

Agenda Supplement – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 14 January 2016

Meeting time: 09.00

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Please note the documents below are in addition to those published in the main Agenda and Reports pack for this Meeting

– Welsh Government Draft Budget Proposals 2016–17 **– Draft Budget documents**

10 Welsh Government Draft Budget 2016–17: Draft Budget documents

The following documents are provided as reference during the evidence sessions on the draft budget:

Draft Budget narrative	(Pages 1 – 61)
Draft Budget proposals	(Pages 62 – 88)
Draft Budget action tables	(Pages 89 – 111)
Strategic integrated impact assessment	(Pages 112 – 135)
Draft Budget leaflet	(Pages 136–139)





Welsh Government Draft Budget 2016–2017

Fairer, Better Wales –
Investing for the Future



December 2015

Pack Page 1

Ministerial Foreword

Fairer, Better Wales - Investing for the Future

On the 25 November, the Chancellor of the Exchequer announced a further round of real terms cuts to the Welsh Budget. Despite a slight lessening of the pace of cuts, the cumulative impact on us is pronounced. By 2019-20 our Budget will be 11 per cent lower in real terms than in 2010-11. Today I am publishing the Government's spending plans, which set out how the Welsh Government will respond to this latest round of real terms cuts.

Despite a falling budget in recent years, we have sought to manage the reductions without jeopardising the services that matter most to the people of Wales, reflecting a strategy that is sustainable in the longer term in the context of the fiscal outlook and the future needs of Wales. We are spending more per head on health than in England and our spending per head on health and social services combined, and on education, is greater than in England. This is a testament to the value we place on our key public services in Wales.

We have faced difficult choices and decisions along the way but these decisions have been guided by our principles and values of fairness, equality and social justice and investing in the economy and communities for the long term.

We have looked to the Well-being of Future Generations Act to help us respond to this challenge. In advance of full implementation of the Act we have reflected the sustainable development principle in preparing for a further round of difficult budget decisions, seeking the views of those providing vital services and those who use our public services. Having undertaken a Budget Tour, speaking to people who work in public services at the front line, as well as people who use our services – carers, apprentices, volunteers – I am clear about their priorities, what is working well and where there is scope to drive further integration of services and greater collaboration to achieve our collective ambitions for Wales. The Draft Budget we are publishing today reflects those considerations.

At the centre of our Budget is an additional £293.5m for the NHS in Wales. This funding builds on the extra £1.1bn in capital and revenue we have invested in the NHS over the last two years. This investment, together with the measures we are taking to place prudent healthcare at the heart of the NHS in Wales, will help to ensure the continuing affordability of the NHS in Wales, investing in the long-term benefits for the people of Wales.

Throughout this Assembly, we have based our allocations on an understanding that there is more to achieving a healthy Wales than funding the NHS. We have taken steps over the last five years to protect local authority social service provision from the worst of the cuts. We are protecting funding for Social Services delivered through the local government settlement and going further by allocating an additional £21m next year. We

are also allocating £30m of the additional funding for the NHS next year to the Intermediate Care Fund, further strengthening the integration of health and social care. Taken together, these measures complement the safeguarding of the health budget and also reflect the way in which social services care for the most vulnerable.

With a focus on prevention and early intervention, we are also protecting funding for Flying Start, Supporting People, and Communities First from cash reductions in 2016-17.

Protecting and increasing resources for frontline schools delivery has been the cornerstone of our approach for major improvements in the education system over the last five years. We are continuing to deliver on our commitment to protect schools funding by 1 per cent above changes to our settlement overall, with the extra funding being delivered mostly through the local government settlement thereby supporting the direct delivery of core schools provision. This approach together with the protection for social services provides an important boost to local government in these challenging financial times.

Central to our vision for education and skills is helping to support as many learners as possible stay in education and get the skills they need for the workplace. In line with this we are protecting the further education budgets cash flat and providing additional funding for apprenticeships. We are also maintaining our commitment that no full-time higher education student should pay more for their degree in real terms than if they had been students in 2010-11.

Investing in vital infrastructure has been key to our 'economic stimulus' approach to fighting austerity by boosting growth and jobs, and we have continued this despite a capital budget that fallen has in real terms. We welcome the small cash increase in our capital budget next year, but our capital budget will still be nearly a third lower in real terms by 2020-21 than it was in 2009-10. We are allocating an additional £230m of capital in 2016-17, nearly £80m of which is to the Economy, Science and Transport portfolio in recognition of the importance of creating jobs and growth.

Despite the reductions we have seen to our budget, we are resolute in our commitment to do everything possible to protect the people of Wales and the Welsh public services. Even in the toughest of financial times, we are not letting up on this commitment. Central to our approach is a focus on delivering real and long-lasting change for the people of Wales. **'Fairer, Better Wales – Investing for the Future'** builds on the decisions we have taken over this administration and provides the foundations for ensuring the economic, social and environmental well-being for our own and future generations in Wales.

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1. Strategic Context

- 1.1** The Welsh Government has today published its spending plans for 2016-17 – the last Budget of this Administration. Austerity has been a defining feature of public services since 2010. Our Programme for Government set ambitious plans which we have successfully delivered at a time when budgets have been falling. The resources received from the UK Government continue to fall in real terms and decisions taken by the UK Government, for example through welfare reform, continue to place increased pressure on Welsh services and budgets. Against this backdrop, it is more important than ever that the Welsh Government focuses on aligning resources to its priorities and approaches its decisions to ensure that short term responses do not have longer term detrimental impacts.
- 1.2** The budget proposals published today have been shaped in the light of our new duties under the Well-being of Future Generations Act from April 2016. They reflect the priorities and commitments that we set out in the Programme for Government in 2011 and the Wales Infrastructure Investment Plan in 2012. The budget proposals respond to the further real terms cuts that we face as a result of the UK Government's Spending Review.

Programme for Government

- 1.3** Our Programme for Government set out an ambitious and comprehensive programme for the whole of this Assembly term, and provided a basis on which the Government's actions and achievements could be assessed. Despite tough financial times, 95 per cent of the commitments included in the Programme have been delivered or are on track to be delivered. The Programme for Government continues to define the Government's priorities and shape the Budget presented today, focused around our overarching priorities of health and health services; educational attainment; supporting children, families and deprived communities and growth and jobs.

Wales Infrastructure Investment Plan

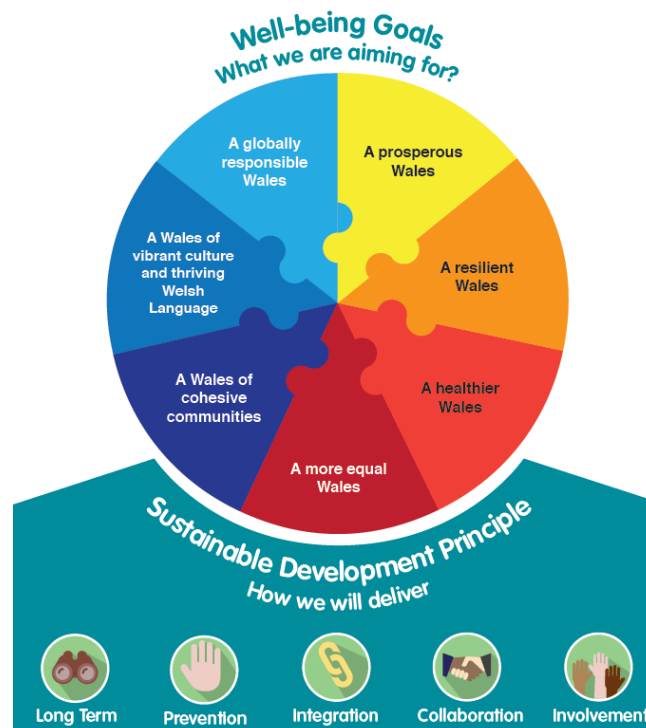
- 1.4** Since 2012, we have shaped our capital investment around the seven core investment priorities in the Wales Infrastructure Investment Plan (WIIP), which in turn align to the priorities in the Programme for Government. Despite some small cash growth in the Spending Review, our capital budget will still be almost 30 per cent lower in 2019-20 in real terms than it was at its peak in 2009-10. The WIIP helps us to allocate these reduced resources in the right place and to

develop innovative sources of funding to boost the resources available. The WIIP's approach to longer term planning, prioritising investment and collaboration is aligned to the Well-being of Future Generations Act and continues to shape our infrastructure plans set out in this Budget.

The Well-being of Future Generations Act 2015

- 1.5** The Well-being of Future Generations Act is an opportunity to improve how we make decisions which improve the social, economic, environmental and cultural well-being of Wales. Throughout this Government term, the Programme for Government has supported our drive to an improved focus on outcomes.
- 1.6** The Well-being of Future Generations Act will help us to develop this approach further and to embed integration, involvement, collaboration, prevention and long-term thinking across the public sector in Wales. The seven Well-being Goals for Wales establish a legally binding common purpose for national and local government, and for other specified bodies working across Wales and will help us all work together to deliver improvements for people and communities across Wales now and in the future.

The Well-being Goals



1.7 The Well-being Goals and the five sustainable ways of working apply to the Welsh Government in the same way that they do to the other public bodies listed in the Act. We will continually look to maximise our contribution to achieving them. The seven Well-being Goals and the five ways of working need to be reflected in every part of decision making, at every level in the public sector so that we are focused on the outcomes for people and communities. The way in which we spend money is an important driver for change and this Budget gives us an early opportunity to lay the foundations for the successful implementation across Wales and we have changed our approach to Budget preparations accordingly.

Approach to the Budget preparations

1.8 We have adopted the five key ways of working established by the Well-being of Future Generations Act. These ensure that public bodies take a long-term perspective when making decisions; that they consider what actions are required to prevent problems arising in future, or to prevent current problems from getting worse; that they take an integrated and collaborative approach to decision making; and that they involve users in the planning and delivery of services. This approach has been crucial in dealing with the uncertainty of a late Spending Review.

1.9 By their very nature, the seven Well-being Goals are cross cutting, and reflect the fact that many different factors and services can and should contribute to achieving them. In preparing for this Budget, we have focused on the ways that we can contribute to the Well-being Goals across all Ministerial responsibilities and all public service organisations, rather than being restrained by the way that funding has historically been distributed.

1.10 We have explored how the Welsh Government approaches policy and funding, considered how those approaches influence public services on the ground, what their needs are in the future and what that tells us about how we should approach budget allocations. It has helped us reach a view on how funds can best be spent in line with the Act. Further work will be required in the run up to full implementation of the Act from April 2016, but it was important to us to begin to make the necessary changes now before the new duties come into force.

1.11 Over recent months, we have worked closely with the Commissioner for Sustainable Futures as we look ahead to the legislation coming into force next year. This has helped to shape the decisions that we have taken in this Draft Budget and the way that we have presented the information. This Autumn, working with the Commissioner and

Cynnal Cymru, we consulted on Shared Purpose: Shared Future: Draft Statutory Guidance for public bodies to realise the benefits from the Well-being of Future Generations Act 2015. We also published a draft set of national indicators for consultation to measure how the seven Well-being Goals are being progressed.

1.12 In November, the Minister for Natural Resources announced the appointment of the new statutory Future Generations Commissioner for Wales. This replaces the non-statutory role of the Commissioner for Sustainable Futures. The new Commissioner will have a vital role in supporting the changes needed to achieve the seven Well-being Goals across Wales.

Using the Five Ways of Working to Shape Budget Planning

1.13 The five ways of working have been at the fore of our Budget preparations and provide an important step in preparing for the full implementation of the Act next April and in securing sustainable public services for the people of Wales that are fit for the future.



Long Term

In planning our Budget, we have considered the impact of current trends and future projections on public services over the longer term. This has enabled us to plan on the basis of recognising challenges before they arise so that we are able to balance short-term pressures with the long-term needs.



Prevention

Our spending decisions have not only considered how best to meet the current demand for services, but have also focused on supporting interventions that are able to prevent problems arising in the future. Our preventative approach is an important part of our planning for public services, both now and in the future.



Collaboration

In shaping our plans for the Draft Budget 2016-17, we have worked across the traditional boundaries of Ministerial responsibilities in order to focus on the services and outcomes that matter to the people for Wales.



Integration

As part of our collaborative approach to the Draft Budget 2016-17, we have considered the connections between service areas and how these links can be maximised to increase economic, social, environmental and cultural well-being for all.



Involvement

Over the Summer, the Minister for Finance and Government Business undertook a Budget Tour across Wales. This was an opportunity to draw on the first-hand experience of delivery partners and users of public services to explore what is working well and where there is scope to drive further integration of services and greater collaboration to improve outcomes.

Looking to the long-term

1.14 One of the key drivers for public service delivery in Wales over the medium to long term is the projected change in population and its impact on the services required to meet the needs of this population. However, other important social, economic and environmental trends such as climate change will also shape the public services required into the future. For public service delivery, this means how to provide services that meet current and future needs.

1.15 Wales' population is predicted to rise from 3.1 million in 2014 to 3.3 million by 2033. Of this, the proportion of over 65s is projected to increase from 20 per cent of the population to over a quarter. Associated with more people living longer are projected increases in the occurrence of specific and complex conditions, such as dementia, which are more common in the elderly and are likely to place increasing demand on our social services.

1.16 In addition, the number of young people is projected to increase up to 2023, accounting for around 18 per cent of the population over this period. These demographic changes suggest increased future demand for key public services, such as schools, health and social services. A key consideration is therefore ensuring that there is appropriate capacity and that we are delivering the right services to meet the population's needs.

- 1.17** From the outset of our Budget preparations, we have focused on how best to meet the growing needs of key service areas in the face of reducing budgets. In successive Budgets, we have prioritised preventative spending as a way of avoiding more costly interventions at a future point, and to improve the quality of people's lives over the long term. In line with the Finance Committee's previous recommendation to provide further clarity on how our Budget supports preventative interventions, we are working with the Third Sector to develop a common definition of preventative spend.
- 1.18** It is an analysis of evidence on current trends and projections that has helped us to focus on those areas which are most critical to delivering the needs of the population of Wales and which has informed these spending proposals.
- 1.19** We have assessed the evidence and identified the key service areas that contribute the most to the achievement of our overarching priorities, and looked closely at the actions required, particularly what we can do now to prevent problems arising in future, to ensure these services are sustainable and can meet current and future needs.

Involvement

- 1.20** In shaping our plans we have involved our key partners, including the Third Sector and public service users, to explore the challenges and opportunities of dealing with decreasing budgets, including where there is scope to encourage innovation in service delivery and where there are opportunities to take more collaborative and joined up approaches. This engagement provides a vital link to understanding how budget decisions impact on people's lives across Wales.
- 1.21** We have continued our regular engagement with the Budget Advisory Group for Equality (BAGE), and their advice and expertise has made a valuable contribution to our Budget preparations. The Group was asked to advise on priority areas for investment in advance of preparations for the Draft Budget 2016-17, and through this work they provided an evidence base that has shaped our decision making, particularly in where we can take steps to mitigate the impact of budget reductions for the most disadvantaged.

Finance Committee's Inquiry into Best Practice Budget Procedures

- 1.22** The Finance Committee has completed an Inquiry into best practice budget procedures and how existing processes need to be altered to reflect new fiscal responsibilities. A key recommendation of Part II of the inquiry was to establish a two stage budget process, with the first stage focused on high level allocations to Ministerial portfolios and the

second stage focused on the detailed Ministerial decisions and allocations within portfolios.

1.23 In producing this summary of the Welsh Government's spending plans, we have tried to reflect the spirit of these recommendations and have focused on the strategic high level decisions that are taken, along with the evidence to support the strategic decisions. We have also taken an integrated approach to assessing the impact of our decisions, and alongside the publication of the Draft Budget 2016-17 we are publishing our Strategic Integrated Impact Assessment. Going forward, we are working with the Assembly Commission to consider the future budget procedure.

European Funding

1.24 The Welsh Government has been very successful in supporting its programmes with European Structural and Investment (ESI) Funds, which play a vital role in the Welsh economy and labour market.

1.25 These funds from the European Union include the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF). Together, they are worth over £2.4 billion to Wales in the 2014–2020 funding period, driving investments in the areas of research and innovation, business competitiveness, renewable energy and energy efficiency, connectivity (including ICT and transport), urban development, helping people into work and training, youth employment, and improving competitiveness in the agriculture and forestry sector, and fostering sustainable rural businesses and communities.

1.26 To maximise the impact of EU funds to support economic growth and job creation, we have taken a more strategic approach to delivery, with EU funds supporting schemes which focus on key economic development opportunities and add wider value to public and private investments in the Welsh economy and labour market.

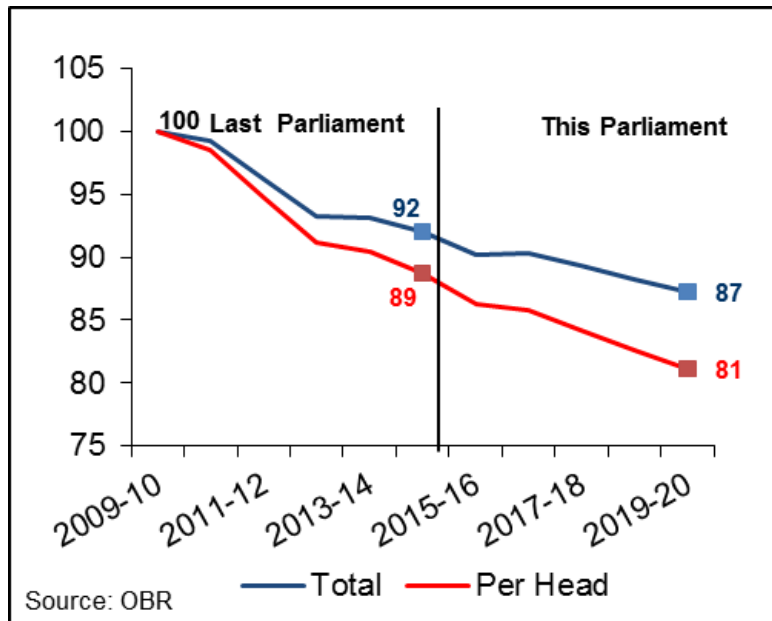
2. Financial Context

- 2.1** In April 2018 the devolution of the minor taxes of Landfill Tax and Stamp Duty Land Tax will commence. The Welsh Government continues to be primarily funded by a block grant from the UK Government. Decisions that the UK Government takes in comparable spending areas result in changes to the Welsh Government's budgets. The Spending Review therefore sets the financial context in which we operate.

The UK Government's Spending Review 2015

- 2.2** The UK Spending Review set the next four years of revenue spending and the next five years of capital spending for all UK Government Departments. Through the Barnett Formula, changes to budgets for UK Departments in devolved areas will result in changes to the Welsh Government's Budget. The UK Government continued the practice of providing some relative protection for large areas of public spending; notably on health, schools, defence and overseas aid. However, severe real-terms reductions in budgets – and in some instances cash-terms reductions - in most non-protected areas are set to continue until the end of this decade. This means that despite real terms growth in NHS funding across the period, our overall budget continues to fall in real terms.
- 2.3** The pace of cuts to overall spending is broadly similar to those experienced over the last Parliament. However, this is on top of five years of unprecedented cuts to public spending, and in the context of growing pressures on pay and cumulative increases in need. Chart 1 shows the trajectory of UK spending on services since 2009-10, alongside the announced cuts to spending over the next Spending Review period.

**Chart 1 UK Spending on Government Services
(Real Terms, 2009-10 = 100)**



Implications for Wales of the Spending Review 2015

2.4 The Welsh Government's Budget from 2016-17 to 2019-20 was set by the UK Government in its Spending Review, which concluded on 25 November 2015. The settlement for the Welsh Government is set out below in Table 1. Overall, the Welsh Budget increases in cash terms in each year of the settlement. By 2019-20, it will be approximately 4 per cent higher than in this year, with an increase of a little under £400m in revenue and £200m in capital.

Table 1 Welsh Government Cash Settlement, £Billions

	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue	12.92	13.03	13.15	13.21	13.29
Capital	1.46	1.53	1.52	1.57	1.65
Total	14.38	14.56	14.67	14.77	14.93

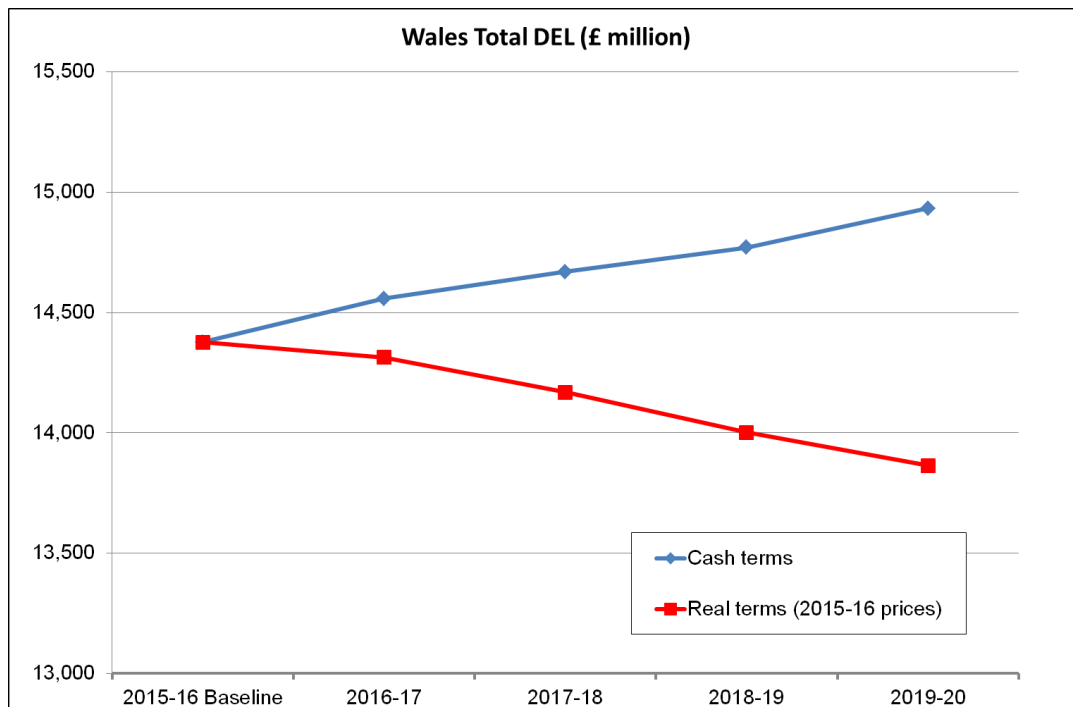
2.5 However, as shown in Table 2, after taking inflation into account, the Welsh Government Budget will decline by 3.6 per cent in real terms over this period.

