

Agenda – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Thursday, 14 January
2016

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6565

SeneddFinance@Assembly.Wales

1 Introductions, apologies and substitutions

(09.00)

2 Papers to note

(09.00)

(Pages 1 – 5)

Letter to Chair of Finance Committee from Minister for Health and Social Services

(Pages 6 – 8)

**Letter to Chair of Finance Committee from Minister for Finance and Government
Business**

(Pages 9 – 12)

**Letter to Chair of Finance Committee from Minister for Finance and Government
Business**

(Pages 13 – 24)

3 Welsh Government Draft Budget 2016–17: Evidence session 2

(09.00 – 10.30)

(Pages 25 – 54)

Jon Rae – Director of Resources, Welsh Local Government Association

Councillor Anthony Hunt – Deputy Leader of Torfaen County Borough Council /

Deputy Finance and Resources Spokesperson, Welsh Local Government

Association

Councillor Huw David – Deputy Leader of Bridgend County Borough Council /

Health and Social Care Spokesperson, Welsh Local Government Association

Paper 1 – WLGA consultation response



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Research brief

Break

(10.30 – 10.45)

4 Welsh Government Draft Budget 2016–17: Evidence session 3

(10.45 – 12.15)

(Pages 55 – 81)

Adam Cairns – Chief Executive, Cardiff and Vale University Health Board

Steve Moore – Chief Executive, Hywel Dda University Health Board

Paper 2 – The Welsh NHS Confederation consultation response

Research brief

Lunch break

(12.15 – 13.00)

5 Welsh Government Draft Budget 2016–17: Evidence session 4

(13.00 – 14.00)

(Pages 82 – 97)

Dr Victoria Winckler – Director, Bevan Foundation

Michael Trickey – Wales Adviser, Joseph Rowntree Foundation

Paper 3 – Bevan Foundation consultation response

Paper 4 – Joseph Rowntree Foundation consultation response

Research brief

6 Welsh Government Draft Budget 2016–17: Evidence session 5

(14.00 – 14.30)

(Pages 98 – 118)

Eleri Butler – Chief Executive, Welsh Women's Aid

Paper 5 – Welsh Women's Aid consultation response

Research brief

7 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(14.30)

Items 8 and 9.

8 Welsh Government Draft Budget 2016–17: Consideration of evidence

(14.30 – 14.45)

(Pages 119 – 120)

Paper 6 – Letter from Minister for Finance and Government Business – 7 January 2016

9 Tax Collection and Management (Wales) Bill: Order of Consideration

(14.45 – 14.50)

(Pages 121 – 122)

Paper 7 – Order of Consideration for Stage 2

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Thursday, 3 December
2015

Meeting time: 09.01 – 10.46

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3332>

Attendance

Category	Names
Assembly Members:	Jocelyn Davies AM (Chair) Peter Black AM Christine Chapman AM Mike Hedges AM Alun Ffred Jones AM Jenny Rathbone AM (In place of Ann Jones AM) Julie Morgan AM Nick Ramsay AM
Witnesses:	Simon Brindle, Y Lab Steve Martin, Public Policy Institute Wales
Committee Staff:	Bethan Davies (Clerk) Gerallt Roberts (Deputy Clerk) Martin Jennings (Researcher) Christian Tipples (Researcher) Joanest Varney-Jackson (Legal Adviser)



Transcript

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Ann Jones AM.

1.3 Jenny Rathbone AM attended as a substitute for Ann Jones AM.

2 Papers to note

2.1 The papers were noted.

3 Welsh Government Draft Budget 2016–17: Overview session

3.1 The Committee took evidence from Simon Brindle, Director, Y Lab, and Steve Martin, Director, Public Policy Institute Wales.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

4.1 The Motion was agreed.

5 Welsh Government Draft Budget 2016–17: Overview session: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Public Services Ombudsman for Wales: Supplementary Budget 2015– 16

6.1 The Committee noted the paper and will consider it further with the next Supplementary Budget.

7 Future Funding: Key issues

6.1 The Committee considered the key issues and agreed to postpone further consideration to invite the Chief Secretary to the Treasury to give evidence.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Wednesday, 9 December
2015

