DEL	Total DEL	AME
<b>2015-16 Indicative Plans (as at Final Budget 2014-15)</b>	<b>505,099</b>	<b>418,296</b>	<b>923,395</b>	<b>60,125</b>
<b>Transfer In from the former Culture and Sport MEG</b>				
Support and sustain a strong arts sector via the Arts Council and others	33,158	355	33,513	-
Museums, Archives and Libraries	36,695	4,243	40,938	3,013
Delivery of effective sports & physical activity programmes	23,474	5,345	28,819	-
Media and Publishing	3,626	25	3,651	-
Conserve, protect, sustain and promote access to the historic & natural environment	11,436	5,031	16,467	-
National Botanic Garden (within Landscape and Outdoor Recreation) <sup>28</sup>	650	95	745	-
<b>2015-16 Indicative Plans (as at Final Budget 2014-15)</b>	<b>614,138</b>	<b>433,390</b>	<b>1,047,528</b>	<b>63,138</b>

<sup>27</sup> Sustainability Fund transfers from the Sustainability and Equality Action within the Communities and Tackling Poverty MEG to the Develop and deliver overarching policy and programmes on sustainable development and environment Action within the Natural Resources MEG.

<sup>28</sup> Landscape and Outdoor recreation Action transfers from the Culture and Sport MEG to the Natural Resources MEG, with the exception of funding for the National Botanic Garden, which transfers to the Conserve, protect, sustain and promote access to the historic and natural environment Action within the Economy, Transport and Science MEG.

**Table 20.5 - Natural Resources**

	£000s			
	Resource DEL	Capital DEL	Total DEL	AME
<b>2015-16 Indicative Plans (as at Final Budget 2014-15)</b>	<b>292,111</b>	<b>107,640</b>	<b>399,751</b>	<b>2,900</b>
<b>Transfer In from the Communities and Tackling Poverty MEG</b>				
Sustainability <sup>29</sup>	776	-	776	-
<b>Transfer In from the former Housing and Regeneration MEG</b>				
Planning	6,806	-	6,806	-
<b>Transfer In from the former Culture and Sport MEG</b>				
Landscape and Outdoor Recreation (excluding NBG) <sup>30</sup>	10,607	2,850	13,457	-
<b>Restated 2015-16 Indicative Plans (as at Final Budget 2014-15)</b>	<b>310,300</b>	<b>110,490</b>	<b>420,790</b>	<b>2,900</b>

<sup>29</sup> Sustainability Fund transfers from the Sustainability and Equality Action within the Communities and Tackling Poverty MEG to the Develop and deliver overarching policy and programmes on sustainable development and environment Action within the Natural Resources MEG.

<sup>30</sup> Landscape and Outdoor recreation Action transfers from the Culture and Sport MEG to the Natural Resources MEG, with the exception of funding for the National Botanic Garden, which transfers to the Conserve, protect, sustain and promote access to the historic and natural environment Action within the Economy, Transport and Science MEG.

## Annex G – Glossary

<b>Action</b>	<p>Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions. Tables showing budgets at Action level are available at:</p> <p><a href="http://www.wales.gov.uk/budget">www.wales.gov.uk/budget</a></p>
<b>Ambits</b>	<p>Descriptions of the specific purposes for which Welsh Ministers are authorised by the National Assembly for Wales to spend resources. Ambit Descriptions and resource limits are contained within the Annual Budget Motion. Ambits correspond to MEGs.</p>
<b>Annually Managed Expenditure (AME)</b>	<p>Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and Pre-Budget Report processes. AME typically consists of programmes which are large, volatile or demand-led; for example the issue of student loans.</p>
<b>Budget Exchange System</b>	<p>The system under which the Welsh Government is able to carry forward underspends, up to an agreed cap. The agreed cap is 0.6% of our Resource DEL budget and 1.5% of our Capital DEL budget.</p>
<b>Budget Motion</b>	<p>The means by which the National Assembly for Wales authorises Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.</p>
<b>Capital</b>	<p>Expenditure that in the main results in a physical asset, for example a new building. The Welsh Government DEL and AME budgets have separate capital and resource limits.</p>
<b>Departmental Expenditure Limit (DEL)</b>	<p>The multi-year budget limit for the Welsh Government set by the HM Treasury. DEL is planned and controlled on a three year basis in Spending Reviews.</p>
<b>Depreciation</b>	<p>The drop in value of an asset due to wear and tear, age and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a Non-Fiscal Resource DEL item.</p>

<b>Direct Charges on the Welsh Consolidated Fund</b>	Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct Charges include the remuneration of the Presiding Officer and Auditor General.
<b>Financial Transactions</b>	Financial transactions are not traditional capital grants and can only be used for loans and equity purposes. A proportion of the funding also has to be repaid to the Exchequer.
<b>Fiscal Resource DEL</b> (previously known as near-cash)	Accruals measures of transactions that normally turn into cash flows soon, for example, pay, current procurement, resource grants and subsidies.
<b>Main Expenditure Group (MEG)</b>	The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently 9 MEGs: Health and Social Services; Local Government; Communities and Tackling Poverty; Economy, Science and Transport; Education and Skills; Natural Resources and Food; Housing and Regeneration; Culture and Sport; and Central Services and Administration.
<b>Non-Fiscal Resource DEL</b> (previously known as non-cash)	Accruals measures included in budgets to ensure they reflect the full economic cost of activities even though there is not a direct link to cash flows in the relevant period - for example, depreciation and provisions. Non-Fiscal Resource DEL cannot be used to fund Fiscal Resource DEL spending.
<b>Receipts</b>	Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the budget as negative figures.
<b>Resource budgeting</b>	The Welsh Government's budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budgeting includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.
<b>Resource</b> (previously known as revenue)	Current expenditure, for example, funding for the pay of public sector workers and to purchase consumable goods and services.

<b>Spending Programme Area (SPA)</b>	Within each MEG, budgets are allocated to Spending Programme Areas according to the kind of services they will deliver.
<b>Spending Review</b>	Every two or three years HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming three years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula, which is the mechanism used by HM Treasury to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.
<b>Total Managed Expenditure (TME)</b>	The total Departmental Expenditure Limit plus Annually Managed Expenditure.
<b>Welsh Consolidated Fund</b>	The account into which the money voted by the UK Parliament for use by the Welsh Government, the Assembly Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.
<b>WGSB</b>	Welsh Government Sponsored Body.