Table 2: The Welsh Government Real Terms Settlement £Billions (2015-16 prices)

	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue	12.92	12.81	12.70	12.52	12.33
Capital	1.46	1.51	1.47	1.48	1.53
Total	14.38	14.31	14.17	14.00	13.86

2.6 Chart 2 illustrates the overall real terms decline in our Budget between 2015-16 and 2019-20.

Chart 2: Wales Total DEL (£million) – Comparison of Cash and Real Terms



2.7 It should also be emphasised that, while the rate of decline over this period is a little slower than under the previous UK Coalition Government, the settlement remains exceptionally challenging in historic terms, particularly as the real terms cut in our budget comes on top of the severe cuts already imposed under the previous UK administration. As shown in Charts 3 and 4, since the beginning of

austerity in 2010, the Welsh Government's Budget will have faced a real terms cut of 10 per cent to its revenue budget and a real terms cut of 20 per cent to its capital budget by the end of this decade.

Chart 3: Wales Revenue Budget in real terms

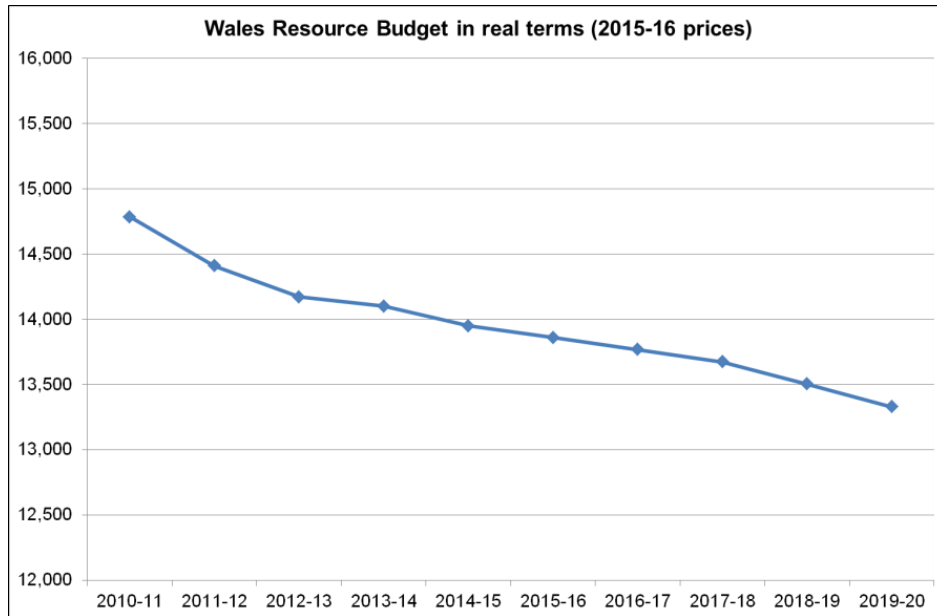
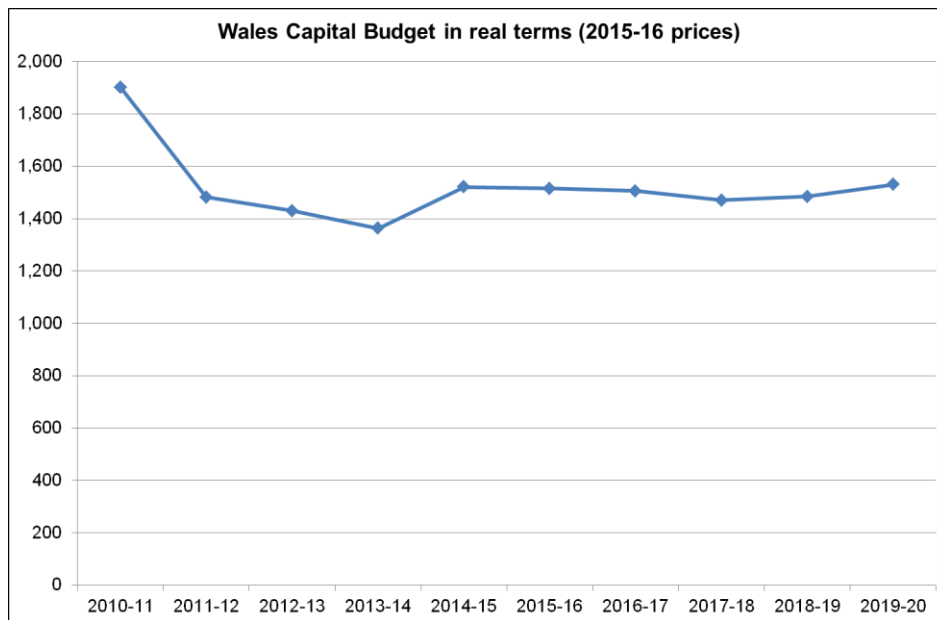


Chart 4: Welsh Capital Budget in real terms



Financial Challenges for Wales

- 2.8** Ahead of the Spending Review, the Welsh Government repeated its calls for the UK Government to rethink its adoption of an inflexible and inappropriate target for the budget deficit and the associated plans for further cuts to public expenditure. We believe that further cuts to public expenditure run the risk of jeopardising the economic recovery.
- 2.9** Much needed investment in infrastructure and skills, and maintaining and developing economic capacity and productivity is essential to achieve a balanced recovery. This is the approach that the Welsh Government itself has sought to adopt, albeit within the severe constraints imposed by the UK Government. We welcome the small cash increase to our capital budget for 2016-17, but this still represents a real terms reduction. Coupled with the real terms cuts to the Welsh Budget over the last five years, it means we are facing even tougher financial times in the years ahead. Within these financial constraints, our priority remains doing all we can to mitigate the impact of these cuts and focus the limited resources we have on the services and outcomes that matter most to the people of Wales, whilst strengthening areas of public spending where it is most needed.

Fairer Funding for Wales

- 2.10** A key aim of the Welsh Government is to secure fair funding for its devolved public services. However, the way in which we are funded through the Barnett Formula is outdated and not based on the needs of the Welsh population. Levels of relative need in Wales continue to be higher than in England, which means that over time the relative spending advantage is being eroded – this is known as convergence, or the ‘Barnett squeeze’.
- 2.11** In October 2012, the UK Government recognised for the first time that there had been convergence in Welsh relative funding since the start of devolution, and that this was a significant concern in Wales. In February 2015, the UK Government committed to introduce a ‘funding floor’ for Wales which would adjust the allocation from the UK Government. However, at that stage no further detail was provided on how the floor would operate, or when it would come into force.
- 2.12** Discussions on the funding floor have continued between the Welsh and UK Government, leading to an announcement in the recent Spending Review that the UK Government will ensure that spending per head during the current Parliament remains above that in England – at 115 per cent of comparable spending per head. However, the UK Government has pronounced that the floor will then be re-set in future

Spending Reviews. This represents a small step forward; although this will not ensure long-term funding certainty for Wales and leaves open many questions about how such funding commitments will be calculated and delivered in the future. The Welsh Government welcomes the cross-party support on 3 December 2015 to securing a long-lasting inter-Governmental agreement on the funding floor.

Welsh Government's Spending Plans

- 2.13** The late timing of the Spending Review has presented additional challenges for the Welsh Government in terms of its Budget preparations. Not only have we been faced with managing a further round of unconfirmed reductions but we need to balance providing early funding certainty to our delivery partners with ensuring that the Assembly has the opportunity to complete meaningful scrutiny of the spending plans.
- 2.14** Taking all of these considerations into account, the Draft Budget 2016-17 sets out our spending plans for one year only, the first year of the next Spending Review period. 2016-17 is the last year of the current Welsh Government, and it will be for the next administration to set out its plans for the remainder of this Spending Review period next autumn.
- 2.15** In line with the broad principles outlined in the Finance Committee's report on the Best Practice Budget Inquiry, the Budget narrative is focused on the high level strategic priorities informing MEG level allocations. Detail on the portfolio spending plans will be provided in Ministerial evidence papers to subject committees.

3. Our Spending Priorities

- 3.1** Our analysis of evidence and current trends has shaped our spending priorities for 2016-17.

HEALTH AND HEALTH SERVICES

Contribution to the Well-being Goals

- 3.2** Continuing to invest in the NHS to drive up standards, improve outcomes for patients and secure a sustainable, universal health service for the people of Wales is a priority for this Government and is central to achieving a healthier Wales.
- 3.3** We are committed to reducing health inequalities and closing the gap in health outcomes between the poorest and richest in our communities, contributing to a more equal Wales. Action is focused on early intervention and prevention to make the greatest contribution to our aims on poverty and inequality.
- 3.4** Good health and well-being is important for everyone and is also an economic asset. Investing in health and health services also reaps rewards in the medium and longer-term, supporting better educational outcomes which should follow through to a more skilled and productive workforce. As well as directly supporting the well-being goals of a healthier Wales and a more equal Wales, the additional investment for the NHS set out in the Draft Budget will also contribute to goal of a prosperous Wales.

Evidence of investment need

- 3.5** In the face of an increase in demand for NHS services in recent years, people in Wales are being treated faster, receiving better outcomes, and living longer, with help from the care they receive from the Welsh NHS.
- 3.6** Funding for the Welsh NHS stands at record levels, with £6.7bn being spent this year, despite the pressures we have faced on the Welsh Budget as a result of the UK Government's austerity measures. Over the last two years, the Welsh Government has invested an extra £1.1bn in capital and revenue funding in the NHS. This includes the additional £225m for the NHS in 2015-16 which was announced in the Draft Budget 2015-16 last Autumn.
- 3.7** In revenue alone, the health budget has increased by more than 9 per cent since 2013-14 on a recurrent basis, which is equivalent to an extra £178 being spent on health for every person in Wales. The

latest figures published by the Treasury show spending per head on health in Wales was 1 per cent higher than in England in 2014-15 and grew faster in Wales in that year than in any of the other UK Countries.

- 3.8** The figures also show that combined spending per head on health and social services was £172 or 7 per cent higher than in England. This is a testament to the value we place on the key public services that matter most to the people of Wales. It also demonstrates our commitment to delivering a truly integrated health and social care service and the importance of working across service boundaries.
- 3.9** The NHS has continued to deliver efficiency savings by continuing to make changes to the way it delivers services. Between 2010-11 and 2014-15, the NHS has made more than £1.1bn in efficiency savings through service changes including increasing day surgery rates, providing more care closer to people's homes; service reconfiguration; increased productivity; demand management; pay restraint and more effective prescribing. This is equivalent to an average annual saving of more than 4 per cent of health board revenue allocations. The contribution that our preventative public health interventions are making are showing evidence of improvements in key areas. For example, smoking has fallen to its lowest ever level and obesity rates have not increased over the past two years.
- 3.10** Informed by the work of the Bevan Commission and others around the world, the NHS in Wales embraces the principles of prudent healthcare as it seeks to respond to the challenges of rising costs and increasing demand in this age of austerity. Prudent healthcare puts NHS Wales at the forefront of a growing international movement to secure greater value from healthcare systems for patients.
- 3.11** By placing greater value on patient outcomes rather than the volume of activity and procedures delivered, as is so often currently done, prudent healthcare aims to rebalance the NHS and create a patient-centred system. A NHS based on prudent healthcare principles ensures people receive the most appropriate care to achieve mutually-agreed goals, which reflect the contribution individuals can make to their own health and wellbeing. As the Well-being of Future Generations Act secures prevention as a core principle guiding the activities of all public service, prudent healthcare is providing the framework for using resources as effectively as possible.
- 3.12** The principles of prudent healthcare are:

- rebalancing the healthcare system by strengthening primary and community-based care;
- supporting the establishment of a more equal relationship between the individual and healthcare professional; and
- changing the relationship between healthcare services and the public, characterised by a shared responsibility for securing improved health outcomes.

3.13 However, we do not underestimate the scale of the challenges facing the NHS in Wales. Expenditure on delivering Health services is affected by the increasing population in terms of the overall numbers being treated for illness, and demand for unscheduled care and social care. Specific demographic trends can increase the pressures. For example, the number of people with dementia in the UK is estimated to increase significantly up to 2051 and older people are more likely to have complex conditions that have an impact on demand and capacity. These challenges and pressures are faced by all countries in the West.

Spending Priorities

3.14 It was in recognition of these challenges, that last year we commissioned an independent review of the NHS by the Nuffield Trust. 'A Decade of Austerity in Wales?' This report, together with the information from Health Boards' and NHS Trusts' integrated medium term plans informed our decision to provide an additional £225m for the NHS in 2015-16.

3.15 In preparing for this year's Budget, and as part of the cross cutting approach we have taken, work has been undertaken to update the Nuffield model to reflect the latest assumptions on spending pressures and efficiencies in the NHS. We have focused on preventative spend and the link between health and social services.

3.16 As a result we are allocating an additional £260m of revenue to the NHS in 2016-17. This comprises:

- £200m to support core NHS delivery, demonstrating our commitment to a sustainable NHS in Wales based on the reforms outlined in the Nuffield report, which also acknowledges the scope for the NHS to continue to achieve efficiency savings in the medium to longer term;
- Boosting funding for the Intermediate Care Fund by £30m to £50 million in 2016-17. This additional funding brings investment in the Fund back to the level it stood at in 2014-15, demonstrating our commitment to strengthening primary and community based care. This fund has supported a number of successful schemes, which have

improved outcomes for older and vulnerable people by helping them to maintain their independence in their own home, prevent hospital admission and facilitate early discharge from hospital. We expect this Fund to be deployed fully in partnership with local authority social services, using the new partnership arrangements which have been put in place through our Social Services and Well-being Act. This will ensure that the Fund is targeted through joint planning and services to focus on prevention and early intervention. Through our investment, this approach must become embedded in mainstream service delivery and not seen as investment which is either project based or time-limited, and;

- £30m extra for older people and mental health services. We spend more on mental health services than any other part of the NHS and this additional investment is a further demonstration of our commitment to this vital part of the health service.

3.17 The additional funding we are allocating to the Health and Social Services MEG in our Budget proposals means this budget is now the largest it has ever been and will account for 48 per cent of the funding allocated to Welsh Government MEGs in 2016-17.

GROWTH AND JOBS

Infrastructure

Contribution to the Well-being Goals

3.18 A key component of our approach to supporting sustained economic growth during these difficult financial times has been concerted action to boost infrastructure investment. This provides important economic stimulus, creating the conditions for increased and sustainable growth in the medium and longer term, thereby providing the foundations for a prosperous Wales. Infrastructure also provides the essential underpinnings of all our service delivery, and is a fundamental to achieving all of our national well-being goals.

Evidence of investment need

3.19 The capital landscape has changed significantly since 2009-10. In sharp contrast to the previous decade where our capital budget nearly doubled, our capital budget has reduced significantly over this period. Despite the small cash growth in the Spending Review our capital budget will still be nearly a third lower in real terms in 2020-21 than it was at the start of this decade.

3.20 Despite this challenging financial climate, we have not allowed our ambitions to be constrained. When we published the Wales

Infrastructure Investment Plan (WIIP) in 2012, we signalled a more strategic and focused approach for infrastructure investment in Wales shaped around our seven core investment priorities - to improve transport networks, to improve telecommunications networks, to support the development of the energy industry, to invest in housing, to deliver more efficient and economical public services, to improve the quality of the educational estate and to develop our Enterprise Zones. As well as providing a detailed investment pipeline for three years, it also sets out long term priorities and a direction of travel.

3.21 The WIIP approach helps us to ensure that we concentrate our resources where we can add the most value, while developing innovative approaches to lever in significant additional investment for public infrastructure investment where it offers value for money.

3.22 Since 2012, the Welsh Government has developed a major programme of innovative finance schemes to provide a much needed boost to infrastructure investment across Wales. We have already implemented around £0.5bn of innovative finance schemes to provide additional investment in housing, schools and highway projects across Wales, through the Housing Finance Grant and the Local Government Borrowing Initiative. We have announced a forward pipeline of projects, forming an investment programme of a further £1.9bn which will provide economic and social infrastructure across the whole of Wales. This pipeline includes the use of the £500m of direct borrowing that we have the power to undertake as a result of the Wales Act 2014.

3.23 We have also continued to explore European sources of funding to increase investment in Welsh infrastructure, including consideration of the new European Fund for Strategic Investment. We have engaged regularly with the European Investment Bank to promote more than ten Welsh schemes with the potential to be financed by EFSI and other EIB financing instruments. The projects extend across a range of sectors in all parts of Wales, including the Tidal Lagoon scheme, dualling sections 5 and 6 of the A465 scheme, Energy Island Projects, the Metro and the Velindre Cancer Centre. Reflecting our efforts, the European Investment Advisory Hub held an event in Wales in October 2015 to talk directly with project promoters from across the Welsh public and private sectors. This was the first event of its kind that the Hub has undertaken in the UK, and amongst the first in Europe.

Spending Priorities

3.24 In preparing for a further period of public spending constraint, we have undertaken an assessment of capital plans and investment needs, while also looking to invest in new important infrastructure

projects that boost growth and jobs. As existing infrastructure ages, undertaking backlog maintenance and replacing obsolete equipment requires an ongoing level of investment. Taking preventative measures now to stop problems getting worse is a key principle of the Well-being of Future Generations Act. It is in line with this approach, we are allocating £150m to boost MEG core budgets in 2016-17.

3.25 In line with our approach to longer term planning, we are also allocating an additional £80.4m in line with our WIIP investment priorities, comprising £29.1m traditional capital and £51.3m financial transaction funding. Details of these additional capital allocations are as follows:

Investing in Housing

3.26 Our WIIP priority of investing in Housing directly supports the national Goal of '**A prosperous Wales**' helping individuals and families to purchase a new-build home and helping to increase housing supply and boost the construction industry. Investment in Housing also strongly supports the well-being goals of '**A Wales of cohesive communities**,' '**A more equal Wales**' and '**A healthier Wales**'. In line with this we are allocating additional financial transactions of £26.3m to support the first year of Phase 2 of our Help to Buy Cymru Scheme.

Developing our Enterprise Zones and Economic Development

3.27 Investment in our Enterprise Zones is key to achievement of the '**A prosperous Wales**' and '**A more equal Wales**'. Job creation provides a means by which people can fulfil their potential in an economy that generates wealth. We are allocating £25m financial transactions and £3m traditional capital to support the development of our Enterprise Zones, wider business activity and economic growth. This includes the remaining £7m of the £10m package previously announced for Cardiff International Airport route development.

Improving Transport Networks

3.28 The WIIP priority of making investments that improve our transport networks is crucial to '**A prosperous Wales**'. It is also key to ensuring '**A Wales of cohesive communities**' and '**A resilient Wales**'. In this Draft Budget we are providing funding to continue and support development work for the following transport schemes:-

- Llangefni link road, phase 2 - £1.3m;
- Northern Gateway Highway Infrastructure works - £2.7m; and
- Dyfi Bridge on the A487, as part of the 2014 Budget Agreement with the Welsh Liberal Democrats - £6m.

Supporting the Development of the Energy industry in Wales

3.29 The additional investment we are making in respect of this WIIP priority particularly focuses on the cornerstone of the Well-being of Future Generations Act - sustainability. These investments also help us to achieve the goals of '**A globally responsible Wales**' and '**A resilient Wales**'.

3.30 We are providing, subject to the application of full business assurance set out in the WIIP, additional funding as follows;

- Green Growth Wales – traditional capital of £5m, to support an initiative which aims to increase and accelerate projects to deliver green investment in Wales. It focuses in infrastructure projects which will reduce carbon emissions, including renewable energy generation, resource efficiency, and energy from waste projects.
- Warm Homes: Nest scheme – traditional capital of £5m, providing support to individual householders to help tackle fuel poverty and improve the performance of the housing stock in Wales.

3.31 We are allocating additional traditional capital funding to the following projects which also support sustainability;

- St Asaph Flood Risk Management Scheme - £3m to reduce risk along the River Elwy and protect over 400 properties.
- The Coastal Risk Management Programme - £3m for preparatory work required to enable full utilisation of the £150m innovative financing which is to support the development of coastal adaptation and resilience to climate change projects

Support for Business

3.32 The financial devolution of Non-Domestic Rates (NDR), which was achieved in April 2015, provides the Welsh Government with greater flexibility to determine policies which support growth and jobs in Wales. As part of this Draft Budget, we are making an early decision to extend the current Small Business Rates Relief Scheme for a further 12 months. The funding provided by the Welsh Government for this scheme will reduce the overall NDR payments from small businesses in Wales by around £90m in 2016-17.

EDUCATIONAL ATTAINMENT

Contribution to Well-being Goals

3.33 Education changes lives, creates opportunities and allows individuals to shape their future. It builds stronger, **more cohesive communities**, and is the foundation of a strong economy. We believe that education should be open to all, regardless of background, and it is the cornerstone of our approach to creating a **more equal Wales** in which everybody has the means to fulfil their potential. Through our education system we want to create ambitious capable learners who are knowledgeable about their culture, community, society and the world.

3.34 Achieving our vision for education will support Wales to become a productive and **prosperous** nation, with a highly skilled workforce that is able to make our economy globally competitive. Our Universities themselves also make an important contribution to the Welsh economy, and contribute to the **vibrant culture** of Wales.

Evidence of investment need

3.35 Investing in education has been the foundation of our preventative approach to Tackling Poverty, with the most recent figures showing that our spending per head on Education is 4 per cent higher than in England.

Schools and Early Years

3.36 We have long recognised that investing in the early years through education has a significant influence on a child's development, and is fundamental to breaking the cycle of disadvantage and inequality. Since 2011 we have protected funding for schools budgets at 1 per cent above changes to the Wales DEL overall as part of our commitment to give all children the best possible start in life.

3.37 The evidence shows that our investment is working. More children are achieving five good GCSEs including English, Welsh or Maths and fewer children are leaving school without qualifications. The most recent statistics show that pupils from less wealthy families have improved performance by nearly 4 per cent - showing progress is being made in narrowing the attainment gap. These achievements are a reflection of the priority we have placed on Education over this Assembly, investing resources where they can make a difference to outcomes.

3.38 With a projected growth in young people over the medium term, and staff costs accounting for a high proportion of spend, we anticipate increasing pressure on school budgets. A key consideration for future budget planning is ensuring that there is appropriate provision to meet increasing demand, and that we continue to invest resources to ensure all children are able to achieve their full potential.

Post 16 Education

3.39 Education and skills are crucial to gaining employment, which offers a high level of protection against poverty - particularly deep and persistent poverty - and contributes directly to an individual's well-being. This is why we are working to ensure access to education for all those with the potential to benefit, regardless of background.