Meeting time: 09.00 – 10.57

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3329>

Attendance

Category	Names
Assembly Members:	Jocelyn Davies AM (Chair) Peter Black AM Christine Chapman AM Mike Hedges AM Alun Ffred Jones AM Jenny Rathbone AM (In place of Ann Jones AM) Julie Morgan AM Nick Ramsay AM
Witnesses:	Jane Hutt AM, The Minister for Finance and Government Business Jo Salway, Welsh Government Margaret Davies, Welsh Government Jeff Andrews, Welsh Government
Committee Staff:	Bethan Davies (Clerk) Tanwen Summers (Deputy Clerk)



	Gerallt Roberts (Deputy Clerk) Martin Jennings (Researcher) Christian Tipples (Researcher) Joanest Varney-Jackson (Legal Adviser)
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Transcript

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

- 1.1 The Chair welcomed Members to the meeting.
- 1.2 Apologies were received from Ann Jones AM.
- 1.3 Jenny Rathbone AM attended as a substitute for Ann Jones AM.

2 Papers to note

- 2.1 The papers were noted.

3 Welsh Government Draft Budget 2016–17: Evidence session 1

3.1 The Committee took evidence from Jane Hutt AM, Minister for Finance and Government Business; Jo Salway, Deputy Director of Strategic Budgeting, Welsh Government; Margaret Davies, Head of Budget Delivery, Welsh Government; and Jeff Andrews, Specialist Policy Adviser, Welsh Government.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

- 4.1 The motion was agreed.

5 Welsh Government Draft Budget 2016–17: Consideration of evidence

- 5.1 The Committee considered the evidence received.
- 5.2 The Committee agreed the consultation letter.

6 Wales Audit Office: Fee Scheme for 2016–17

- 6.1 The Committee approved the fee scheme.

7 Welsh Tax Forecasts

7.1 The Committee noted the paper.

8 Legacy inquiry

8.1 The Committee agreed both the draft chapters.

Mark Drakeford AC / AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MAL/MD/0615/15

Jocelyn Davies AM
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

7 December 2015

Dear Jocelyn,

Public Health (Wales) Bill

I would like to thank you and the Finance Committee for your report on the Public Health (Wales) Bill. I am considering the various recommendations of the Committee and will refer to these during tomorrow's Plenary debate on the general principles of the Bill, with a fuller response to the Committee's recommendations to follow in due course. However, in advance of the debate I wanted to provide you with some further information and a technical update on the R (on the application of Hemming) (t/a Simply Pleasures Ltd) (Respondents) v Westminster City Council (Appellant) case, and its potential impact on the Bill.

Background on the case

The case concerned a group of sex shop owners in Westminster who challenged Westminster City Council about both the level of licence fees and the process adopted to set them. The Council had previously required applicants for sex shop licences to pay with their applications a substantial sum (£29,435 in 2011/12), broken down into a smaller amount (£2,667 in 2011/12) relating to the processing of the application and a larger amount (£26,435 in 2011/12) relating to the cost of administering and enforcing the licensing regime as a whole. The larger amount was refundable whenever an application failed.

The respondent had claimed that the system applied by Westminster was illegitimate under domestic and EU law. The primary case was that there was no basis for requiring successful or unsuccessful applicants to meet the costs of administering and enforcing the regime. The secondary case was that there was no basis for requiring such costs to be paid with the applications, even on a refundable basis. The Court of Appeal agreed with the respondent's primary case, holding that such costs had to be funded by an authority such as Westminster out of its general rates or other funds.

Westminster City Council then appealed to the Supreme Court. The Supreme Court concluded:

- Paragraph 19 of Schedule 3 to the Local Government (Miscellaneous Provisions) Act 1982 enables a licensing authority to impose on an applicant a fee for the grant or renewal of a licence which covers the running and enforcement costs of the licensing scheme, to be payable either (a) at the time when the licence is granted; or (b) on a refundable basis, at the time when the application is lodged.
- Article 13(2) of Directive 2006/123/EC deals only with authorisation procedures and fees relating to applications for permission to access or exercise a service activity, such as operating a sex shop. It does not prevent the imposition on those who receive licences of proportionate charges to fund the cost of administering and enforcing the licensing regime.

A reference to the Court of Justice of the European Union has been made on the timing of payments made for licences.

Relevance to the Public Health (Wales) Bill

The Bill establishes a licensing system in relation to special procedures and the case is therefore of direct relevance to these provisions. It is not considered that other parts of the Bill would be affected by the case.