3.40 Equipping people with the right skills for the future will support Wales to evolve into a highly-skilled nation, capable of raising productivity and strengthening the economy. In line with international trends, we expect that Wales will have undergone a restructuring of its skills base by 2020, with an increase in the proportion of people in employment with high-level skills alongside a decline in the proportion of people in employment with low or no skills. It is important that we prepare for this, and our policy statement on Skills, published earlier this year, sets out how we need to re-balance the economy and better meet the specific needs of business for a highly skilled workforce in order to be internationally competitive.

Higher Education

3.41 Education is a significant driver of social mobility, and we believe that everyone should have the opportunity to access Higher Education, regardless of background.

3.42 Over this administration, we have continued to deliver on our commitment to ensure that no full time undergraduate student ordinarily resident in Wales pays more for their degree in real terms than if they had been students in 2010/11. Upon graduating, debt for Welsh students is considerably lower than their counterparts in England. Over the course of a three year undergraduate degree, current students from Wales are around £17,000 better off than their English counterparts.

Spending Priorities

Schools and Early Years

3.43 Investing in frontline schools delivery has been the cornerstone of our approach to driving improvements in Educational Attainment. As part of this we are continuing to increase funding for schools at 1 per cent above changes to the Welsh DEL in 2016-17.

3.44 In 2016-17 we will allocate an additional £39.7m for frontline schools funding, the majority of which will be allocated through the Revenue Support Grant for the delivery of core schools provision by local authorities. We have also protected the overall amount of funding to, or in support of, schools for specific purposes from cash reductions in 2016-17. We are also continuing to provide funding for our successful Schools Challenge Cymru scheme in 2016-17, making £15m available next year. Over the last two years, the majority of participating schools have seen an improvement in attainment, with some reporting their best results ever.

3.45 We also recognise the importance of schools in supporting the conditions for a thriving welsh language. The additional money we are providing for schools will impact equally on Welsh medium, English medium and bilingual schools.

Post 16 Education

3.46 Based on the work we have done to understand the particular impacts of previous budget reductions on the post-16 sector, it has become clear that there is limited ability to absorb future cuts while also delivering the range of provision necessary to create the workforce of the future.

3.47 In light of the importance of education and skills to achieving a **prosperous and more equal Wales**, we are protecting budget provision for post 16 education in 2016-17 from cash reductions. We are also providing an additional £5m for work based learning, the equivalent of 2,500 new apprenticeships starts in 2016-17. During this time we will look to the further education sector to continue working closely with local communities and businesses to provide a sustainable base for future provision.

Higher Education

3.48 We commissioned Professor Ian Diamond to undertake an independent review of higher education funding and student finance arrangements. A key priority of the review is to consider the long-term financial sustainability of the Higher Education system. The findings of this review will be published in 2016 and will help inform the next steps for higher education funding in Wales. In the interim, we are allocating an additional £10m to Higher Education in recognition of the pressures on student support for 2016-17. This will enable the continued delivery of our tuition fees commitment.

SUPPORTING CHILDREN, FAMILIES AND DEPRIVED COMMUNITIES

Contribution to the Well-being Goals

3.49 We are committed to achieving a society where everyone is able to do well in life, no matter what their background or circumstances. Our vision for a **more equal Wales** means that we are investing in activity that can improve outcomes for all, ensuring that we create a Wales of **cohesive communities**, where every individual and family has the support they need to live **healthy, prosperous** and independent lives.

Evidence of investment need

3.50 Evidence suggests investing effectively in services and programmes to ensure every child has the best start in life, supporting families and creating **cohesive communities** we can work to break the cycle of disadvantage before it begins. As a Government we are committed to tackling both the causes and effects of poverty and we are committed to helping people to avoid falling into the poverty trap. We need to do all we can to mitigate the impacts of the UK Government's welfare reform and austerity agenda. We want to ensure that people can maintain control over their lives, including the decisions about the care they receive.

Investing in Early Years

3.51 Flying Start is our flagship early years programme targeted at children from zero to three years old in our most disadvantaged communities. Early evidence from the programme shows that it is beginning to have a positive impact on children, and that when starting school, Flying Start children are ready to learn and are more confident in mixing with other children.

3.52 Once in school, our free school breakfast provision makes available a nutritious breakfast, as well as childcare support at the start of the

day, to all Welsh children in primary schools. A recent study using data from the scheme provided evidence of the improvement that a healthy breakfast can make to educational performance, as well as improving longer-term health outcomes. Sitting alongside this, our free school milk provision provides vital nutrition to children during the school day, and our free swimming for under-16s encourages the formation of active and healthy lifestyles. These programmes are crucial to our efforts to break the link between poverty and educational attainment, increase physical and mental well-being, and improve the life chances of all our children.

Investing in Communities

3.53 It is important that gains made in school are not lost at home. We want every child to grow up in a **vibrant, cohesive community** that can help them fulfil their potential. Our Communities First programme is targeted at the most deprived areas in Wales with the long term aim of contributing to alleviating persistent poverty. 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.

3.54 We want our communities to be places where the Welsh language can **thrive**. Austerity has meant difficult choices over the past few years, and in order to minimise potential impacts on the Welsh language and Welsh-speaking communities, we are allocating £1.2m in 2016-17 to mitigate reductions to Welsh language budgets.

Investing in Social Services

3.55 Our consideration of future trends indicates that demographic trends will be likely to place additional demand on core social services and evidence suggests that pressures on social services are set to rise over the longer term. The ability to manage future demands alongside current cost pressures requires different models for delivering services. We are keen to see the development of service delivery models which prevent or reduce the need for more costly interventions by the NHS or social care, and that can help people to live as independently as possible.

3.56 The potential for increased integration between services has been central to our considerations in planning the Draft Budget 2016-17, particularly where there is evidence we can achieve a greater impact by understanding how the NHS, local government and other key partners can work better together to tackle the challenges that we face.

3.57 In setting our plans we have used a ‘whole system’ approach to undertake a broader assessment of how social services provision interacts with a variety of other support interventions to meet people’s needs. As part of our commitment to this, in 2015-16 we invested an additional £10m in local government for social services. This enabled local government to respond to increasing demand and begin to shift their services in more preventative approaches. We have also continued to provide support for concessionary fares, which provide older and disabled people with the means to access amenities and remain independent.

3.58 Similarly, our Supporting People Programme helps individuals and families who are homeless or at risk of becoming homeless to find and keep their home, improving outcomes for the most vulnerable and relieving pressure on other services. For 2015 -16, this programme is on track to help almost 60,000 people.

Spending Priorities

3.59 For 2016-17 we are protecting the Flying Start budget at 2015-16 levels so that it is able to build on its current success. We are also continuing with our commitment to protect funding for free school breakfast, free school milk and free swimming at 1 per cent above changes to the overall Welsh block grant. In recognition of the importance of programmes that can improve outcomes for people and communities, we are protecting the budgets for social care related specific grants including Communities First, Supporting People, from cash reductions as well as continuing our commitment to fund concessionary fares at 1 per cent above changes to the overall Welsh block grant. We are also protecting social services funding through the RSG – including the additional £10m allocated in 2015-16 - and going further by providing an additional £21m next year to support the delivery of social services by local government.

3.60 We are using our funding alongside our legislative powers to transform the way that social services are delivered. Our Social Services and Well-being (Wales) Act sets the framework for service delivery, requiring greater service integration and partnership working and bringing a greater focus on prevention and early intervention. Local authorities and health boards will be required to work together to secure innovation, change and integration including using the pooled budget powers set out in the Act to drive increased efficiency and effectiveness. The additional £30m we are allocating to the Intermediate Care Fund in 2016-17 will support of the aims of the Act.

3.61 In 2016-17, in recognition of the budget pressures on Health Inspectorate Wales, Care and Social Services Wales, and Estyn, we are allocating £3m to mitigate the impact of budget reductions and

support them in working with service providers to deliver safe and quality services.

Local Government

- 3.62** We value the wide variety of public services provided by local government, services on which people depend and services which become more important in tough times. Since 2010 we have provided some cushioning to local authorities to mitigate the impact of the UK Government's reductions to our Budget, meaning local authorities in Wales have received more favourable settlements than Councils in England. Spending on local services in England has decreased by around 9.8 per cent in cash terms over this period, while in Wales it has increased by 2.5 per cent. Wherever possible, we have taken the decision to invest additional resources in local services through local authorities' core budgets, not through ring-fenced grants. This is in direct response to calls for increased flexibility.
- 3.63** We are continuing our commitment to protect schools funding by 1 per cent above changes to the Welsh Budget overall. Building on the level of funding protected for schools in 2015-16 (£2.141bn), we are investing £39.7m for schools next year, £34.8m of which is being delivered through the RSG to support frontline schools delivery as part of our wider commitment to the simplification of local government funding.
- 3.64** In shaping our plans for Social Services, we have drawn on evidence in a joint report produced by ADSS Cymru and the Welsh Local Government Association to inform our assessment of future budgetary pressures. This evidence has helped to shape our decision making. We are protecting social services funding through the RSG, and investing an additional £21m in 2016-17 in support of local government provision of social services.
- 3.65** With a focus on prevention and early intervention, we are also protecting funding for Flying Start, Supporting People, and Communities First on a cash flat basis in 2016-17.
- 3.66** In our funding decisions for the Draft Budget 2016-17, we have taken measures to mitigate the impact of reducing budgets on local government, and our decisions mean they will receive a better overall settlement in 2016-17 than Councils in England. However we do not underestimate the financial challenge that the settlement represents for other local services delivered by local government. This why it is important for local government, together with all public services, to continue to explore innovation in service delivery and how they can

invest in transforming services in preparation for more challenging settlements.

3.67 Going forward, we are working in collaboration with local government to achieve operational efficiencies and reduce the costs of their administrative functions. We are also looking for opportunities to support the Cabinet's aim to simplify the way Government works with partners by reducing unnecessary and costly administrative overhead and embed the ways of working set out in the Well-being of Future Generations (Wales) Act.

3.68 In line with our vision of creating one Welsh public service that works together to deliver better outcomes for citizens, we are working with Local Government to develop better mechanisms to provide assurance about the outcomes being delivered through the significant funding we make available to Local Authorities. As part of this work we are looking again at the scope to increase funding flexibilities for Local Authorities and, where appropriate, to move funding out of specific grants and into unhyphenated funding (RSG). Over £160m of grants have been moved into RSG during the current Assembly term and, following the abolition of Council Tax Benefit as part of welfare reform, the Welsh Government has provided £244m of annual funding for the Council Tax Reduction Scheme through the unhyphenated Settlement.

3.69 The draft budget confirms that over £30m which previously supported Outcome Agreements is moving into RSG and in discussion with Local Authorities, we continue to explore the scope to do more around dehyphenation both for 2016-17 and to develop further options for an incoming administration to consider in relation to 2017-18.

3.70 Details of the provisional local government settlement including individual authority allocations will be published on 9 December.

2014 Budget Agreement

3.71 Last year, we agreed a two-year package of measures with the Welsh Liberal Democrats shaped around our commitment to supporting children and young people and early intervention. These measures contribute to the delivery of the better well-being outcomes for people now and in the future that lie at the heart of the Well-being of Future Generations Act.

3.72 Our Budget proposals reflect the financial implications of the measures agreed for 2016-17.

Pupil Deprivation Grant

3.73 In 2015-16 we provided an extra £44m to increase the Pupil Deprivation Grant (PDG) from £918 to £1,050 per eligible child for pupils from disadvantaged backgrounds, in line with our shared commitment to close the attainment gap for learners from disadvantaged backgrounds. In 2016-17 we are allocating a further £7.2m to increase the PDG from £1,050 to £1,150 per eligible pupil.

3.74 The PDG continues to be funded above the level of investment the Welsh Government provides for schools budgets overall, reflecting the priority we place on breaking the link between educational attainment and poverty. We will also continue to provide the grant for under-5s, to ensure that those most disadvantaged children have access to high quality education in their early years.

Youth Concessionary Fares

3.75 For many young people, the public transport system is vital to being able to access opportunities for work, education and training, particularly in rural areas. In September 2015 we introduced a discounted travel scheme for 16 and 17 year olds to ensure that affordability is not a barrier to participation. In 2016-17 we are allocating £9.75m for Youth Concessionary Fares to continue our support of this scheme.

Apprenticeships

3.76 Apprenticeships expand opportunities for young people, providing them with valuable route into promising careers. Over this administration we have invested hundreds of millions of pounds in creating apprenticeship places to benefit businesses and young people alike.

3.77 As part of the 2014 Budget Agreement we announced plans to allocate £10m for apprenticeships over the two-year period to help mitigate against planned cuts. Our budget proposals for 2016-17 reflect our commitment to allocate an additional £5m, enabling continued support for around 2,500 apprenticeships. This is in addition to the £5m we are allocating in 2016-17 in support of Work Based Learning.

Childcare in Further Education

3.78 Recognising the importance of ensuring that young people have the support they need to continue their education, as part of the Budget Agreement, we are funding a feasibility study in 2015-16 to determine what further support to young parents is needed to help them return to further education where childcare is a barrier. The results of this study will inform a pilot, for which we have made available an additional £350k in 2016-17.

Capital Investment

3.79 £6m has been allocated in this Draft Budget to support the planned new Dyfi Bridge near Machynlleth which forms part of the Welsh government's commitment to improving transport links between north and south Wales. An allocation of £0.05m has been allocated in respect of Hafren Theatre signage, which also formed part of the Agreement.

4. Welsh Government Budget Proposals

Wales DEL Budget

4.1 Devolved expenditure in Wales for 2016-17 comprises the Wales Departmental Expenditure Limit (DEL) £15.1bn and Annually Managed Expenditure (AME) of £1.5bn.

4.2 Table 4.1 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 4.1 – Allocation of the Wales DEL Budget

MAIN EXPENDITURE GROUPS (MEGs)		£000s
		2016-17
Departmental Expenditure Limits (DEL)		
Health and Social Services		6,984,269
Local Government		3,367,323
Communities and Tackling Poverty		677,323
Economy, Science and Transport		938,747
Education and Skills		1,746,578
Natural Resources		366,575
Central Services and Administration		311,897
Total Allocation to Welsh Government MEGs		14,392,712
Resource Reserves	Fiscal Resource DEL	221,017
	Non-Fiscal Resource DEL	209,871
Capital Reserves		293,747
Assembly Commission		54,438
Auditor General for Wales		4,339
Public Services Ombudsman for Wales		6,928
Direct Charges to the Welsh Consolidated Fund		707
Total Expenditure within the Wales DEL Budget		15,183,759

4.3 The largest element of the Wales DEL is the funding allocated to Welsh Government MEGs, which in the Draft Budget 2016-17 comprises £13.2bn of Resource and £1.2bn of Capital.

Table 4.2 – Allocation of the Welsh Government’s Fiscal Resource DEL Budgets

MAIN EXPENDITURE GROUPS (MEGs)	£000s		2016-17 Plans
	2015-16 Baseline	Changes	
Health and Social Services	6,316,592	244,646	6,561,238
Local Government	3,431,780	-87,777	3,344,003
Communities and Tackling Poverty	336,614	-3,022	333,592
Economy, Science and Transport	496,297	-25,341	470,956
Education and Skills	1,472,678	1,201	1,473,879
Natural Resources	290,743	-16,323	274,420
Central Services and Administration	276,793	7,584	284,377
Total Allocation to Welsh Government MEGs	12,621,497	120,968	12,742,465

Table 4.3 – Allocation of the Welsh Government’s Non Fiscal Resource DEL Budgets

MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2015-16 Baseline	Changes	2016-17 Plans
Health and Social Services	170,000	0	170,000
Local Government	407	-7	400
Communities and Tackling Poverty	0	0	0
Economy, Science and Transport	116,677	0	116,677
Education and Skills	106,931	0	106,931
Natural Resources	3,340	0	3,340
Central Services and Administration	16,000	0	16,000
Total Allocation to Welsh Government MEGs	413,355	-7	413,348

Table 4.4 – Allocation of the Welsh Government’s Capital DEL Budgets

MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2015-16 Baseline	Changes	2016-17 Plans
Health and Social Services	219,550	33,481	253,031
Local Government	22,920	0	22,920
Communities and Tackling Poverty	275,420	68,311	343,731
Economy, Science and Transport	271,700	79,414	351,114
Education and Skills	143,834	21,934	165,768
Natural Resources	63,180	25,635	88,815
Central Services and Administration	9,935	1,585	11,520
Total Allocation to Welsh Government MEGs	1,006,539	230,360	1,236,899

Reserves

- 4.4 In this Draft Budget, our Fiscal Resource Reserves for 2016-17 are set at 1.7per cent of the Fiscal Resource DEL. Our Capital Reserves for 2016-17 are set at 19.2 per cent of the Capital DEL.

Annually Managed Expenditure

- 4.5 Table 4.5 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 E – the Glossary.

Table 4.5 – Welsh Government AME Budget

MAIN EXPENDITURE GROUPS (MEGs)	£000s	
	2016-17	
	Resource	Capital
Health and Social Services	135,400	0
Local Government	1,001,593	0
Communities and Tackling Poverty	0	0
Economy, Science & Transport	37,967	0
Education and Skills	-79,376	449,575
Natural Resources	2,900	0
Central Services and Administration	2,652	0
Total Welsh Government AME Budget	1,101,136	449,575
Assembly Commission	1,500	0
Public Services Ombudsman for Wales	-249	0
Total Welsh AME Budget	1,102,387	449,575

Annex A – Reconciliation between the Welsh Block Budget and Resource Allocations in the Budget Proposals

Table 5.1 - Health and Social Services

	£000s
DEL	2016-17
Resource	6,731,238
Capital	253,031
AME	
Resource	135,400
Capital	0
Total Managed Expenditure	7,119,669
Reconciliation to Resources	
Resource Consumption of WGSBs and NHS bodies	-235,400
Supported Borrowing	-3,602
National Insurance Fund Receipts (and collection costs)	-1,082,470
Resources requested	5,798,197

Table 5.2 - Local Government

	£000s
DEL	2016-17
Resource	3,344,403
Capital	22,920
AME	
Resource	1,001,593
Capital	0
Total Managed Expenditure	4,368,916
Reconciliation to Resources	
National Non Domestic Rates payable (and collection costs)	-982,172
Resource Consumption of WGSBs	-400
Resources requested	3,386,344

Table 5.3 - Communities and Tackling Poverty

	£000s
DEL	2016-17
Resource	333,592
Capital	343,731
AME	
Resource	0
Capital	0
Total Managed Expenditure	677,323
Reconciliation to Resources	
Supported Borrowing	-31,340
Resources requested	645,983

Table 5.4 - Economy, Science and Transport

	£000s
DEL	2016-17
Resource	587,633
Capital	351,114
AME	
Resource	37,967
Capital	0
Total Managed Expenditure	976,714
Reconciliation to Resources	
Resource Consumption of WGSBs	-6,281
Supported Borrowing	-10,336
Direct Charges on the Welsh Consolidated Fund	-1,655
PFI	-8,244
Resources requested	950,198

Table 5.5 - Education and Skills

	£000s
DEL	2016-17
Resource	1,580,810
Capital	165,768
AME	
Resource	-79,376
Capital	449,575
Total Managed Expenditure	2,116,777
Reconciliation to Resources	
Resource Consumption of WGSBs	-6,082
Supported Borrowing	-33,781
Resources requested	2,076,914

Table 5.6 - Natural Resource

	£000s
DEL	2016-17
Resource	277,760
Capital	88,815
AME	
Resource	2,900
Capital	0
Total Managed Expenditure	369,475
Reconciliation to Resources	
Resource Consumption of WGSBs	-5,990
Supported Borrowing	-9,741
Resources requested	353,744

Table 5.7 - Central Services and Administration

	£000s
DEL	2016-17
Resource	300,377
Capital	11,520
AME	
Resource	2,652
Capital	0
Total Managed Expenditure	314,549
Reconciliation to Resources	
Resources requested	314,549

Annex B - Year on Year Changes

Table 6.1 – Resource DEL

	£000s			
	2015-16	2016-17		
	Supplementary Budget June 2015	Draft Budget Plans	Year on Year % Change	Year on Year % Change (Real)
Resource DEL Budget				
Health and Social Services	6,472,279	6,731,238	4.0%	2.3%
Local Government	3,430,187	3,344,403	-2.5%	-4.1%
Communities and Tackling Poverty	341,514	333,592	-2.3%	-4.0%
Economy, Science and Transport	628,474	587,633	-6.5%	-8.1%
Education and Skills	1,589,009	1,580,810	-0.5%	-2.2%
Natural Resources	288,558	277,760	-3.7%	-5.4%
Central Services and Administration	311,477	300,377	-3.6%	-5.2%
Total Welsh Government MEG Allocations	13,061,498	13,155,813	0.7%	-1.0%

Table 6.2 – Capital DEL

	£000s			
	2015-16	2016-17		
	Supplementary Budget June 2015	Draft Budget Plans	Year on Year % Change	Year on Year % Change (Real)
Capital DEL Budget				
Health and Social Services	234,550	253,031	7.9%	6.1%
Local Government	22,920	22,920	0.0%	-1.7%
Communities and Tackling Poverty	395,420	343,731	-13.1%	-14.5%
Economy, Science and Transport	486,200	351,114	-27.8%	-29.0%
Education and Skills	173,834	165,768	-4.6%	-6.2%
Natural Resources	115,680	88,815	-23.2%	-24.5%
Central Services and Administration	11,435	11,520	0.7%	-0.9%
Total Welsh Government MEG Allocations	1,440,039	1,236,899	-14.1%	-15.5%

Table 6.3 – Resource AME

	£000s			
	2015-16	2016-17		
	Supplementary Budget June 2015	Draft Budget Plans	Year on Year % Change	Year on Year % Change (Real)
Resource AME Budget				
Health and Social Services	195,400	135,400	-30.7%	-31.9%
Local Government	980,593	1,001,593	2.1%	0.4%
Communities and Tackling Poverty	0	0	0.0%	0.0%
Economy, Science and Transport	75,331	37,967	-49.6%	-50.4%
Education and Skills	-82,444	-79,376	-3.7%	-5.3%
Natural Resources	2,900	2,900	0.0%	-1.7%
Central Services and Administration	9,494	2,652	-72.1%	-72.5%
Total Welsh Government AME	1,181,274	1,101,136	-6.8%	-8.3%

Table 6.4 – Capital AME

	£000s			
	2015-16	2016-17		
	Supplementary Budget June 2015	Draft Budget Plans	Year on Year % Change	Year on Year % Change (Real)
Capital AME Budget				
Health and Social Services	0	0	0.0%	0.0%
Local Government	0	0	0.0%	0.0%
Communities and Tackling Poverty	0	0	0.0%	0.0%
Economy, Science and Transport	0	0	0.0%	0.0%
Education and Skills	421,248	449,575	6.7%	4.9%
Natural Resources	0	0	0.0%	0.0%
Central Services and Administration	0	0	0.0%	0.0%
Total Welsh Government AME	421,248	449,575	6.7%	4.9%

Annex C - Reconciliation between First Supplementary Budget 2015-16 Allocations and 2016-17 Baselines

Table 7.1 Health and Social Services

<u>DEL</u>	£000s
<u>Resource</u>	
First Supplementary Budget 2015-16	6,472,279
Adjustments to remove non-recurrent transfers to or from Reserves	
Add back: Non-recurrent transfer out to Department for Work and Pensions in respect of Independent Living Fund	6,600
Deduct: Non-recurrent transfer in from Home Office in respect of Migrant Surcharge	-5,900
Adjustment in respect of Invest to Save Fund	
Add back: Net repayment to Invest to Save Fund reflected in First Supplementary Budget 2015-16	13,613
Baseline for 2016-17	6,486,592
<u>Capital</u>	
First Supplementary Budget 2015-16	234,550
Adjustments to remove non-recurrent allocations from Reserves	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>Development of Adult Mental Health Unit - University Hospital Llandough</i>	<i>-10,000</i>
<i>Ysbyty Glan Clwyd redevelopment</i>	<i><u>- 5,000</u></i>
	<i>-15,000</i>
Baseline for 2016-17	219,550

Table 7.2 Local Government

DEL	£000s
Resource	
First Supplementary Budget 2015-16	3,430,187
Adjustment to reflect prior commitment	
Add: 2016-17 uplift to Local Government Borrowing Initiative - 21st Century Schools	2,000
Baseline for 2016-17	3,432,187
Capital	
First Supplementary Budget 2015-16	22,920
Adjustments to remove non-recurrent allocations from Reserves	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	0
Baseline for 2016-17	22,920

Table 7.3 Communities and Tackling Poverty

DEL	£000s
Resource	
First Supplementary Budget 2015-16	341,514
Adjustment to remove non-recurrent transfers to or from Reserves	
Deduct: Non-recurrent allocation from Reserves to support implementation of the Housing Bill.	-4900
Baseline for 2016-17	336,614
Capital	
First Supplementary Budget 2015-16	395,420
Adjustments to remove non-recurrent allocations from Reserves	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>Affordable Housing Land Scheme</i>	-12,000
<i>Flying Start</i>	- 2,000
<i>Gypsy Traveller Sites programme</i>	- 2,000
<i>Help to Buy Cymru Shared Equity Scheme</i>	-71,000
<i>Home Improvement Loans</i>	- 3,000
<i>Houses into Homes</i>	-10,000
<i>Social Housing Grant</i>	-15,000
<i>Town Centre Loan Fund (pilot)</i>	- 5,000
	-120,000
Baseline for 2016-17	275,420

Table 7.4 Economy, Science and Transport

DEL	£000s
Resource	
First Supplementary Budget 2015-16	628,474
Adjustments to remove non-recurrent transfers to or from Reserves	
Deduct:	
Allocation to support the 2015-16 Wales Retail Relief Scheme	-15,000
Allocation to support the Enterprise Zone Business Rate Scheme in 2015-16	-1,500
Adjustment in respect of Invest to Save Fund	
Add back: Net repayment to Invest to Save Fund reflected in First Supplementary Budget 2015-16	1,000
Baseline for 2016-17	612,974
Capital	
First Supplementary Budget 2015-16	486,200
Adjustments to remove non-recurrent allocations from Reserves	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>A465 Heads of the Valley Dualling - Section 2</i>	<i>-40,000</i>
<i>A55 Tunnels Route Resilience and Life Safety Improvements</i>	<i>-12,000</i>
<i>Cardiff Airport Route Development</i>	<i>- 3,000</i>
<i>Eastern Bay Link Road</i>	<i>-30,000</i>
<i>Ebbw Vale town centre rail extension and station scheme</i>	<i>- 2,000</i>
<i>Finance Wales Investment Funds for SMEs</i>	<i>-27,500</i>
<i>Life Sciences Fund</i>	<i>-15,000</i>
<i>M4 Brynglas Tunnels Carriageway Reconstruction, Safety and Resilience</i>	<i>-30,000</i>
<i>Next Generation Broadband</i>	<i>-10,000</i>
<i>North Wales Transport scheme</i>	<i>-10,000</i>
<i>South Wales Integrated Transport</i>	<i>-29,800</i>
<i>National Library of Wales</i>	<i>- 200</i>
<i>Capital Loan Scheme for Sport and Leisure Facilities</i>	<i>- 5,000</i>
	-214,500
Baseline for 2016-17	271,700

Table 7.5 Education and Skills

DEL	£000s
Resource	
First Supplementary Budget 2015-16	1,589,009
Adjustment to remove non-recurrent transfers to or from Reserves	
Deduct: One year allocation to recognise pressures on the Education and Skills MEG in 2015-16	-8,400
Adjustment to reflect prior commitment	
Deduct: Increase in Education and Skills contribution to Local Government Borrowing Initiative - 21st Century Schools	-1,000
Baseline for 2016-17	1,579,609
Capital	
First Supplementary Budget 2015-16	173,834
Adjustments to remove non-recurrent allocations from Reserves	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>21st Century Schools (Local Government Borrowing Initiative)</i>	<u>-30,000</u>
	-30,000
Baseline for 2016-17	143,834

Table 7.6 Natural Resources

<u>DEL</u>	£000s
<u>Resource</u>	
First Supplementary Budget 2015-16	288,558
Adjustment to reflect Machinery of Government change	
Add: UK Government transfer in respect of British Cattle Movement Society	1,512
Adjustment in respect of Invest to Save Fund	
Add back: Net repayment to Invest to Save Fund reflected in First Supplementary Budget 2015-16	4,013
Baseline for 2016-17	294,083
<u>Capital</u>	
First Supplementary Budget 2015-16	115,680
Adjustments to remove non-recurrent allocations from Reserves	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>Green Growth Fund</i> - 5,000	
<i>Arbed Eco</i> -35,000	
<i>Flood and Coastal Risk Management Programme</i> -12,500	
	-52,500
Baseline for 2016-17	63,180

Table 7.7 Central Services and Administration

DEL	£000s
Resource	
First Supplementary Budget 2015-16	311,477
Adjustment to remove non-recurrent transfers to or from Reserves	
Deduct: Non-recurrent transfer from Ministry of Justice in respect of Administrative Justice Tribunal Council	-58
Adjustment in respect of Invest to Save Fund	
Deduct: Invest to Save budget in 2015-16 NB The value of the Fund varies in each year according to the profiled repayments from previous projects and does not form part of the core Central Services and Administration budget.	-18,626
Baseline for 2016-17	292,793
Capital	
First Supplementary Budget 2015-16	11,435
Adjustments to remove non-recurrent allocations from Reserves	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>e-Procurement Services Programme</i>	
	<u>- 1,500</u>
	-1,500
Baseline for 2016-17	9,935

Annex D - Costs of Legislation in 2016-17

MEG	Title of Act or Bill		Budget Action Title	Costs for Welsh Government in 2016-17 At Published RIA Stage or Enactment
	Bill Introduced into Assembly and RIA Published	Enacted		
Health and Social Services		Human Transplantation (Wales) Act 2013	Delivery of Targeted NHS Services	£617,000
Health and Social Services		Social Service and Well-being (Wales) Act 2014	Social Services Strategy	£4.3m
Health and Social Services		NHS Finance (Wales) Act 2014	Delivery of Core NHS Services	£25,000
Health and Social Services	Public Health (Wales) Bill		Promote Health Improvement & Healthy Working	£720,000
Health and Social Services	Regulation and Inspection of Social Care (Wales) Bill		Social Services Strategy	£1.471m
Local Govt		Well-being of Future Generations (Wales) Act 2013	Funding Support for Local Government Action	£2,500

Local Govt		Local Government (Wales) Act 2015	Funding Support for Local Government Action	£125,000
Local Govt		Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	Domestic Abuse Action	£468,700
Communities and Tackling Poverty		Housing (Wales) Act 2014	Independent Living Action	£10,000
			Homelessness Prevention Action	£3.2m
			Communities and Tackling Poverty Action	£1.54m
			Achieve Quality Housing Action	£15,000
			Housing Revenue Funding Action	£15,000
Communities and Tackling Poverty	Renting Homes (Wales) Bill		Independent Living Action	£140,000
Economy, Science and Transport	Historic Environment (Wales) Bill		Improve protection of the Historic Environment	£230,000
Economy, Science and Transport		Active Travel (Wales) Act 2013	Providing funding to local authorities to carry out mapping duties	£200,000
Education and Skills		Qualifications Wales Act 2015	Qualifications Action	£8.169m

Natural Resources		Agricultural Sector (Wales) Act 2014	Enforcement of the Act and establishment and operation of the Agricultural Advisory Panel for Wales	£163,000
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Annex E – Glossary

Action	<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>www.wales.gov.uk/budget</p>
Ambits	<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>
Annually Managed Expenditure (AME)	<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>
Budget Exchange System	<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>
Budget Motion	<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>
Capital	<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>
Departmental Expenditure Limit (DEL)	<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>
Depreciation	<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>

Direct Charges on the Welsh Consolidated Fund	Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct Charges include the remuneration of the Presiding Officer and Auditor General.
Financial Transactions	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.
Fiscal Resource DEL (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.
Main Expenditure Group (MEG)	The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently 7 MEGs: Health and Social Services; Local Government; Communities and Tackling Poverty; Economy, Science and Transport; Education and Skills; Natural Resources; and Central Services and Administration.
Non-Fiscal Resource DEL (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.
Receipts	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.
Resource budgeting	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.
Resource (previously known as revenue)	Current expenditure, for example, funding for the pay of public sector workers and to purchase consumable goods and services.

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

Draft Budget Proposals 2016-17

*Laid Before the National Assembly for Wales by the Minister for Finance & Government
Business*

December 2015

Draft Budget Proposals

1. That the Assembly, in accordance with Standing Order 20.12, takes note of the draft budget for the Government laid on the 8 December, in accordance with Standing Order 20.7.

Welsh Ministers

2. Welsh Ministers propose

(a) to use resources (not including accruing resources) during the financial year ending 31 March 2017 for the services and purposes specified in Column 1 of Schedule 1, up to a maximum of the corresponding amounts specified in Column 2 of that Schedule;

(b) in addition, to retain income, within the categories of accruing resources specified in Column 1 of each Part of Schedule 2, during the financial year ending 31 March 2017, for use on the services and purposes specified in the corresponding entries in Column 2 of each Part of that Schedule, up to the limit specified for each Part of that Schedule; and

(c) to draw cash out of the Welsh Consolidated Fund for use on the services and purposes specified in Schedule 1, up to the net cash requirement limit specified in Schedule 5.

3. Despite paragraphs 2(a) and (b), the resources which may be used for a service [and] [or] purpose specified in Column 1 of Schedule 1 (or, as the case may be, in Column 2 of each Part of Schedule 2), may exceed the amount specified in the corresponding entry in Column 2 of Schedule 1 (or, as the case may be, in Column 2 of each Part of Schedule 2) if-

(a) in the case of resources other than accruing resources, the first condition is met, or

(b) in the case of accruing resources, the second condition is met.

4. The first condition is that the total resources (other than accruing resources) used during the financial year ending 31 March 2017 for all services [and] [or] purposes specified in Column 1 of Schedule 1 does not exceed the total of the amounts specified in Column 2 of that Schedule.

5. The second condition is that the total accruing resources used during the financial year ending 31 March 2017 for all services [and] [or] purposes specified in Column 2 of Schedule 2 does not exceed the total of the amounts specified in that Column.

6. These draft budget proposals detail the amounts of resources and cash which the government proposes to use for 2016-17 only.

For information – Assembly Commission, Auditor General and Ombudsman

7. The budget procedures for the Assembly Commission, the Auditor General for Wales, and the Public Services Ombudsman for Wales (the “direct-funded bodies”) are governed by Standing Orders 20.13 to 20.24. The budgets for the direct-funded bodies will be included as part of the annual budget motion to be tabled by the Minister for Finance on or before 1 March 2016.

8. The amounts of resources (other than accruing resources) which the direct-funded bodies propose to use in 2016-17 are included in Schedule 3; the amounts of accruing resources which those bodies propose to retain and use for specified services and purposes are included in Schedule 4; and the amounts of cash which is proposed to be issued to the direct-funded bodies out of the Welsh Consolidated Fund are included in Schedule 5.

9. These amounts are not part of the Welsh Government Budget. They are included in Schedules 3, 4 and 5 for information and for the purpose of reconciling the resources allocated to the Welsh block budget, and the estimated amount of cash to be paid into the Welsh Consolidated Fund, with the resources and cash to be authorised for use by the Welsh Government and the direct-funded bodies. Taken together it’s possible to see the total draft Welsh Budget.

10 The amounts for the direct-funded bodies are derived from the following sources:

- (a) the Assembly Commission figures have been taken from the estimates as laid before the Assembly on 25 September 2015.
- (b) the figures for the Auditor General for Wales are derived from the estimate for the Auditor General, as laid before the Assembly on 23 October 2015.
- (c) the figures for the Public Services Ombudsman have been taken from the Estimate provided to the Finance Committee for consideration on 22 September 2015.

Summary of Resource and Capital Requirements

Welsh Ministers

Ambit	Resources (£000)	Accruing Resources (£000)
Health and Social Services	5,798,197	1,150,408
Local Government	3,386,344	300
Communities and Tackling Poverty	645,983	0
Economy, Science and Transport	950,198	80,659
Education and Skills	2,076,914	170,947
Natural Resources	353,744	295,774
Central Services and Administration	314,549	561,113
Total Resources Requested and Accrued Income relating to Welsh Ministers	13,525,929	2,259,201

Direct Funded Bodies

Ambit	Resources (£000)	Accruing Resources (£000)
National Assembly for Wales Commission	55,938	400
Public Services Ombudsman for Wales	4,090	0
Auditor General for Wales	6,928	16,715
Total Resources and Accrued Income for Direct Funded Bodies	66,956	17,115

Schedule 1 – Ambits for expenditure incurred by Welsh Ministers

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Health and Social Services</p> <p>For use by Welsh Ministers to spend on Health and Social Services including promoting or improving economic, social or environmental wellbeing.</p> <p>Resource and capital funding for Local Health Boards and Welsh NHS Trusts and associated healthcare providers; Public Dividend Capital to NHS Trusts; loans to NHS Trusts; payments for contracted services including dentistry, ophthalmic and pharmaceutical services; general medical services, support for education and training; research and development; mental health services; chronic disease treatment; and measures to combat Inequalities in Health; funding for the Welsh Risk Pool; funding for support for children and their families, including children and families organisations and Advocacy; Grants to deliver the Substance Misuse strategy and support for the Food Standards Agency; support for older person's services and for social services and carers; social services improvement (including the funding of the Association of Directors of Social Services (ADSS) Cymru and Social Care Institute for Excellence (SCIE); for the Care Council for Wales; the National Institute for Health and Clinical Excellence (NICE); the Older People's Commissioner; and contributions to UK health and social care bodies.</p> <p>Funding for the Children and Family Court Advisory and Support Service (CAFCASS) Cymru; funding for services provided to or on behalf of the Scottish Government, Northern Ireland Executive and Department of Health; services for the improvement of health and the prevention, diagnosis and treatment of illness; and any related expenditure and non cash resource use.</p>	<p>5,798,197</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Local Government</p> <p>For use by Welsh Ministers to spend on promoting economic, social and environmental wellbeing in the areas of local government and public service delivery and the promotion of community safety. The unhypothecated and hypothecated funding of local government unitary authorities; police and crime commissioners and fire and rescue service authorities through unhypothecated grant funding by means of revenue support grant, redistributed national non-domestic rates (NNDR) and general capital funding or discrete resource and capital grant funding for specific policy purpose relevant to the above areas of activity. The funding and sponsorship of public bodies and nonstatutory organisations with functions relating to the audit, regulation and inspection; the promotion and representation of democracy; the performance development and change management; the promotion and maintenance of standards and accountability (including appellate functions); the delivery of outcomes; and the improvement of performance in respect of local government. Funding for the programme, staffing and general administrative costs (including leasing costs) of the Care and Social Services Inspectorate and the Healthcare Inspectorate Wales, Sponsorship of Estyn including staff costs and general administrative expenditure and depreciation and any related expenditure and non cash resource use. Funding of Academi Wales. Funding Community Safety Partnerships in respect of community safety and development; work to support the armed forces, veterans and their families; the combating of domestic abuse and sexual violence; and the prevention of young people from offending, and related expenditure and non cash resource use. Support for the Valuation Office Agency.</p>	<p>3,386,344</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Communities and Tackling Poverty</p> <p>For use by Welsh Ministers to spend on promoting and evaluating economic, social and environmental well being in the areas of Supporting Communities and People including the regeneration and development of communities, the funding of Third Sector organisations; Tackling Poverty initiatives; support the Communities First Programme; community development; development of voluntary organisations and volunteering; financial inclusion including credit unions; digital inclusion; post offices; Criminal Records Bureau checks; and welfare reform projects funding and administration.</p> <p>Funding for support for and evaluation of children and their families, including funding for Flying Start, Families First, the Children's Commissioner for Wales, child poverty strategies, childcare, play, children and young people's rights, participation, children and families organisations, support for local authorities, the third and private sectors for childcare purposes and support for out of school and 'wrap-around' childcare.</p> <p>Funding for the support, promotion and evaluation of Equality, Diversity and Inclusion including matters relating to programme funding for equality and equal opportunities; for improving social inclusion and social justice and community cohesion; and any other related expenditure.</p> <p>Funding for Housing and Regeneration including promoting or improving culture and economic, social or environmental wellbeing; provide funding, advice and administrative support for local authorities, agencies and other bodies to promote, facilitate and deliver a range of schemes and services in connection with Housing and Regeneration; improve the supply and quality of housing across Wales, including the standard of local authority and social landlord housing, and improve housing-related services; acquisition, leasing, development and maintenance of land and buildings; housing stock transfers, community mutual support and capacity building; social housing; support for physical regeneration including housing renewal areas and licensing houses in multiple occupation; supporting people; preventing and addressing homelessness; providing funding for adaptations and facilities to enable people to remain in their own homes; regulation and inspection of registered social landlords; Regeneration policy and administration of policies and funding including promoting economic, social and environmental</p>	<p>645,983</p>

<p>wellbeing for business, individuals, communities and places in Wales; transpose and implement UK, European and international legislation and obligations; administration and delivery of EC structural funded projects; carry out investigations, research, and evaluation; promotion, publicity and services; and any other related expenditure and non-cash resource use.</p>	
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Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Economy, Science and Transport</p> <p>For use by Welsh Ministers on Economy, Science and Transport including promoting economic, social or environmental wellbeing for business, individuals, communities and places in Wales.</p> <p>For the provision of resource and capital funding to assist the establishment, growth, development and sustainability of business and tourism in Wales</p> <p>Expenditure relating to support culture, sport, media, publishing, and the historic and natural environment including funding to the Amgueddfa Cymru – National Museum of Wales; the National Library of Wales; the Arts Council of Wales; the National Botanic Garden of Wales; the Sports Wales and other organisations that promote sport and active lifestyles throughout Wales; Cadw and the Royal Commission for Ancient and Historic Monuments in Wales and other organisations to promote and widen access to, conserve, protect, sustain and present buildings, ancient monuments and places of cultural, historical, archaeological or architectural interest in Wales and any other related expenditure and non cash resource use.</p> <p>Resource and capital funding for road transport and infrastructure, including construction, operation, maintenance and improvement of trunk roads in Wales; delivery of passenger rail and air services; road safety; regulation of pedestrian crossing and on-street parking; funding and administration of programmes to local authorities and other bodies designed to deliver a range of transport schemes and services including concessionary fares; support for the promotion and development of walking and cycling; and any other related expenditure and non cash resource use that provides broader economic benefit to Wales.</p> <p>Capital repayments to the National Loans Fund.</p>	<p>950,198</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Education and Skills</p> <p>For use by Welsh Ministers on Education and Skills to fund: improving literacy and numeracy; extending entitlement and 14-19 learning pathways; the Foundation Phase; curriculum improvements support for Techniquet; teacher training, development and support; qualification development and regulation; capital and resource funding for Qualifications Wales; resource provision for post-16 education and training including further education, apprenticeships and work based learning; capital and resource funding for the Higher Education Funding Council for Wales; support for undergraduate medical education; schools performance improvement; the funding of inspections; support for improving standards and school effectiveness; pupil deprivation grant; IT development in learning; capital to support the school and post-16 infrastructure; skills development and workplace learning; careers advice services; support for the Youth Service; support for young people not in employment, education or training; inclusion and additional learning needs; provision of school milk; learner and student finance including Student Loans Company costs and Education Maintenance Allowances; tackling disaffection; bilingual learning; support for the Welsh Language Commissioner and grants and projects which promote the Welsh Language; support for international education initiatives; educational research and evaluation; promotion of education and skills; associated non cash items and any related expenditure and non cash resource use.</p>	<p>2,076,914</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Natural Resources</p> <p>For use by Welsh Ministers on Natural Resources, including promoting and improving economic, social or environmental wellbeing; including environment and energy, and renewable energy; providing funding, advice and administrative support for local authorities, agencies and other bodies to promote, facilitate and deliver a range of schemes and services in connection with Natural Resources, landscape and outdoor recreation; providing funding to support and sponsor the work of Natural Resources Wales to ensure that the environment and natural resources of Wales are sustainably managed, enhanced and used; promote and deliver sustainability, climate change and environment quality; support and promote low carbon energy generation; energy efficiency and sustainable management of water resources and improvements in water quality; provide and fund water and sewerage services, flood and coastal protection and risk prevention measures; provide funding and loan support and advice relating to climate change, energy efficiency, fuel poverty, water and flood and coastal erosion risk management; provide funding, compensation, support and advice relating to the sustainable management of waste and resources; waste prevention, disposal, collection and management, recycling schemes, street cleansing and landfill tax credits; manage radioactivity, environmental pollution, air quality, environment quality and noise pollution; promotion of biodiversity, natural resource management and ecosystem services; conservation; animal, plant and bee health; seeds, pesticides and GM crops; public health; measures to mitigate greenhouse gas emissions from the land based sector; administration of policies and grants including promoting economic, social and environmental wellbeing for business, individuals, communities and places in Wales; transpose and implement UK, European and international legislation and obligations; administration and delivery of EC structural funded projects; European funding to support farmers in Wales, including Direct Payments; administration of European funding for farmers in Wales: carry out investigations, research and evaluation; promotion, publicity and services; provide financial assistance to support landscape and the development of facilities for, and the promotion of outdoor recreation and green spaces, funding for the National Parks; projects relating to Wales' National Parks and Areas of Outstanding Natural Beauty; develop and monitor planning and building regulations, legislation, policy, procedures, technical advice and standards; commissioning research, publishing reports and guidance; determining appeals</p>	<p>353,744</p>

<p>and other casework, and sponsorship of the Planning Inspectorate; providing grant in aid funding and support, including the Aggregates Levy Fund; Funding for the support and promotion of projects and initiatives of the Welsh Government Sustainable Development Policy Scheme and charter expenditure relating to Agriculture, Rural Development, Fisheries and Marine activities, Food, Animal Welfare and Traceability, Land Management and Woodlands; disease surveillance activities and any other related expenditure and non cash resource use.</p>	
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Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Central Services and Administration</p> <p>For use by the Welsh Government on administration expenditure and running costs including: staff costs and expenses; the running costs and investment for the civil estate; general administrative expenditure; expenditure on IT and communications; expenditure on business improvement programmes; other administrative resource and capital expenditure; public appointments; enabling and promoting open government; supporting research and evaluation; promoting economic, physical social or environmental wellbeing; managing corporate internal communications events and external communication of Government policy and actions; funding for inter-governmental relations, including the British Irish Council, and constitutional development, including costs of any referendum; hosting events of national importance; the costs of public inquiries; the cost of tribunals; funding to public sector bodies for achieving efficiency gains; funding Value Wales and Xchange Wales; payments to support overseas development and links; grants and financial support to other public sector organisations; support to EU funded projects; the administration and delivery of EC structural funded projects; and any related expenditure and non cash resource use.</p>	<p>314,549</p>

Schedule 2 – Use of accruing resources by Welsh Ministers
Part 1: Health and Social Services

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Services and purposes for which income may be retained</i>
<p>Accruing resources include income under the Pharmaceutical Price Regulation Scheme; income in respect of settlement of legal claims; charges for accommodation, goods and services to private and NHS patients, local authorities and others; repayment of Invest to Save funding from Local Health Boards and Welsh NHS Trusts; income from the Scottish Government, Northern Ireland Executive, Department of Health, other government departments and the European Union; income from fixed penalty notices issued under the Food Hygiene Rating (Wales) Act 2013; income generation schemes; National Insurance Income from HM Revenue and Customs; non-operating income from sale of land, buildings, vehicles, equipment and property and recoveries of VAT; income from rebate schemes and agreements.</p>	<p>Services and purposes include expenditure on primary and community health services; the purchase or acquisition of fixed assets by Welsh NHS Trusts, Local Health Boards and associated healthcare providers; supporting the provision and administration of health and social care services.</p>
Overall amount of Income (£000)	1,150,408

Part 2: Local Government

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Services and Purposes for which income may be retained</i>
Accruing resources include grant funding from the European Commission; repayment and recovery of grant payments and recoveries of VAT; fees and charges for inspections and regulatory services; provision of training and development events; training provider repayments; charges for dental registration; income from staff secondments; repayment of staff loans; rental income on property; compensation under commercial and civil settlements and levy of facilitation fees; income from the sale of capital assets.	Services and purposes include running costs, general administration costs and resource expenditure of Inspectorates and the Valuation Tribunal; the delivery of training interventions for the Welsh Public Service; supporting expenditure on safer communities and regeneration; the payment of grants to local authorities and Third Sector bodies; all European funded projects; and to support all expenditure as identified within the expenditure Ambit.
Overall amount of Income (£000)	300

Part 3: Communities and Tackling Poverty

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Services and Purposes for which income may be retained</i>
<p>Accruing resources including repayment and recovery of grant payments and recoveries of VAT; fees and charges for inspections and regulatory services; provision of training and development events; income from staff secondments; repayment of staff loans; income from the sale of capital assets; income from repayments of Social Housing Grant; grant recoveries from local authorities, third sector organisations and other public and private sector organisations; rental income; receipts from the sales of assets, funding from other government departments and recoveries of VAT; funds via European and other funding schemes; recoveries of grants or settlements in respect of grant payments; recovery of loans made and any interest charges thereon; ad-hoc grants from other sources and recoveries of VAT.</p>	<p>The payment of grants to local authorities and Third Sector bodies; all European funded projects; Social Housing expenditure and funding and schemes part supported by other government departments; market housing expenditure and schemes; expenditure on Regeneration schemes and all European funded projects and to support all expenditure as identified within the expenditure Ambit.</p>
Overall amount of Income (£000)	0

Part 4: Economy, Science and Transport

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources and funding either direct or indirect from the European Commission; property rental and other associated income; business services charges; project contributions from other public sector and private sector organisations; investment income; grant repayments and repayable business finance; income from the sale of capital assets; income relating to tourism activities; transport studies receipts; compensation under commercial and civil settlements and levy of facilitation fees; Admission charges and other operational income at Cadw and the Royal Commission for Ancient and Historic Monuments sites; and recoveries of VAT.	All European funded projects and to support all expenditure as identified within the expenditure Ambit.
Overall amount of Income (£000)	80,659

Part 5: Education and Skills

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources include income from European Projects, research & evaluation and business skills development; curriculum royalties; recoveries of Student Loans; funding from the Higher Education Research Capital fund; sales of publications and recoveries of VAT.	Services and purposes include supporting European projects, CQFW, programme development, business skills development, research & evaluation current expenditure; to support curriculum current expenditure and to support all expenditure as identified within the expenditure Ambit.
Overall amount of income (£000)	170,947

Part 6: Natural Resources

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Service and Purposes for which income may be retained</i>
<p>Accruing resources include funding either direct or indirect from the European Commission including income from European structural funds; income from the EU to support farmers and rural communities in Wales; income from wind farm projects; income from Pwllpeiran Farm or the sale of capital assets; income from grant recoveries from local authorities, third sector organisations and other public and private sector organisations; civil penalty fines associated with emission trading schemes; income from marine licences; income from the salvage of carcasses from animals slaughtered for disease control, ad-hoc grants from other sources and recoveries of VAT; receipts from sales of assets including buildings, funding from other central government departments and income related to Natural Resources.</p>	<p>Services and purposes include expenditure relating to Pwllpeiran Farm; grant payments, schemes part supported by other government departments; all European funded projects and to support all expenditure as identified within the expenditure Ambit.</p>
Overall amount of Income (£000)	295,774

Part 7: Central Services and Administration

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Services and Purposes for which income may be retained</i>
<p>Accruing resources include income from staff secondments and fees; repayment of staff loans; the refund of statutory PAYE deductions; recoveries of VAT; the sale of land and buildings; the sub let of properties; the sale of administrative assets; the sale of goods and services; administrative income; income from ICT services provided; training provider repayments; recovery of costs shared with other public sector bodies; receipts of recoverable grants including Invest-to-Save receipts; and funding either direct or indirect from the European Commission.</p>	<p>Services and purposes include funding of: running costs and general administrative expenditure; supporting capital expenditure on the Welsh Government's estate and asset base; and all European funded projects.</p>
Overall amount of Income (£000)	561,113

Schedule 3 – Expenditure Incurred by Direct Funded Bodies (excluding accruing resources)

Part 1 – National Assembly for Wales Commission

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the National Assembly for Wales Commission on resource and capital costs associated with the administration and operation of Assembly Services to support the National Assembly for Wales ('the Assembly'); promotion of the Assembly including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards and Remuneration Board; any other payments relating to functions of the Assembly or functions of the National Assembly for Wales Commission. Resources other than accruing resources for use by the National Assembly for Wales Commission in respect of decisions of the Remuneration Board and expenditure in respect of Assembly Members' Pension provision.	55,938

Part 2 – Public Services Ombudsman for Wales

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the Public Services Ombudsman for Wales ('the Ombudsman') on resource and capital costs associated with the administration of the Ombudsman's office; payments to the British and Irish Ombudsman Association; payments to the International Ombudsman Institute and associated non cash items.	4,090

Part 3 – Auditor General for Wales

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office.	6,928

Schedule 4 – Use of accrued resources by Direct Funded Bodies
Part 1 – National Assembly for Wales Commission

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and purposes for which income may be retained</i>
Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the National Assembly for Wales Commission from the disposal of fixed assets and other capital income; rental income; gifts; grant support; recharges; income from commercial sales and other services provided to the public or others.	For use on the purchase or acquisition of fixed assets and for use on administrative costs of the Assembly.
Overall amount of Income (£000)	400

Part 2 – Public Services Ombudsman for Wales

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and purposes for which income may be retained</i>
Income from commercial sales and other services provided to the public or others.	For use on related services and the administration of the Ombudsman service.
Overall amount of Income (£000)	0

Part 3 – Auditor General for Wales

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Services and purposes for which income may be retained</i>
Accruing resources from fees and charges for audit, grant certification and related services; grants received to fund audit services; other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences, provision of administrative, professional and technical services; recoveries of costs of seconded staff; repayments of staff loans; recoveries of car leasing payments; recoveries of any costs incurred for a third party; and interest received on working balance fees.	For use by the Wales Audit Office on the discharge of functions of the Auditor General and local government appointed auditors, and on related services and the administration of the Wales Audit Office.
Overall amount of income (£000)	16,715

Schedule 5: Resource to Cash Reconciliation 2016-17 (£000)

	Welsh Ministers	Assembly Commission	Public Services Ombudsman	Auditor General for Wales
Net Resource Requirement	12,829,953	55,688	4,065	6,678
Net Capital Requirement	695,976	250	25	250
Adjustments:				
Capital Charges	-121,415	-3,000	-80	-200
Impairments	-56,427	0	0	0
Movements in Provisions	-72,652	-1,500	249	0
Profit/Loss on sale of assets	0	0	0	0
Movements in stocks	0	0	0	0
Movements in debtors/creditors	0	600	20	0
Use of Provisions	0	0	0	0
Other	0	0	0	0
Net Cash Requirement for issue from the Welsh Consolidated Fund	13,275,435	52,038	4,279	6,728

Notes:

1. This table content and format complies with Standing Order 20.7 which states that the draft budget must set out the amounts of resources and cash which the government proposes to use for the following financial year.
2. The following tables in Schedules 6 and 7 are provided for information purposes and follow the format of the annual budget motion.

Schedule 6: Reconciliation of resources requested in the budget motion to resources made available by the Treasury for the Welsh Block for 2016-17

	2016-17 (£000)				
	Revenue DEL	Capital DEL	Revenue AME	Capital AME	Total
<i>Resources Requested in the Budget Motion:</i>					
- Welsh Ministers	12,783,130	246,401	46,823	449,575	13,525,929
- Assembly Commission	54,188	250	1,500	0	55,938
- Ombudsman	4,314	25	-249	0	4,090
- Auditor General	6,678	250	0	0	6,928
Total Resources Requested in the Draft Budget	12,848,310	246,926	48,074	449,575	13,592,885
<i>Adjustments:</i>					
(i) Resource Consumption of WGSBs and LHBs	176,840	0	77,313	0	254,153
(ii) Grants	-901,698	901,698	0	0	0
(iii) Supported Borrowing	0	88,800	0	0	88,800
(iv) Other	1,095,886	0	977,000	0	2,072,886
Total Adjustments in the Draft Budget	371,028	990,498	1,054,313	0	2,415,839
- Direct Charges on the Welsh Consolidated Fund	2,362	0	0	0	2,362
- Wales Office	4,410	30	0	0	4,440
- Unallocated Reserve	430,888	293,747	0	0	724,635
Total Managed Expenditure (Block)	13,656,998	1,531,201	1,102,387	449,575	16,740,161

Notes:

1. The total resource requirement for the Welsh Government is equivalent to the total of the allocations included in the Ambits of Schedule 1.
2. Standing Order 20.28(ii) states that the annual budget motion should include the Resources agreed by the Treasury for the Welsh block budget for the financial year covered by the motion. Schedule 6 satisfies this requirement.
3. Standing Order 20.28(iii) states that the annual budget motion must include a Reconciliation between the resources allocated to the Welsh block budget by the Treasury and the resources to be authorised for use in the budget motion. Schedule 6 satisfies this requirement.
4. Direct charges to the Welsh Consolidated Fund are:

Item	2016-17 £000
Payments to the National Loans Fund	1,655
Salaries and related pension costs of the Presiding Officer and the Deputy Presiding Officer	259
Salaries and related pension costs of the Ombudsman	197
Salaries and related pension costs of the Auditor General	204
Salaries and related pension costs of the Chair of the Wales Audit Office	28
Salaries and related pension costs of the Commissioner for Standards	19
National Non Domestic Rates Income	-977,000
National Non Domestic Rates Payable	977,000
Total	2,362

Schedule 7: Reconciliation of cash inflows to the Welsh Consolidated Fund to the cash issues to be requested in the budget motion (£000)

	2016-17
Estimated net amounts payable to Welsh Ministers:	
Grant payable by the Secretary of State to the Welsh Consolidated Fund under Section 118 (1)	13,855,606
Payments from Other Government Departments	1,081,564
Payments from other sources	2,154,637
Estimated amounts payable to Welsh Ministers	17,091,807
Less amounts authorised to be retained by Welsh Ministers	-2,259,201
Less amounts retained in the Welsh Consolidated Fund	-977,000
Amounts available for distribution from the Welsh Consolidated Fund	13,855,606
Distributed as follows:	
- Welsh Ministers	13,275,435
- Assembly Commission	52,038
- Ombudsman	4,279
- Auditor General	6,728
Cash Released from the Welsh Consolidated Fund in the Motion	13,338,480
<i>Plus:</i>	
Direct Charges on the Welsh Consolidated Fund	2,362
Unallocated Funds	514,764
Total Estimated Payments	13,855,606

Notes:

1. Section 125(3) of the Act states that the annual budget motion must be accompanied by a written statement made by Ministers showing:
 - i. the total amount of the payments which they estimate will be made for the financial year under Section 118(1);
 - ii. the total amount of the payments which they estimate will be made to the Welsh Ministers, the First Minister or the Counsel General for the financial year by Ministers of the Crown and government departments; and
 - iii. the total amount of payments which they estimate will be made to the Welsh Ministers, the First Minister or the Counsel General for the financial year otherwise than by a Minister of the Crown or government department.
2. The schedule above shows variations in these amounts as required under SO20.31.

DRAFT BUDGET MAIN EXPENDITURE GROUP (MEG)			
Components of the Welsh Budget			£000s
MAIN EXPENDITURE GROUP	2016-17		
Departmental Expenditure Limits	Resource	Capital	Total
Health and Social Services	6,731,238	253,031	6,984,269
Local Government	3,344,403	22,920	3,367,323
Communities and Tackling Poverty	333,592	343,731	677,323
Economy, Science and Transport	587,633	351,114	938,747
Education and Skills	1,580,810	165,768	1,746,578
Natural Resources	277,760	88,815	366,575
Central Services and Administration	300,377	11,520	311,897
Total Welsh Government MEG Allocations	13,155,813	1,236,899	14,392,712
MAIN EXPENDITURE GROUP	2016-17		
Annually Managed Expenditure ⁽¹⁾	Resource	Capital	Total
Health and Social Services	135,400	0	135,400
Local Government	1,001,593	0	1,001,593
Communities and Tackling Poverty	0	0	0
Economy, Science and Transport	37,967	0	37,967
Education and Skills	-79,376	449,575	370,199
Natural Resources	2,900	0	2,900
Central Services and Administration	2,652	0	2,652
Total Welsh Government AME	1,101,136	449,575	1,550,711
Welsh Government Total Managed Expenditure	14,256,949	1,686,474	15,943,423
<small>(1) These budgets are outside the Welsh Government's Departmental Expenditure Limit. They fund demand led items and are therefore not set at the Welsh Government's discretion. These budgets reflect the latest forecasts of expenditure.</small>			

HEALTH AND SOCIAL SERVICES MAIN EXPENDITURE GROUP (MEG)					
RESOURCE BUDGET - Departmental Expenditure Limit					
£000s					
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
NHS Delivery	Delivery of Core NHS Services	5,769,119	260,000	-1,074	6,028,045
	Delivery of Targeted NHS Services	249,110	0	-14,075	235,035
Total NHS Delivery		6,018,229	260,000	-15,149	6,263,080
Health Central Budgets	Support Education & Training of the NHS Workforce	184,150	0	-101	184,049
	Support Mental Health Policies & Legislation	18,411	0	0	18,411
	Hospice Support	1,619	0	-363	1,256
	Deliver the Substance Misuse Strategy Implementation Plan	26,975	0	0	26,975
Total Health Central Budgets		231,155	0	-464	230,691
Public Health & Prevention	Sponsorship of Public Health Bodies	85,694	0	784	86,478
	Food Standards Agency	3,516	0	0	3,516
	Deliver Targeted Health Protection & Immunisation Activity	4,421	0	0	4,421
	Promote Healthy Improvement & Healthy Working	5,187	0	-450	4,737
	Tackle Health Inequalities & Develop Partnership Working	9,681	0	0	9,681
	Effective Health Emergency Preparedness Arrangements	6,712	0	0	6,712
	Develop & Implement Research and Development for Patient & Public Benefit	43,365	0	0	43,365
Total Public Health & Prevention		158,576	0	334	158,910
Social Services	Children's Social Services	6,648	0	0	6,648
	Adult & Older People	33,752	0	170	33,922
	Social Services Strategy	16,321	0	-75	16,246
	Care Council for Wales	10,034	0	0	10,034
	Older People Commissioner	1,715	0	-170	1,545
Total Social Services		68,470	0	-75	68,395
CAFCASS Cymru	CAFCASS Cymru Programmes	10,162	0	0	10,162
Total CAFCASS Cymru		10,162	0	0	10,162
Total Resource - Health and Social Services		6,486,592	260,000	-15,354	6,731,238

CAPITAL BUDGET - Departmental Expenditure Limit						£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
NHS Delivery	NHS Delivery	205,275	33,481	0	238,756	
	Total NHS Delivery	205,275	33,481	0	238,756	
Health Central Budgets	Deliver the Substance Misuse Strategy Implementation Plan	5,072	0	0	5,072	
	Total Health Central Budgets	5,072	0	0	5,072	
Public Health & Prevention	Effective Health Emergency Preparedness Arrangements	4,492	0	0	4,492	
	Total Public Health & Prevention	4,492	0	0	4,492	
Social Services	General Capital Funding	4,691	0	0	4,691	
	Care Council for Wales	20	0	0	20	
	Total Social Services	4,711	0	0	4,711	
	Total Capital - Health and Social Services	219,550	33,481	0	253,031	

RESOURCE BUDGET - Annually Managed Expenditure						£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
NHS Impairments	NHS Impairments and Provisions	135,400	0	0	135,400	
	Total NHS Impairments	135,400	0	0	135,400	
	Total AME - Health and Social Services	135,400	0	0	135,400	

					£000s
	Health and Social Services - Summary	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
	Resource DEL	6,486,592	260,000	-15,354	6,731,238
	Capital DEL	219,550	33,481	0	253,031
	Total DEL	6,706,142	293,481	-15,354	6,984,269
	Total Annually Managed Expenditure	135,400	0	0	135,400
	Total - Health and Social Services	6,841,542	293,481	-15,354	7,119,669

LOCAL GOVERNMENT MAIN EXPENDITURE GROUP (MEG)					
RESOURCE BUDGET - Departmental Expenditure Limit					
£000s					
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
Local Government Funding	Funding Support for Local Government	3,343,157	60,366	-114,915	3,288,608
	Valuation Services	9,911	0	-176	9,735
Total Local Government Funding		3,353,068	60,366	-115,091	3,298,343
Safer Communities	Fire and Rescue Services	4,777	0	370	5,147
	Fire and Rescue Services National Framework	1,030	0	-1,030	0
	Domestic Abuse	4,100	0	400	4,500
	Promoting Positive Engagement for Young People	5,200	0	-780	4,420
Total Safer Communities		15,107	0	-1,040	14,067
Improving Services, Collaboration and Democracy	Building Local Democracy	821	0	-123	698
	Local Government Improvement	32,641	0	-32,181	460
	Academi Wales	0	0	1,109	1,109
	Supporting Collaboration and Reform	1,369	0	-495	874
Total Improving Services, Collaboration and Democracy		34,831	0	-31,690	3,141
Care and Social Services Inspectorate	Care and Social Services Inspectorate	14,461	0	-508	13,953
Total Care and Social Services Inspectorate		14,461	0	-508	13,953
Healthcare Inspectorate Wales	Healthcare Inspectorate Wales	3,056	0	530	3,586
Total Healthcare Inspectorate Wales		3,056	0	530	3,586
Estyn	Estyn	11,664	0	-351	11,313
Total Estyn		11,664	0	-351	11,313
Total Resource - Local Government		3,432,187	60,366	-148,150	3,344,403

CAPITAL BUDGET - Departmental Expenditure Limit						£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Local Government Funding	Local Government General Capital Funding	20,000	0	0	20,000	
Total Local Government Funding		20,000	0	0	20,000	
Safer Communities	Fire and Rescue Services	1,000	0	670	1,670	
	Fire and Rescue Services National Framework	670	0	-670	0	
	Domestic Abuse	969	0	0	969	
Total Safer Communities		2,639	0	0	2,639	
Estyn	Estyn	281	0	0	281	
Total Estyn		281	0	0	281	
Total Capital - Local Government		22,920	0	0	22,920	

RESOURCE BUDGET - Annually Managed Expenditure						£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Local Government Funding	Funding Support for Local Government	1,001,593	0	0	1,001,593	
Total Local Government Funding		1,001,593	0	0	1,001,593	
Total Resource - Local Government		1,001,593	0	0	1,001,593	

					£000s
	Local Government - Summary	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
	Resource DEL	3,432,187	60,366	-148,150	3,344,403
	Capital DEL	22,920	0	0	22,920
	Total DEL	3,455,107	60,366	-148,150	3,367,323
	Total Annually Managed Expenditure	1,001,593	0	0	1,001,593
	Total - Local Government	4,456,700	60,366	-148,150	4,368,916

COMMUNITIES AND TACKLING POVERTY MAIN EXPENDITURE GROUP (MEG)					
RESOURCE BUDGET - Departmental Expenditure Limit					£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
Children, Young People and Families	Children, Young People and Families	125,384	300	-1,246	124,438
	Total Children, Young People and Families	125,384	300	-1,246	124,438
Supporting Communities and People	Third Sector	6,805	0	-680	6,125
	Tackling Poverty	51,628	0	-172	51,456
	Total Supporting Communities and People	58,433	0	-852	57,581
Equality and Inclusion	Equality and Inclusion	2,016	0	0	2,016
	Total Equality and Inclusion	2,016	0	0	2,016
Housing Policy	Supporting People	124,488	0	0	124,488
	Homelessness Prevention	6,431	0	-524	5,907
	Independent Living	4,488	0	671	5,159
	Policy Development and Implementation	1,252	0	-1,252	0
	Total Housing Policy	136,659	0	-1,105	135,554
Homes and Places	Achieve Quality Housing	100	0	-100	0
	Increase the Supply and Choice of Affordable Housing	4,195	0	-95	4,100
	Housing Revenue Funding	1,062	0	11	1,073
	Increase the Supply and Choice of Market Housing	30	0	-30	0
	Regeneration	8,735	0	95	8,830
	Total Homes and Places	14,122	0	-119	14,003
	Total Resource - Communities and Tackling Poverty	336,614	300	-3,322	333,592

CAPITAL BUDGET - Departmental Expenditure Limit						£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Communities and Tackling Poverty	Communities and Tackling Poverty	12,450	3,500	0	15,950	
	Total Communities and Tackling Poverty	12,450	3,500	0	15,950	
Housing Policy	Independent Living	1,641	4,000	0	5,641	
	Total Housing Policy	1,641	4,000	0	5,641	
Homes and Places	Achieve Quality Housing	153,499	0	0	153,499	
	Increase the Supply and Choice of Affordable Housing	47,134	21,701	0	68,835	
	Increase the Supply and Choice of Market Housing	0	26,310	0	26,310	
	Regeneration	60,696	12,800	0	73,496	
	Empty Properties Programme	0	0	0	0	
	Total Homes and Places	261,329	60,811	0	322,140	
	Total Capital - Communities and Tackling Poverty	275,420	68,311	0	343,731	

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						£000s
	Communities and Tackling Poverty - Summary	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
	Resource DEL	336,614	300	-3,322	333,592	
	Capital DEL	275,420	68,311	0	343,731	
	Total DEL	612,034	68,611	-3,322	677,323	
	Total Annually Managed Expenditure	0	0	0	0	
	Total - Communities and Tackling Poverty	612,034	68,611	-3,322	677,323	

ECONOMY, SCIENCE AND TRANSPORT MAIN EXPENDITURE GROUP (MEG)					
RESOURCE BUDGET - Departmental Expenditure Limit					
£000s					
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
Sectors and Business	Legacy SIF	1,203	0	357	1,560
	Sectors	37,692	0	-6,378	31,314
	Entrepreneurship & Business Information	10,320	0	-6,089	4,231
Total Sectors and Business		49,215	0	-12,110	37,105
Science and Innovation	Innovation	4,377	0	1,342	5,719
	Science	5,569	0	-774	4,795
Total Science and Innovation		9,946	0	568	10,514
Major Events	Major Events	3,918	0	0	3,918
Total Major Events		3,918	0	0	3,918
Infrastructure	Deliver ICT Infrastructure	8,286	0	-1,495	6,791
	Deliver ICT Infrastructure - Non Cash	1,309	0	0	1,309
	Deliver Property Related Infrastructure	10,076	0	12,753	22,829
	Deliver Property Related Infrastructure (Income)	0	0	-18,803	-18,803
Total Infrastructure		19,671	0	-7,545	12,126
Strategy & Corporate Programmes	Corporate Programmes	3,033	0	533	3,566
	Finance Wales	2,400	0	-240	2,160
	Strategy Programmes	551	0	0	551
Total Strategy & Corporate Programmes		5,984	0	293	6,277
Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations	57,789	0	-6,000	51,789
	Improve and Maintain Trunk Road Network (Domestic Routes) - Non Cash	108,691	0	0	108,691
Total Motorway & Trunk Road Network Operations		166,480	0	-6,000	160,480
Rail & Air Services	Rail & Air Services	185,679	0	0	185,679
Total Rail & Air Services		185,679	0	0	185,679
Sustainable Travel	Sustainable Travel	52,209	1,098	0	53,307
	Youth Concessionary Fares	5,000	4,750	0	9,750
Total Sustainable Travel		57,209	5,848	0	63,057

Improve Road Safety	Improve Road Safety	4,764	0	0	4,764
	Total Improve Road Safety	4,764	0	0	4,764
Support and sustain a strong arts sector via the Arts Council and others	Support and sustain a strong arts sector via the Arts Council and others	31,835	0	-1,500	30,335
	Total Support and sustain a strong arts sector via the Arts Council and others	31,835	0	-1,500	30,335
Museums, Archives and Libraries	Foster Usage and Lifelong Learning through Museum Services	23,006	0	-883	22,123
	Foster Usage and Lifelong Learning through Library Services	10,971	0	-460	10,511
	Strategic Leadership for museum, archive & library services	2,193	0	-439	1,754
	Total Museums, Archives and Libraries	36,170	0	-1,782	34,388
Delivery of effective sports & physical activity programmes	Delivery of effective sports & physical activity programmes	23,891	68	-1,354	22,605
	Total Delivery of effective sports & physical activity programmes	23,891	68	-1,354	22,605
Media and Publishing	Media and Publishing	3,526	0	-374	3,152
	Total Media and Publishing	3,526	0	-374	3,152
Conserve, protect, sustain and promote access to the historic and natural environment	Conserve, protect, sustain and promote access to the historic and natural environment	14,686	0	-1,453	13,233
	Total Conserve, protect, sustain and promote access to the historic and natural environment	14,686	0	-1,453	13,233
	Total Resource - Economy, Science and Transport	612,974	5,916	-31,257	587,633

		CAPITAL BUDGET - Departmental Expenditure Limit				£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Sectors and Business	Legacy SIF	10,325	0	-5,875	4,450	
	Sectors	35,808	32,000	21,269	89,077	
	Total Sectors and Business	46,133	32,000	15,394	93,527	
Science and Innovation	Innovation	500	0	2,562	3,062	
	Science	2,479	0	0	2,479	
	Total Science and Innovation	2,979	0	2,562	5,541	
Infrastructure	Deliver ICT Infrastructure	16,304	0	0	16,304	
	Deliver Property Related Infrastructure	2,152	0	6,445	8,597	
	Deliver Property Related Infrastructure (Income)	0	0	-24,412	-24,412	
	Total Infrastructure	18,456	0	-17,967	489	
Strategy & Corporate Programmes	Corporate Programmes	79	0	11	90	
	Total Strategy & Corporate Programmes	79	0	11	90	
Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations	50,550	20,050	0	70,600	
	Total Motorway & Trunk Road Network Operations	50,550	20,050	0	70,600	
Road & Rail Investment	Road & Rail Schemes	55,785	27,434	0	83,219	
	Total Road & Rail Investment	55,785	27,434	0	83,219	
Sustainable Travel	Sustainable Travel	67,447	0	0	67,447	
	Total Sustainable Travel	67,447	0	0	67,447	
Improve & Maintain Local Roads Infrastructure	General Capital Funding - Roads	13,667	0	0	13,667	
	Total Improve & Maintain Local Roads Infrastructure	13,667	0	0	13,667	
Improve Road Safety	Improve Road Safety	6,900	0	0	6,900	
	Total Improve Road Safety	6,900	0	0	6,900	
Support and sustain a strong arts sector via the Arts Council and others	Support and sustain a strong arts sector via the Arts Council and others	355	0	0	355	
	Total Support and sustain a strong arts sector via the Arts Council and others	355	0	0	355	
Museums, Archives and Libraries	Foster Usage and Lifelong Learning through Museum Services	2,138	0	-583	1,555	
	Foster Usage and Lifelong Learning through Library Services	855	0	-330	525	
	Strategic Leadership for museum, archive & library services	1,050	0	843	1,893	
	Total Museums, Archives and Libraries	4,043	0	-70	3,973	

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Delivery of effective sports & physical activity programmes	Delivery of effective sports & physical activity programmes	345	0	0	345
	Total Delivery of effective sports & physical activity programmes	345	0	0	345
Media and Publishing	Media and Publishing	60	0	0	60
	Total Media and Publishing	60	0	0	60
Conserve, protect, sustain and promote access to the historic and natural environment	Conserve, protect, sustain and promote access to the historic and natural environment	4,901	0	0	4,901
	Total Conserve, protect, sustain and promote access to the historic and natural environment	4,901	0	0	4,901
	Total Capital - Economy, Science and Transport	271,700	79,484	-70	351,114

		RESOURCE BUDGET - Annually Managed Expenditure				£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Infrastructure	Deliver Property Related Infrastructure - Non Cash	20,000	0	0	20,000	
	Total Infrastructure	20,000	0	0	20,000	
Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations - Non Cash	14,954	0	0	14,954	
	Total Motorway & Trunk Road Network Operations	14,954	0	0	14,954	
Museums, Archives and Libraries	Museums and Libraries Pensions	3,013	0	0	3,013	
	Total Museums, Archives and Libraries	3,013	0	0	3,013	
	Total AME - Economy, Science and Transport	37,967	0	0	37,967	

					£000s
	Economy, Science and Transport - Summary	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
	Resource DEL	612,974	5,916	-31,257	587,633
	Capital DEL	271,700	79,484	-70	351,114
	Total DEL	884,674	85,400	-31,327	938,747
	Total Annually Managed Expenditure	37,967	0	0	37,967
	Total - Economy, Science and Transport	922,641	85,400	-31,327	976,714

EDUCATION AND SKILLS MAIN EXPENDITURE GROUP (MEG)					
RESOURCE BUDGET - Departmental Expenditure Limit					
£000s					
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
Education and Training Standards	Literacy and Numeracy	4,512	0	-56	4,456
	Curriculum	27,906	2,900	1,744	32,550
	Teaching and Leadership	15,956	0	5,265	21,221
	Qualifications	7,903	0	266	8,169
	Post-16 Education	507,551	5,000	0	512,551
	Higher Education	129,160	0	-41,377	87,783
	Education Standards	144,123	0	-6,594	137,529
	Pupil Deprivation Grant	82,046	7,200	0	89,246
	ICT & Information Management Systems	6,935	0	0	6,935
Total Education and Training Standards		926,092	15,100	-40,752	900,440
Skilled Workforce	Employment & Skills	23,890	0	-1,042	22,848
	Youth Engagement & Employment	15,813	0	1,401	17,214
	Educational and careers choice	20,000	0	-2,000	18,000
Total Skilled Workforce		59,703	0	-1,641	58,062
Improving Wellbeing, Reducing Inequality & Increasing Participation	Wellbeing of children and young people	17,532	45	-80	17,497
	Post-16 learner support	544,674	10,000	20,299	574,973
	Pupil Engagement	658	0	0	658
Total Improving Wellbeing, Reducing Inequality & Increasing Participation		562,864	10,045	20,219	593,128
Welsh Language	Welsh in Education	18,599	0	82	18,681
	Welsh Language	8,649	0	-1,685	6,964
Total Welsh Language		27,248	0	-1,603	25,645
Delivery Support	Delivery Support	3,702	0	-167	3,535
Total Delivery Support		3,702	0	-167	3,535
Total Resource - Education and Skills		1,579,609	25,145	-23,944	1,580,810

CAPITAL BUDGET - Departmental Expenditure Limit						£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Education and Training Standards	Estate & IT Provision	143,834	21,934	0	165,768	
Total Education and Training Standards		143,834	21,934	0	165,768	
Total Capital - Education and Skills		143,834	21,934	0	165,768	

RESOURCE BUDGET - Annually Managed Expenditure						£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Improving Wellbeing, Reducing Inequality & Increasing Participation	Post-16 learner support - Resource	-85,376	0	0	-85,376	
Total Improving Wellbeing, Reducing Inequality & Increasing Participation		-85,376	0	0	-85,376	
Skilled Workforce	Educational and careers choice - Resource	6,000	0	0	6,000	
Total Skilled Workforce		6,000	0	0	6,000	
Total Resource - Education and Skills		-79,376	0	0	-79,376	

CAPITAL BUDGET - Annually Managed Expenditure						£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Improving Wellbeing, Reducing Inequality & Increasing Participation	Post-16 learner support - Capital	449,575	0	0	449,575	
Total Improving Wellbeing, Reducing Inequality & Increasing Participation		449,575	0	0	449,575	
Total Capital - Education and Skills		449,575	0	0	449,575	

					£000s
	Education and Skills - Summary	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
	Resource DEL	1,579,609	25,145	-23,944	1,580,810
	Capital DEL	143,834	21,934	0	165,768
	Total DEL	1,723,443	47,079	-23,944	1,746,578
	Resource AME	-79,376	0	0	-79,376
	Capital AME	449,575	0	0	449,575
	Total Annually Managed Expenditure	370,199	0	0	370,199
	Total - Education and Skills	2,093,642	47,079	-23,944	2,116,777

NATURAL RESOURCES MAIN EXPENDITURE GROUP (MEG)					
RESOURCE BUDGET - Departmental Expenditure Limit					
£000s					
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
Agriculture & Food	Develop and deliver overarching policy and programmes on Agriculture, Food and Marine	4,935	0	108	5,043
	CAP administration and making Payments in accordance with EU and WAG rules	7,310	0	95	7,405
	Delivering the programmes within the Rural Development Plan	25,408	0	-25,408	0
	Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20	8,371	0	22,008	30,379
	Evidence based development for Rural Affairs	606	0	-86	520
	Developing and managing Welsh Marine, fisheries and aquaculture including the enforcement of Welsh Fisheries	1,959	0	110	2,069
	Developing and Marketing Welsh Food and Drink	5,000	0	-500	4,500
Total Agriculture & Food		53,589	0	-3,673	49,916
Protecting and Improving Animal Health and Welfare	Support and Delivery of the Animal Health and Welfare programme/strategy	600	0	-50	550
	Management and delivery of TB Eradication and other Endemic Diseases	30,056	0	-715	29,341
Total Protecting and Improving Animal Health and Welfare		30,656	0	-765	29,891
Climate Change and Sustainability	Develop and deliver overarching policy and programmes on sustainable development and natural resource management	957	0	934	1,891
	Develop and implement climate change policy, energy efficiency, Green Growth and environmental protection	10,685	0	-1,825	8,860
	Develop and implement flood and coastal risk, water and sewage policy and legislation	24,858	0	-2,410	22,448
	Facilitate clean and secure energy and industry investment	718	0	-718	0
	Manage and Implement the Waste Strategy and waste procurement	75,242	5,386	-3,760	76,868
Total Climate Change and Sustainability		112,460	5,386	-7,779	110,067
Environment	Deliver nature conservation and forestry policies	3,443	0	3,827	7,270
	Manage and implement environmental improvement	5,136	0	-5,136	0
	Sponsor and manage delivery bodies	70,915	0	-6,880	64,035
Total Environment		79,494	0	-8,189	71,305

Evidence Base	Developing an appropriate evidence base to support the work of the Department	884	0	-100	784
	Protecting plant health and developing GM policies	52	0	0	52
Total Evidence Base		936	0	-100	836
Planning	Planning and Regulation	6,421	0	-642	5,779
	Total Planning	6,421	0	-642	5,779
Landscape and Outdoor Recreation	Promote and support protected landscapes, wider access to green space	10,527	0	-561	9,966
	Total Landscape and Outdoor Recreation	10,527	0	-561	9,966
Total Resource - Natural Resources		294,083	5,386	-21,709	277,760

		CAPITAL BUDGET - Departmental Expenditure Limit				£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Agriculture & Food	Develop and deliver overarching policy and programmes on Agriculture, Food and Marine	890	0	-330	560	
	Delivering the programmes within the Rural Development Plan	7,242	0	-7,242	0	
	Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20	3,481	0	7,242	10,723	
	Developing and managing Welsh Marine, fisheries and aquaculture including the enforcement of Welsh Fisheries	110	0	330	440	
Total Agriculture & Food		11,723	0	0	11,723	
Climate Change and Sustainability	Develop and deliver overarching policy and programmes on sustainable development and natural resource management	12,000	0	0	12,000	
	Develop and implement climate change policy, energy efficiency, Green Growth and environmental protection	18,577	13,425	0	32,002	
	Develop and implement flood and coastal risk, water and sewage policy and legislation	13,372	10,210	0	23,582	
	Manage and Implement the Waste Strategy and waste procurement	4,175	2,000	0	6,175	
Total Climate Change and Sustainability		48,124	25,635	0	73,759	
Environment	Sponsor and manage delivery bodies	795	0	900	1,695	
Total Environment		795	0	900	1,695	
Evidence Base	Developing an appropriate evidence base to support the work of the Department	38	0	0	38	
Total Evidence Base		38	0	0	38	
Landscape and Outdoor Recreation	Promote and support protected landscapes, wider access to green space	2,500	0	-900	1,600	
Total		2,500	0	-900	1,600	
Total Capital - Natural Resources		63,180	25,635	0	88,815	

		RESOURCE BUDGET - Annually Managed Expenditure				£000s
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget	
Environment	Sponsor and manage delivery bodies	2,900	0	0	2,900	
	Total Environment	2,900	0	0	2,900	
	Total AME - Natural Resources	2,900	0	0	2,900	

		£000s			
	Natural Resources - Summary	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
	Resource DEL	294,083	5,386	-21,709	277,760
	Capital DEL	63,180	25,635	0	88,815
	Total DEL	357,263	31,021	-21,709	366,575
	Total Annually Managed Expenditure	2,900	0	0	2,900
	Total - Natural Resources	360,163	31,021	-21,709	369,475

CENTRAL SERVICES AND ADMINISTRATION MAIN EXPENDITURE GROUP (MEG)					
RESOURCE BUDGET - Departmental Expenditure Limit					
£000s					
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
Delegated Running Costs	Staff Costs	202,891	0	-938	201,953
	Total Delegated Running Costs	202,891	0	-938	201,953
Central Running Costs	General Administration	29,762	0	-5,016	24,746
	Capital Charges	16,000	0	0	16,000
	IT Costs (Resource)	17,947	0	198	18,145
	Business Improvement	7,066	0	-2,900	4,166
	Total Central Running Costs	70,775	0	-7,718	63,057
Information & Support Services	Tribunals	2,449	0	542	2,991
	Improving Economic & Labour Market Statistics	1,079	0	-62	1,017
	Events & Corporate Communications	458	0	-48	410
	Geographical Information	577	0	-166	411
	Central Research	1,498	0	398	1,896
	Strategic Capital Investment	414	0	-414	0
	Economic Research	125	0	-75	50
	Public Policy Institute	445	0	-43	402
	Academi Wales	1,015	0	-1,015	0
	Value Wales	318	0	-34	284
	e-Procurement Service	3,146	0	-333	2,813
Total Information & Support Services	11,524	0	-1,250	10,274	
Central Programmes	International Development	845	0	15	860
	International Relations	3,154	0	250	3,404
	Invest to Save Fund	0	0	-1,344	-1,344
	Invest-to-Save Fund Repayment of Investments	0	0	18,791	18,791
	Match Funding	2,097	0	-222	1,875
Total Central Programmes	6,096	0	17,490	23,586	

WEFO	Manage Delivery of Structural Fund Programmes in Wales	1,507	0	0	1,507
	Total WEFO	1,507	0	0	1,507
	Total Resource - Central Services and Administration	292,793	0	7,584	300,377

CAPITAL BUDGET - Departmental Expenditure Limit		£000s			
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
Central Running Costs	Capital	4,000	1,515	5,935	11,450
	Business Improvement	2,735	0	-2,735	0
	IT Costs (Capital)	3,200	0	-3,200	0
	Total Central Running Costs	9,935	1,515	0	11,450
Central Programmes	Invest to Save Fund	2,631	0	-18	2,613
	Invest-to-Save Fund Repayment of Investments	-2,631	0	88	-2,543
	Total Central Programmes	0	0	70	70
	Total Capital - Central Services and Administration	9,935	1,515	70	11,520

RESOURCE BUDGET - Annually Managed Expenditure		£000s			
SPA	Actions	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
Central Running Costs	Provisions for Early Retirement	2,652	0	0	2,652
	Total Central Running Costs	2,652	0	0	2,652
WEFO	Exchange Rate Gains & Losses	0	0	0	0
	Total WEFO	0	0	0	0
	Total AME - Central Services & Administration	2,652	0	0	2,652

					£000s
	Central Services and Administration - Summary	2015-16 Baseline	Allocations to Priority Areas	Budget Changes and Reprioritisation	2016-17 New Plans Draft Budget
	Resource DEL	292,793	0	7,584	300,377
	Capital DEL	9,935	1,515	70	11,520
	Total DEL	302,728	1,515	7,654	311,897
	Total Annually Managed Expenditure	2,652	0	0	2,652
	Total - Central Services and Administration	305,380	1,515	7,654	314,549



Llywodraeth Cymru
Welsh Government

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Welsh Government Draft Budget 2016–2017

Strategic Integrated Impact Assessment



December 2015

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Ministerial Foreword

We are pleased to jointly present the Welsh Government's strategic and integrated impact assessment of the Draft Budget 2016-17.

This Draft Budget reflects our priorities, but is shaped by decisions of the UK Government. The Welsh Budget is £1.4 billion lower now than in 2010-11 with the settlement continuing to decrease in real terms by 3.6 per cent between 2015-16 and 2019-20. We knew our budget would be less in real terms, but not how much lower. What we have known is service demands and pressures do not, of course, reduce in response to austerity.

Against this backdrop, we have focused on aligning resources to our priorities and approached our decisions to ensure that short term responses do not have longer term detrimental impacts. In preparing for future financial restraints, we have sought to target investment in sustainable outcomes through protecting public services which benefit everyone, but particularly people with protected characteristics. We have done this by focusing our spending plans on our main priorities of: health and health services; growth and jobs; educational attainment; and supporting children, families and deprived communities. By taking an approach grounded in evidence and evaluation we have reflected the needs of protected characteristics in our spending decisions.

In line with our commitment to implementing the Well-being of Future Generations (Wales) Act and our Programme for Government commitment to sustainability and fairness, with sustainable development as our core principle, we have continued to improve the approach to assess impacts in an integrated way. Our Spending Plans for 2016-17 and this Statement of Strategic Impacts continue to reflect the emphasis we place on socio-economic disadvantage, children's rights, Welsh language, equality and sustainable development as now contained in the Well-being of Future Generations (Wales) Act. Our decisions are also underpinned by our commitment to tackle poverty and to drive a shift in spending towards prevention and early intervention.

However the positive steps taken by this Welsh Government to consider the impact of our spending decisions on protected groups cannot be assessed in isolation from the impact of the UK Government's tax and welfare reforms. We know hundreds of millions of pounds are being stripped out of our most disadvantaged communities, making life extremely difficult for families. We have routinely sought to mitigate the devastating impacts on families and use all of the levers at our disposal.

Reflecting the emphasis on collaboration embodied in the Well-being of Future Generations Act, we know we cannot meet these challenges alone. Through the Budget Tour of the Minister for Finance and Government Business we have drawn on the first-hand experience of our partners in Local Authorities, health, housing and the Third Sector, and the experiences of those who use our services, to learn what is working well and where there is

scope to drive further integration of services and greater collaboration between those responsible for providing sustainable services.

We would like to pay particular thanks to the continued work of the Budget Advisory Group for Equality (BAGE), their input has made a valuable contribution to the evidence base, providing a better understanding of the nature of inequality in Wales and shaping our decision making.

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1. Introduction

- 1.1. The outlook for public finances, as a result of the UK Government Spending Review, continues to be challenging. An initial assessment of the pressures and trends in relation to key services has identified the need to spend £1bn more over the next three years. However, our budget will be a little under £400m higher in revenue and £200m in capital by 2019-20. Our assessment of the impacts of our decisions is vital to ensure the promotion of equality of opportunity and the prevention of discrimination.
- 1.2. In line with feedback from the Budget Advisory Group for Equality (BAGE) and reflecting recommendations of the Finance Committee's Inquiry into Best Practice Budget Procedures we have again taken an integrated approach to our impact assessment. Despite the challenges presented by the late timing of the UK Spending Review we have focused on making informed strategic high level decisions based on our analysis of supporting evidence, particularly in relation to people with protected characteristics. This has enabled us to give full consideration to socio-economic disadvantage, children's rights, Welsh language and sustainable development, in addition to the focus on equality and tackling poverty.
- 1.3. We have considered the impacts on protected groups on a wider basis than in the past, looking at delivery areas rather than Ministerial portfolios. We have considered long-term impacts, assessed opportunities for prevention, taken an integrated and collaborative approach to understanding impacts; and committed to involving people in the decisions that affect them.

2. Well-being of Future Generations Act

- 2.1 We are committed to using the Well-being of Future Generations Act to improve how we make decisions about the social, economic, environmental and cultural well-being of Wales. Our budget proposals have been shaped against the new duties from the Act, reflecting our commitment to its full and successful implementation.
- 2.2 Using the sustainable development principle, central to the Act, has enabled us to plan effectively in the absence of early certainty about our budget settlement and helped us to publish these proposals within two weeks of the Spending Review outcome while considering impacts on protected groups. At the core of the Act are five ways of working which have informed our overall approach to setting budget allocation in the following ways:
 - We have taken account of the potential **long term** impacts of our decisions and balanced this against our short-term needs. This has enabled us to plan on the basis of recognising challenges before they

arise so that we are able to balance short-term pressures with long-term needs.

- The approach of **prevention** in acting to prevent problems from occurring or getting worse has continued to underpin our decision making. We are committed to exploring opportunities for investing in preventative spend.
- By taking an **integrated** approach grounded in evidence and evaluation we have developed a wider understanding of the cross-cutting pressures that exist across key service areas, in line with our key priorities, while targeting funding at those who need it most. This has enabled us to gain a broader understanding of the overall impact of spending decisions on key service provision through taking a holistic view of public service delivery in Wales.
- We have recognised that we cannot meet these challenges alone and through continued **collaboration** and engagement with the Budget Advisory Group for Equality their input has made a valuable contribution to our evidence base, providing a better understanding of the nature of inequality in Wales which has shaped our decision making.
- We are committed to engaging with and **involving** people in the decisions that affect them. Through the Budget Tour of the Minister for Finance and Government Business we have listened to experiences of those who use our services, to learn what is working well and where there is scope to drive further integration of services and greater collaboration between those responsible for providing sustainable services.

3. BAGE

- 3.1** The role of the Budget Advisory Group for Equality (BAGE) is to provide advice and to share expertise and best practice on equality issues to support the continual improvement of the Impact Assessment (IA) undertaken of the Welsh Government Budget. We work with BAGE throughout the year to improve our approach and shape our decisions.
- 3.2** A key focus of the Group's discussions and work to date has been to provide an understanding of the current economic environment, and how this might impact on our equality considerations. This has generated a strong focus on the importance of building a solid and robust evidence base so that the nature of the underlying equality issues can be identified and understood. A key conclusion has been the compromise that needs to be made in the face of budget cuts.
- 3.3** Through continued engagement their input has made a valuable contribution and has shaped our decision making. In particular the Group were asked to advise on priority areas for investment in advance of preparations for the Draft Budget 2016-17 and were consulted following the UK Government's Spending Review.

- 3.4** In response to BAGE identifying a need to focus on programmes specifically addressing inequality, we have focused on those key service areas which can have the greatest impacts. In protecting Social Care we have allocated money for frontline services and have protected programmes such as Flying Start, Communities First, Schools Challenge Cymru and Supporting People, while protecting funding such as the Pupil Deprivation Grant which specifically address inequality. This reflects our protection of impacts on equality well beyond a single Ministerial portfolio.
- 3.5** In relation to BAGE's priorities on Health and Social Care, our decision to increase funding to health reflected identified priorities in investing in areas such as prevention rather than acute care, primary rather than secondary care and maintaining a focus on service transformation and better integration between health and social care. Through our integrated approach and subsequent allocation to Social Care and increases to the Intermediate Care Fund, older people and mental health services we have recognised the role of carers, the value of mental health and wider social care in terms of their impacts on protected groups.
- 3.6** In recognition of the importance raised by BAGE that education delivers to addressing inequality in employment and skills we have increased schools funding, protected post 16 education and increased higher education student support funding, and through our 2014 Budget Agreement we are allocating £5m to enable continued support for around 2,500 apprenticeships. We have gone further and committed an additional £5m to fund a new cohort of 2,500 apprenticeships in recognition of the value of this work based learning as identified by BAGE.
- 3.7** BAGE identified a priority on impacts in rural areas. To address rural poverty we have used the levers at our disposal which have the greatest impacts. Through our decisions on infrastructure, social care and protecting Universal Benefits we have recognised how programmes such as Supporting People, Help to Buy and concessionary fares have particularly positive impacts on rural areas. Through the course of the current Spending Review period we have been able to provide some cushioning to local authorities from the impact of UK Government's reductions to our Budget. However, we have signalled the challenge we face in managing our priorities within reducing budgets. Despite these challenges we have continued our commitment to prioritise schools and social services. Continuing our commitment to protect schools funding at 1 per cent above changes to the Welsh block grant average, we are providing an additional £39.7 million in 2016-17, which is primarily focused towards frontline schools funding.
- 3.8** In addition BAGE has acknowledged that the equality impact of spending decisions depend on details of policy design and implementation. That is why the Group has focused on particular themes. Their programme for

BAGE meetings has included workshops considering and discussing the Well-being of Future Generations (Wales) Act, the Tackling Poverty Action Plan, the implications of Welfare Reform, the Wales Infrastructure Investment Plan, housing strategy, the Foundation Phase Evaluation report and the Education Improvement Grant.

4. Approach to the Draft Budget and Strategic Integrated Impact Assessment 2016-17

- 4.1** As a result of the decisions of the UK Government, the Welsh Budget has been cut by £1.4 billion in real terms between 2010-11 and 2015-16 and following the UK Government Spending Review we continue to face a challenging financial settlement.
- 4.2** Despite the uncertainties presented by the late timing of the UK Spending Review, in preparing for this budget we are resolute in our commitment to protecting the disadvantaged within our society and remained focused on our key priorities.
- 4.3** We reviewed current trends and future projections and their potential impacts in the short, medium and longer term. We did this to ensure that short term responses do not have longer term detrimental impacts. Predicted demographic, social, environmental and economic trends suggest that key priority areas, such as schools, health and social services will bear the greatest degree of increased future demand and are of particular importance to people with protected characteristics.
- 4.4** We then explored how the Welsh Government approaches policy and funding for education, health and social care services, infrastructure and Universal Benefits. We considered how those approaches influence public services on the ground, what their needs are in the future and what that tells us about how we should approach budget allocations.
- 4.5** This enabled us to make an assessment of total need while focusing on those priority areas which have disproportionately positive impacts, while considering the interplay between these services areas.
- 4.6** As the Welsh settlement goes down in real terms by 3.6 per cent between 2015-16 and 2019-20 and demand for services continues to rise, we identified significant and real delivery challenges. As a consequence of the UK Government's approach to austerity and Welfare Reform and with rising demand it is not possible to fully meet growing pressures in priority areas and maintain current levels of funding.
- 4.7** With the need to target funding effectively being more important than ever we used evidence of impacts on protected groups balanced against pressures, to prioritise funding on areas with identified positive impacts. We did so in the knowledge that concentrating our efforts around priorities has implications for other areas. In these cases we have sought to mitigate negative impacts wherever possible.

4.8 In summary, we have based our spending decisions on an analysis of demands and needs in key public service areas which are of particular importance to those who need it most. In the challenging financial climate we have sought to focus resources on priorities based on an assessment of greatest positive impact and mitigate the effects of austerity where its impact is unavoidable.

5. Strategic Decisions

5.1 We have targeted our investment in sustainable outcomes through protecting the public services on which we all depend while maintaining the focus of our spending plans on our main priorities of: health and health services; growth and jobs; educational attainment; and supporting children, families and deprived communities.

5.2 With trends indicating rising demand in the number being treated for illness, unscheduled care and social care, while at the same time recognising the significant positive impacts on protected groups, we have taken an integrated approach to allocating funding to Health and Social Care.

5.3 Our decision to allocate additional funding of £293m for health in 2016-17 recognises that providing a sufficient and sustainable health settlement is a vital consideration not just for society as a whole, but also recognises the disproportionately positive impacts on protected groups. This funding will be used to maintain access to quality acute services when these are needed, promote the continued development of primary and community services closer to home and increase funding available for mental health services and older people. As we stated last year, research suggests that spending on public services such as health and education reduces inequality by benefitting low-income households more than rich ones. The total equalising effect, and that of different spending programmes, can be quantified and programmes can be ranked from most pro-poor to most pro-rich. Per head, the NHS spends more on older people and on young children, and households containing both these individuals are concentrated in below-average income groups.

5.4 Our decision to allocate an additional £21m through the Revenue Support Grant for social services recognises the important contribution of social services. We have recognised the pressures on service delivery, the strong link between poor health and deprivation and the important impacts which social care has on the most disadvantaged, whether through reasons of old age, disability or the need to safeguard children.

5.5 In line with this commitment we are protecting the Supporting People Programme which provides housing-related support for some of Wales' most vulnerable and socially excluded.

- 5.6** Our decision to allocate an additional £39.7m to schools, which is primarily focused towards frontline schools funding, is in recognition of the importance of education in raising educational attainment and skills at all levels set against the notable pressures on our schools. We have made allocations to Education which acknowledges its significant impacts in contributing to breaking the cycle of disadvantage and inequality and nurturing the future of a thriving Welsh language.
- 5.7** Through our decision to provide a cash flat settlement for post 16 education, we have recognised the significant pressures faced by this sector and the impacts and benefits in line with our desire to see as many learners as possible able to get the skills they need for the workplace. In particular we have recognised the benefits to Wales delivered through apprenticeships and the impacts this has on tackling poverty and socio-economic disadvantage.
- 5.8** We have allocated an additional £10m to Higher Education student support. This will offset pressures from increased demand, and acknowledges the continued success of our Welsh universities and the impacts they have in improving life chances for young people no matter their background.
- 5.9** One of the core areas where equality has been considered throughout the financial planning process has been our response to the UK Government's Welfare reform. At every stage of the budget process we have sought to mitigate the devastating impacts to families and use all of the levers at our disposal. In line with our commitment to tackling poverty we are protecting funding for Communities First.
- 5.10** We are continuing our support for Universal Benefits through maintaining a 1 per cent protection above changes to the Welsh Budget overall. This means continuing with the provision of free prescriptions, free school breakfasts and school milk, free swimming and concessionary fares. These initiatives support the most vulnerable in society and also those who narrowly miss out on means tested support, and contribute to the creation of a more equal society. In line with our focus on prevention, they also have the potential to reduce future demand on services by helping to create a healthier, more active and independent population.
- 5.11** Despite the unprecedented reductions to the capital budget over the last five years, through our Wales Infrastructure Investment Plan we have continued to focus on maximising the opportunities and benefits that Welsh infrastructure investments provide through enabling sustained economic growth and creating new jobs.

6. Priority Areas

Health and Health Services

Overview

6.1 With trends indicating rising demand in the number being treated for illness, unscheduled care and social care, while at the same time recognising the significant positive impacts on protected groups, we have taken an integrated approach to allocating funding to Health and Social Care.

Key Decisions

- Health - additional funding for Health of £293m;
- Primary and Community based care – Through the additional funding for health £30m is being allocated to increase funding for the Intermediate Care Fund to £50 million in 2016-17;
- Mental Health Services and Older People – of the additional £293m allocated £30m to increase funding available for mental health services and services for older people;
- Social Services - allocated an additional £21m to the Revenue Support Grant;
- Preventative interventions in wider Social Care - Protecting the Supporting People programme; and
- Public Health– we are protecting investment in programmes to improve public health.

Health

6.2 During this ongoing period of austerity and the UK Government's cuts to public services and in light of overwhelming evidence about increasing demand linked to the needs of our increasing and aging population, our policy is to move away from focusing on ill health and over-dependence on hospital based treatment. Instead we are moving towards primary care and wider integrated interventions. As the NHS is free at the point of use, the additional funding of £293m will contribute to positive impacts on poverty and equality.

6.3 Our approach is to help people take responsibility for their health and well-being through the co-production approach, as well as developing a preventative, primary and community care-led NHS. This requires a sustained shift through collaboration in financial and workforce resources to deliver more healthcare in the community.

6.4 The Nuffield report concluded that the NHS in Wales will continue to be affordable in future if it continues to reform and reshape services. In order to provide a sustainable NHS we need to make the necessary improvements in productivity and service delivery, and the additional

investment of £293m is our commitment to supporting the achievement of these improvements.

- 6.5** The overwhelming majority of healthcare in Wales is delivered in the community, close to patients' homes. The Intermediate Care Fund has enabled health boards and local authorities to address equalities by developing services to help older people and those with chronic conditions maintain their independence in the community and to support early discharges from hospital. Therefore through the additional funding for health £30m is being allocated to increase funding for the Intermediate Care Fund to £50 million in 2016-17.
- 6.6** As a Government we continue to recognise the important role of mental health services in improving patient outcomes. We have therefore allocated £30m of the £293m to increase funding available for mental health services as well as funding for older people. In line with our integrated approach to health and social care, we remain committed to this promise so as to help make further improvements in a number of key areas, including child and adolescent mental health services and dementia care to benefit key groups.
- 6.7** With an ageing population it is vital we work with people to help protect their health as they get older. By protecting our investment in public health we are committed to providing greater control over health and well-being and faster access to advice and services for those who need it most.

Social Services

- 6.8** Younger, older and disabled people are more likely to depend upon the social care which public services provide. In this context projections show increases in the number of older people, pressures on care costs are likely to arise from increases in poverty and social exclusion alongside increases in the occurrence of specific conditions more common in the elderly, such as dementia. At the same time these same trends suggest that under the right circumstances preventative measures can save public money and improve well-being over the longer term. This analysis supports our decision to place social services amongst the key considerations for this Draft Budget.
- 6.9** Our decision to allocate an additional £21m to the Revenue Support Grant for social services recognises the importance of focusing on supporting and accelerating transformational change across the health and social care system in order to address these challenges, with a particular focus on frontline delivery.
- 6.10** Our key priorities for social services are embodied in the Sustainable Social Services for Wales programme and implementation of the Social Services and Well-being (Wales) Act. These place emphasis on the well-being of people who need care and support and carers who need

support alongside ensuring people have a much stronger voice and greater control over the services they receive; simplifying the way services are delivered, and improving the well-being of all people living in Wales.

6.11 By protecting vital programmes such as the Supporting People programme we have recognised the important contribution that social care has on the most vulnerable, whether through reasons of old age, disability or the need to safeguard children. This programme not only provides housing-related support for some of Wales' most vulnerable and socially excluded it also helps individuals and families who are homeless or at risk of becoming homeless to find and keep their home and live independently, as well as making a key contribution to our Tackling Poverty agenda. The programme is an example of action which can be taken to prevent or reduce the need for more costly interventions by the NHS and/or social care. It helps individuals and families and, in some cases, supports people who fall into the criminal justice system.

Educational Attainment

Overview

6.12 We have taken a holistic approach to education funding. With a projected growth in young people over the medium term we have recognised the importance of education in raising educational attainment and skills at all levels as being fundamental in contributing to breaking the cycle of disadvantage and inequality and nurturing the future of a thriving Welsh language. We have also recognised that changes to the population coupled with technological and sectoral change requires us to also consider the important role of education in the context of supporting the future of the Welsh economy.

Key Decisions

- Schools - allocated an additional £39.7m to schools, which is primarily focused towards frontline schools funding;
- Early Years – protecting the Flying Start Programme.
- Pupil Deprivation Grant – we have allocated an additional £7.2m to raise funding from £1,050 per eligible pupil in 2015-16 to £1,150 in 2016-17;
- Schools Challenge Cymru – extend the scheme to 2016-17 with £15m available next year;
- Post 16 - provided a cash flat settlement for post 16 education;
- Apprenticeships – allocated £5m to continue support for around 2,500 apprenticeships and a further £5m to fund a new cohort of 2,500 apprenticeships;
- Higher Education student support - allocated an additional £10m to Higher Education; and
- Welsh language - allocated £1.2m to cushion the impact of reductions on Welsh language funding.

Schools and Early Years

- 6.13** With a projected growth in young people over the medium term we have recognised the importance of education in raising educational attainment and skills, its contribution to breaking the cycle of disadvantage and inequality and nurturing the future of a thriving Welsh language.
- 6.14** Our decision to allocate an additional £39.7m to schools, which is primarily focused towards frontline schools funding, has a disproportionately positive impact on young people overall and is important under Article 28 of the United Nations Convention on the Rights of the Child, that children have a right to an education. This decision will also have a positive impact in tackling poverty and socio-economic disadvantage in benefitting protected groups and have significant positive impacts on the Welsh language.
- 6.15** We remain focussed on raising the standards of education and training provision, attainment and infrastructure across Wales and increased front line school funding to ensure every child is given the opportunity to reach their potential.
- 6.16** In recognition of established international evidence that intensive interventions, as early as possible, in the lives of those most at risk are needed to break the cycle of disadvantage, we have protected the Flying Start Programme. Flying Start is the Welsh Government's flagship early years programme, and works to give children the best start in life, putting them in the best position for school. Evidence to date shows Flying Start is beginning to have a real positive impact on children, and that when starting school Flying Start children are ready to learn and more confident in mixing with other children.
- 6.17** In line with the 2014 Budget Agreement, we are providing an extra £7.2m in 2016-17 to increase the Pupil Deprivation Grant (PDG) from £1,050 per eligible pupil in 2015-16 to £1,150 in 2016-17. This builds on the existing programme which is an important response to breaking the link between poverty and educational attainment. This programme particularly focuses on ensuring that the most disadvantaged children have access to high quality education in their early years.
- 6.18** We have also extended our Schools Challenge Cymru scheme to 2016-17 with £15m available next year, which will support the programme to accelerate and concentrate our school's improvement efforts, focusing on secondary and primary schools in Wales that face the largest challenge in terms of circumstance and stage of development.
- 6.19** In recognising the important role that schools play in securing a thriving future for the Welsh language we have allocated additional funding to schools, which is primarily focused towards frontline schools funding and will impact equally on Welsh medium, English medium and bilingual schools. In particular there have been encouraging increases in primary

school pupils being assessed in Welsh first language. We remain committed to our Welsh Language Strategy “Iaith Fyw” and Welsh-medium education strategy. However, austerity will mean that difficult choices will need to be made and we will seek to minimise impacts to the future of the Welsh language and Welsh speaking communities. In line with this commitment and in recognition of pressures faced in protecting the future and heritage of the Welsh language we have allocated £1.2m in 2016-17 as a step to cushion the impact of reductions to funding.

Post 16 Education

- 6.20** Through our decision to provide a cash flat settlement for post 16 education, we have recognised the impacts on tackling poverty and socio-economic disadvantage and committed to realising our ambition of seeing as many learners as possible able to get the skills they need for the workplace. We have also sought to mitigate the significant pressures faced by this sector.
- 6.21** We are supporting the programmes that deliver a skilled workforce with high quality opportunities for all learners, contributing to the creation of growth and jobs. Post 16 education makes a significant contribution to tackling poverty by increasing the skill levels of the Welsh workforce.
- 6.22** It is important that we strike a balance between provision of post 16 education and the opportunity for access to higher education. Certain black and minority ethnic (BME) young people and disadvantaged young people are more likely to end up in poverty if they are not in employment, education or training (NEET). Post 16 education and training such as apprenticeships are important in meeting the challenge of reducing NEETS, and reducing the number of NEETs is central to our Tackling Poverty Action Plan. In order to ensure further education opportunities or ensure the ability to get the skills needed for the workplace we are protecting our Post 16 Education budget and through our 2014 Budget Agreement we are allocating £5m to enable continued support for around 2,500 apprenticeships. We have gone further and committed an additional £5m to fund a new cohort of 2,500 apprenticeships in recognition of the value of this work based learning.
- 6.23** In recognition of the role of carers and barriers to education we have provided funding to establish a targeted further education childcare pilot scheme to remove the barriers to education and tackle intergenerational deprivation. This is intended to provide an opportunity for those with caring responsibilities to be able to access further education without having to worry about the costs of childcare. In particular this pilot is intended to focus on positively impacting protected groups who would potentially see the greatest benefits, particularly on gender.

Higher Education

- 6.24** Welsh universities have seen significant change over the past four years, supported by our strategy of fewer, stronger institutions, better able to compete in the global higher education market.
- 6.25** At the same time we have remained committed to our key goal of fairness for all, ensuring an individual's financial situation is less of a factor in deciding whether to pursue a university education than it would otherwise have been. We have been very clear that our tuition fee policy is an investment in the young person and that the choice of institution and course should be driven by individual circumstances not by the cost of fees. This will impact positively on people no matter their ethnicity, gender or background, providing a route out of poverty.
- 6.26** We have therefore allocated an additional £10m to Higher Education student support. This is both to protect the impacts our tuition fee policy has on improving life chances for young people no matter their background and meet pressures from increasing demand.
- 6.27** In Wales Higher Education also makes a significant contribution to our economy and wider society. Specifically the impact they have on local economies and communities, with some, such as Aberystwyth and Bangor, playing a major part. As an employer Higher Education Institutions also create a large number of jobs at all skill levels which will of course benefit those people it employs.
- 6.28** However, austerity will result in difficult choices. Through choosing to fund student support we recognise there will be pressures elsewhere within Higher Education. We will seek a collaborative approach to mitigate consequences and are also making significant additional investments in the research capacity of HE sector through Sêr Cymru, making use of EU programme and structural funds. This recognises the role of science in innovation and technology development linked to economic growth and creating jobs.

Supporting Children, Families and Deprived Communities

Overview

- 6.29** Through taking an approach grounded in evidence and evaluation we have focused on those key service areas which deliver the greatest impacts for our children, families and deprived communities.
- 6.30** However at the same time, as a result of the UK Government's approach to fiscal austerity and in particular welfare reform has required us to make difficult decisions. At every stage of the budget process we have sought to mitigate the devastating impacts to families and use all of the levers at our disposal.

Key Decisions

- Mitigating Impacts of UK Welfare Reform – maintain the 1 per cent protection for Universal Benefits into 2016-17;
- Tackling Poverty – providing a cash flat protection to the Communities First programme; and
- Maintaining quality public services - Allocated £3m to limit reductions to inspectorates.

Universal Benefits

6.31 In response to the UK Government's welfare reform we are continuing our support for Universal Benefits, by maintaining the 1 per cent protection, which contributes to the creation of a more equal society. These initiatives support the most vulnerable in society and also those who narrowly miss out on means tested support, and contribute to the creation of a more equal society. In line with our focus on prevention, they also have the potential to reduce future demand on services by helping to create a healthier, more active and independent population.

6.32 We have therefore maintained our commitments to provide:

- I. **Concessionary Fares** – supporting older people and disabled people to remain independent. A key purpose of this scheme is to increase bus use as a means to reducing social exclusion and to ensure access to travel for groups of people who are likely to be on limited incomes and improve access to education and jobs. Particularly, we have allocated £9.75m to the Young Persons' Discounted Bus Travel Scheme, as a result of the Budget Agreement with the Welsh Liberal Democrats, which has a positive impact on young people. This enables them to access opportunities for work, education, training and apprenticeships and will be of particular benefit to people from low income households and help to tackle poverty.
- II. **Free School Breakfasts and School Milk** –provide vital nutrition to children during the school day. A recent study using data from our free breakfast scheme showed the association between a healthy breakfast and educational performance as well as improving health outcomes. This is in line with research suggesting that foods releasing energy slowly throughout the morning may have a positive impact on outcomes such as cognitive functioning, attendance and attainment. This study also suggests that with further research it might be possible to identify whether a universal as opposed to targeted free breakfast programmes could play an important role in reducing health and educational inequalities. Additionally, one of the benefits of the free breakfast scheme is 'childcare' opportunities for working parents, with particular impacts for tackling barriers to women's participation in the labour market.

- III. **Free Prescriptions** – ensuring that those on low incomes are not deterred from taking regular medication, removing barriers to treatment for people with long-term conditions and addressing a source of health inequality, particularly amongst older and disabled people. This protection benefits an estimated 1 million people and protects against the negative consequences to their personal well-being and the significant consequences to the health and social care system.
- IV. **Free Swimming** – encouraging the people of Wales to take up exercise and healthy lifestyles. While it is identified that take up for those aged over 60 is increasing, that for those aged under 16 is reducing. Additionally, there is evidence that children in socio-economically deprived areas are more likely to fail to learn to swim by the age of 11. The scheme has therefore been refocused so that local authorities receive funding in direct relationship to the number of children in socio-economically deprived areas within their catchment.

Local Services

- 6.33 As detailed throughout this Strategic Integrated Impact Assessment, at every stage of the budget process we have sought to mitigate the devastating impacts to families of UK austerity and welfare reform by using all of the levers at our disposal.
- 6.34 In line with our commitment to Tackling Poverty, we have protected funding for the Communities First programme. This programme makes an important contribution to deliver improvements in health, education and economic outcomes within the 10 per cent most deprived areas in Wales with the long term aim of contributing to alleviating persistent poverty. In line with our principle of prevention this programme focuses on raising Educational Attainment, improving Health and Well-being, and increasing prosperity and employment, with a particular emphasis on reducing youth unemployment.
- 6.35 However, the positive steps taken by this Welsh Government to consider the impact of our spending decisions on people in protected groups cannot be assessed in isolation from the impact of the UK Government's approach to austerity including tax and welfare reforms. Indeed, our Ministerial Task and Finish Group for Welfare Reform recently commissioned the Institute for Fiscal Studies (IFS) to estimate the impact of such reforms in Wales. We outline these impacts later.
- 6.36 As a consequence of austerity, we have had to be realistic in the decisions we have taken. Our focus on those areas which deliver the greatest benefits requires difficult decisions with impacts on other areas of delivery. In particular by choosing to focus on those areas with the greatest positive impact, we have not been able to maintain funding in other areas, which will have negative impacts on other local services.

- 6.37** To mitigate these negative impacts we have attempted to target our investment at protected groups which will be impacted. To offset the impacts to communities, we have invested in frontline education and social services delivery through the Revenue Support Grant, used our levers on infrastructure and innovative finance and protected those programmes aimed at equality, community regeneration, sustainability and climate change.
- 6.38** Further, through allocating £3m to limit reductions to inspectorates we are seeking to protect the important role our inspectorates play in ensuring the quality and safety of services upon which our protected groups depend.
- 6.39** However, we know that tough decisions will need to be made about local services that benefit the people of Wales. To provide sustainable local services such as libraries, leisure centres and waste services for future generations will require a collaborative approach which seeks alternate delivery models and moves beyond solely focusing on efficiencies.
- 6.40** Where possible we have sought to give local authorities the financial flexibility to make these decisions through focusing investment on frontline services through use of the Revenue Support Grant, to mitigate the impact on vulnerable groups.
- 6.41** National Museum, Archives, Libraries, Arts, Culture and Sports contribute to tackling inequality, provide education of our culture to young people, while at the same time supporting tourism and improving our international reputation. We continue to work collaboratively with our partners to minimise the impact on protected groups.

Growth and Jobs

Overview

- 6.42** Throughout this Assembly term, the Welsh Government has focused on achieving balanced and sustainable growth, driving forward the economic recovery by supporting business, attracting inward investment and increasing employment.
- 6.43** As a result of our approach we have seen strong signs that our economic interventions are having an impact. Gross Value Added (GVA) has continued to increase, we continue to see growing levels of inward investment into Wales, employment has continued to increase with unemployment falling and we have seen some positive increases in aspects of Tourism across Wales.
- 6.44** However, as fiscal austerity puts further pressures on our resources we have had to take a prudent approach through re-focusing on those levers which have the greatest impact. We have sought to protect and

mitigate the negative impacts for those people disproportionately affected by the negative impacts of austerity.

Key Decisions

- Infrastructure - investing in capital expenditure; and
- Supporting Business – Extend Small Business Rates Relief Scheme for 12 months.

Infrastructure

- 6.45** Despite the considerable constraint on our capital budget, we have continued to focus on maximising the opportunities and benefits that Welsh infrastructure investments provide through investing in economic development, transport, environment, energy, housing, regeneration, education and health.
- 6.46** Since its launch in 2012, our Wales Infrastructure Investment Plan (WIIP) has successfully prioritised a mix of additional capital allocations and innovative finance schemes. This provides greater clarity of activity to our delivery partners and the people of Wales through our pipeline of infrastructure investments. We are also working to maximise the use of the pipeline in delivering our wider policy and community benefits.
- 6.47** Housing makes a significant contribution to the quality of life and economic well-being of families, contributing to tackling poverty. Availability of quality affordable housing remains a challenge in many areas. We are also continuing towards meeting the Welsh Housing Quality Standard target.
- 6.48** Our investment in our road and rail networks acknowledges the important role transport plays in supporting growth and jobs, as well as in enabling people from protected groups to access services. Rail services provide important connectivity in rural areas and maintaining services recognises the social and economic community benefits supported by rail services, especially for community cohesion and tourism.
- 6.49** We have sought to protect our natural resources from the impacts of austerity noting the important benefits to the people of Wales with particular benefits for protected groups. We are committed to protecting and valuing our natural resources to make them sustainable for future generations.
- 6.50** We have focused on protecting the environment through maximising the impacts of investment in infrastructure on the environment, energy and housing. Through these investments we are seeking to provide energy efficient sustainable housing which benefits our most vulnerable. By investing in green energy, recycling and flood prevention and coastal

erosion we are seeking to improve the resilience of Wales to protect communities.

6.51 However, reducing resources will impact on the way we manage and maintain our woodlands, protect nature, develop our landscape and the support we are able to provide to those bodies that carry out these vital roles. We have sought to focus our resources where they may have the greatest benefit and will work with delivery bodies to minimise negative impacts.

Economic Support

6.52 Throughout this Assembly term, our focus on achieving balanced and sustainable growth, driving forward the economic recovery by supporting business, attracting inward investment and increasing employment has seen positive results across Wales.

6.53 For example, through successes of our flagship programmes and investments of millions of pounds in creating apprenticeship places, we have demonstrated our commitment to ensuring that as many people as possible have the opportunity to gain meaningful employment and contribute to economic growth.

6.54 However, in response to the challenges of the UK Government's fiscal austerity, we have had to focus our resources on those activities that have the greatest impact in delivering support in line with our commitments. Through a cross-cutting approach based on evidence and evaluation we have gained a broader understanding of the pressures and impact of spending decisions.

6.55 To create the conditions for long-term economic growth and sustained employment we have invested in the Welsh economy's infrastructure.

6.56 We will continue to invest in making our transport network sustainable into the longer term, not only as a means of stimulating and supporting economic growth, but as a means of creating accessibility to employment opportunities, creating the conditions for tackling poverty by removing barriers for deprived communities.

6.57 To support this we have protected concessionary fares and committed £9.75m to the Young Persons' Discounted Bus Travel Scheme. These actions will help to create access to opportunities for work, education, training and apprenticeships and for people from low income households.

6.58 We are supporting the economy by investing in skills. By investing in schools we are looking to the long term needs of the economy while tackling inequality and poverty. By protecting post 16 education and investing in apprenticeships we have taken a holistic approach to skills,

balancing short and long term needs while considering the impacts to different groups.

- 6.59** Employment offers a high level of protection against poverty. Therefore to develop economic capacity, budgets have been protected by maximising the opportunities to lever in additional funding such as European Funding. Business development, entrepreneurship, science and innovation activity support future employment opportunities for all groups. Investment in strategic sites, good communications, tourism and major events make Wales an attractive destination for business and leisure in the long term.
- 6.60** To demonstrate our commitment to supporting business in Wales and their impacts through supporting the Welsh economy and providing vital employment we are making an early decision to extend the current Small Business Rates Relief Scheme for a further 12 months. This decision will reduce overall Non Domestic Rates payments by small businesses in Wales by around £90m in 2016-17.
- 6.61** Transport decisions have been made with the intention of mitigating the negative impacts on protected groups with service continuity and remaining responsive to the need of local communities. The concessionary fares scheme ensures that services continue to support older and disabled people. Affordable bus and rail services are particularly important in rural communities for social inclusion as well as providing links to employment and education. The Young Persons' Discounted Bus Travel Scheme assists young people living in disadvantaged communities to meet the cost of bus travel and so improve access to employment and educational centres.

7. Impacts of UK Welfare Reform

- 7.1** The positive steps taken by this Welsh Government to consider the impact of our spending decisions on people in protected groups cannot be assessed in isolation from the impact of the UK Government's tax and welfare reforms. Indeed, as part of a research programme commissioned by the Welsh Government's Ministerial Task and Finish Group on Welfare Reform, we have recently published two reports that consider the impact in Wales of such reforms, as well as the National Living Wage.
- 7.2** Our latest report (produced by the Institute for Fiscal Studies, IFS) was published on 19 November 2015 and covers the UK Government's tax and benefit changes announced up to and including the July Budget, to be introduced between 2015–16 and 2019–20. Since this report was published, the Autumn Statement announced further changes including a reversal of the main cuts to tax credits, which were due to be implemented from April 2016.

- 7.3** However, this protection will only provide short-term relief because tax credits will be phased out by 2018 and the planned cuts to Universal Credit were not reversed. This means the longer term impact remains broadly the same. Therefore, the findings from our latest analysis are still valid and provide an indication of the long run impact in Wales once all changes including Universal Credit are fully in place.
- 7.4** The research shows household incomes in Wales will reduce by around £600m a year in total. Households in Wales lose 1.6 per cent of their net income on average (or £459 a year) compared to 1.3 per cent or £455 a year in the UK. This loss will add to the significant amount of income already lost as a result of earlier welfare cuts.
- 7.5** Lower-income households, particularly those with children will lose considerably more on average (around 12 per cent). By employment status, low-income non-working households lose significantly more than low-income working households on average. Out-of-work lone parents, most of whom are female, are particularly hard hit. While better-off households and pensioners will be less affected or will even gain from these changes.
- 7.6** On average, households containing a disabled person lose significantly more than those without (£618 or 2.4 per cent versus £272 or 0.9 per cent a year), and younger households lose more than older households (e.g. £841 or 4.1 per cent where the oldest person is aged under 30 versus £58 or 0.3 per cent where the oldest person is aged 70 or over). Large families lose a huge amount (£7,750 or around 20 per cent on average) in the long run from the restriction of the child element in tax credits and Universal Credit to two children.
- 7.7** The average gains from the National Living Wage are significantly smaller than the losses for lower income households from the tax and benefit changes. Overall in Wales, the gains from the National Living Wage only offset 27 per cent of the losses from the tax and benefit changes, and this amount is even less for lower income households.

Draft Budget 2016 – 2017

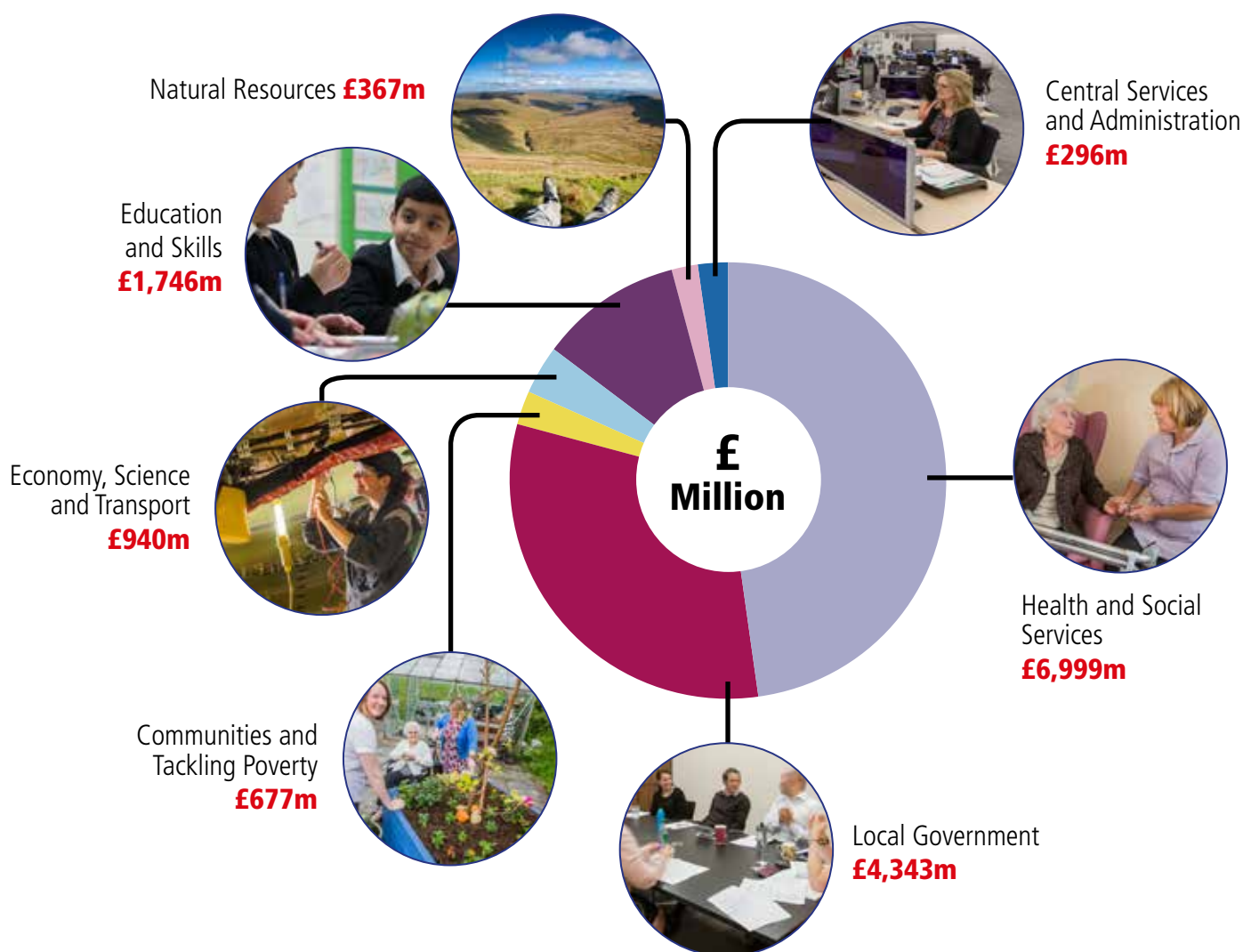


Llywodraeth Cymru
Welsh Government

Fairer, Better Wales – Investing for the Future

www.gov.wales

Our spending plans next year focus on our priorities and the services which mean the most to the people of Wales. Next year, the Well-being of Future Generations (Wales) Act comes into force and we have used the framework of the Act to develop our plans.



Fairer, Better Wales – Investing for the Future

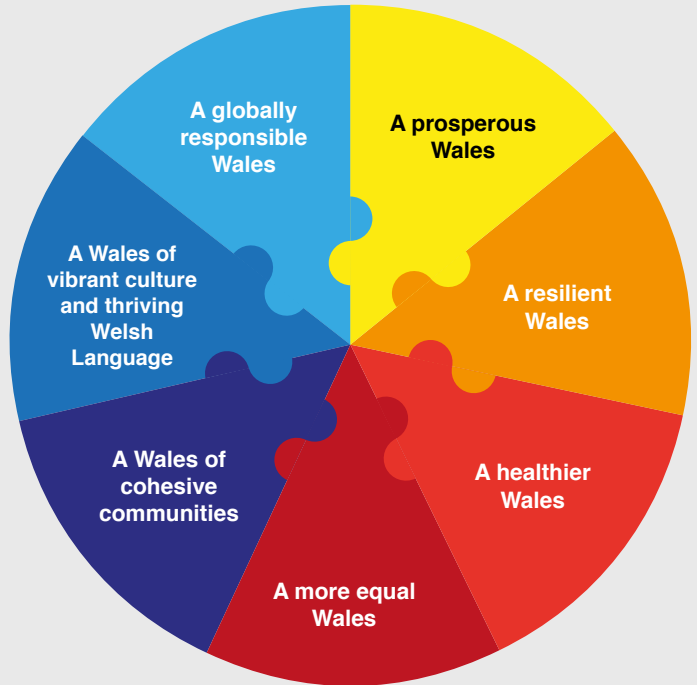
Financial Outlook

The Welsh Budget for the next four years was set by the UK Government in its Spending Review on 25 November 2015. We have had a challenging settlement which has seen the Welsh Budget cut in real terms over five years, on top of an 8% reduction over the last five years.

Despite the cuts, we are spending more per head on health than in England, more per head on health and social services combined and more per head on education. This shows the value we place on supporting our key public services in Wales.

Looking To The Long Term

We have had to make difficult decisions about how to spend our budget next year. As we look towards the future, our plans match our ambitions for the people of Wales. In April 2016, the Well-being of Future Generations (Wales) Act comes into force and it will influence the way that the public sector decides how to use resources. The seven well-being Goals provide a shared vision for all public sector bodies, duty-bound to the Act.



Involvement



Collaboration

During her Budget Tour across Wales, the Minister for Finance talked to people who work in public services on the front line, and the people who use our services, about their priorities.



Integration



Collaboration

We are working across traditional boundaries to drive the further integration of services to achieve better outcomes for the people of Wales.



Prevention



Long Term

We are focusing on services which try to prevent problems, or stop them getting worse. We are planning for demands now and in the longer term.

Our Budget Priorities for Wales

We are using our Budget to focus on four priority areas – Health and Health Services, Growth and Jobs, Educational Attainment and Supporting Children, Families and Deprived Communities. This is how we have allocated the Budget to support our priorities and on the services that matter most to the people of Wales. Our Draft Budget for 2016-17 reflects our priorities and values.



Health and Health Services

Protecting and boosting investment which contributes to achieving a healthier, more equal and prosperous Wales.

To drive up standards, improve outcomes for patients and secure a sustainable and universal health service, there is an **additional £260m revenue** and **£33.5m capital** for the NHS which will fund an extra:

- £200m to support hospitals and GPs
- £30m to boost the Intermediate Care Fund to £50m
- £30m for older people and mental health services
- £33.5m capital for equipment, ICT and infrastructure
- we are also protecting our funding for public health services.



Growth and Jobs

Protecting and boosting investment in infrastructure which contributes to achieving a prosperous Wales.

To drive sustained economic growth, support housing, the environment and to create jobs, there is an **additional £166.5m capital** which will fund an extra:

- £26m+ to extend Help to Buy Cymru – helping people afford their own homes
- £28m to support businesses in Wales
- £10m to improve transport links
- £10m for Green Growth Wales to reduce carbon emissions and make better use of our energy and water; and NEST to help keep people warm in their homes
- £10m for Flood and Coastal Risk Management.



Educational Attainment

Protecting and boosting investment which contributes to achieving more cohesive communities, a more equal and prosperous Wales and the vibrant culture of Wales.

To drive up standards in education and to improve life chances, there is an extra **£100m** for education and skills – an **additional £70m revenue** and **£30m capital** which will fund an extra:

- £40m for schools to help all pupils achieve their potential
- £15m for Schools Challenge Cymru to help under-performing schools improve their performance
- £5m to the post-16 sector for 2,500 new apprenticeships
- £10m for student support in Higher Education
- £30m for the 21st Century Schools programme – supporting school improvements and better educational outcomes
- Protecting post-16 sector budgets from cash reductions



Supporting Children, Families and Deprived Communities

Protecting and boosting investment which contributes to achieving a more equal Wales, cohesive communities and healthier, more prosperous Wales.

To provide effective support for people at different stages and circumstances in life and to sustain strong communities, there is over **£26m additional revenue** which will fund an extra:

- £21m for social services provided by local government
- £3m for Inspectorates to support safe and quality services in health, social care, and education
- £1.2m to cushion the impact of reductions and to support the Welsh Language
- over £1m extra for Universal Benefits – free school breakfasts, milk, swimming, prescriptions and concessionary fares.

We are also protecting preventative programmes at 2015-16 budget levels:

- Flying Start
- Communities First
- Supporting People