The Committee noted in its report that the Supreme Court considered two possible scenarios relating to the case:

- A “Type A scheme” under which a local authority charges an applicant, on making an application for registration, the costs of making the application and then charges a successful applicant a further fee to cover the costs of running and enforcing the scheme; and
- A “Type B scheme” under which the costs of running and enforcing the scheme were charged at the time of making the application but refunded to unsuccessful applicants.

The Supreme Court has held that a Type A scheme is permissible under both domestic and European law. However, with regard to a Type B scheme, the Court was of the view that the matter should be referred to the Court of Justice of the European Union, with a view to establishing whether such a scheme was consistent with European law. This is essentially a question of timing, i.e. whether or not the costs under Type B schemes can be charged on a refundable basis at the time that the application is made.

The Court of Justice of the European Union has yet to provide its judgment on this issue, but it is my intention for local authorities to have the flexibility to charge reasonable fees, however they wish to. It will be a matter for local authorities to determine whether they wish to use a 'Type A' or 'Type B' scheme.

I am currently considering whether an amendment is required to provide further clarity on this point. I will ensure the revised Explanatory Memorandum addresses this point when it is updated following Stage 2 consideration.

I hope the information provided in this letter provides the clarity sought by Committee members. I am copying this letter to the Chair of the Health and Social Care Committee as this issue was also raised in its report on the general principles of the Bill.

Best wishes

Mark Drakeford

Mark Drakeford AC / AM

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol

Minister for Health and Social Services

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business

Llywodraeth Cymru
Welsh Government

Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Dea Jocelyn,

7 December 2015

FINANCE COMMITTEE'S REPORT: SCRUTINY OF WELSH GOVERNMENT FIRST SUPPLEMENTARY BUDGET 2015-16

Thank you for your letter of 10 July enclosing a copy of the Finance Committee's report on the Welsh Government Supplementary Budget 2015-16.

I enclose a note at Annex A, which responds to the recommendations contained within the Committee's report on the First Supplementary Budget 2015-16.

*Best wishes,
Jane*

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business

Bae Caerdydd • Cardiff Bay
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English Enquiry Line 0300 0603300
Llinell Ymholiadau Cymraeg 0300 0604400
Correspondence.Jane.Hutt@wales.gsi.gov.uk

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Annex A - Response to Recommendations in Finance Committee Report

NHS Funding

Recommendation 1. The Committee recommends that the Minister provide the Committee with an update on how work to put NHS finances on a sustainable footing is progressing, and confirms the Government expectations of the financial performance of NHS organisations in 2015-16.

As the Minister for Health and Social Services has confirmed, he was able to approve the three-year plans for Cardiff and Vale and Abertawe Bro Morgannwg University Health Boards in September, bringing the total number of approved plans in 2015-16 to seven out of a total of ten NHS organisations

Three-year plans could not be approved for Betsi Cadwaladr and Hywel Dda University Health Boards, or the Welsh Ambulance Services Trust in 2015-16. These organisations have prepared and are working to one-year operational plans.

The Minister for Health and Social Services recently gave evidence to the Finance Committee on the NHS Finance (Wales) Act planning arrangements, describing the improvements in planning processes that had arisen as a result of that legislation. We will continue to only approve those plans that are robust and merited that recognition. In his evidence to the Committee, the Minister stated that he considered it unlikely that Betsi Cadwaladr UHB would be in a position to submit an approvable plan in 2016-17, and there remained doubts about the ability of Hywel Dda UHB to submit an approvable plan as well. There was however, more confidence that WAST will have an approvable plan next year.

Recommendation 2. The Committee recommends that the Government provide details of the impacts that the additional allocations for reforming the NHS in this supplementary budget have had. Given that the Assembly will have dissolved ahead of the elections by the end of the 2015-16 financial year, the Committee would be grateful if an update could be provided in time for the second supplementary budget 2015-16. This will enable the Committee to be confident that the additional allocations have contributed to the NHS reforms that it was intended to help drive forward.

The allocations made to Health and Social Services in the First Supplementary Budget support our key ambition to shift more services from hospitals and improve access to preventative, integrated community, primary and social care in line with our primary care plan. The Minister for Health and Social Services will be reporting on the use of these funds by the end of the financial year.

Additional mental health funding

Recommendation 3. The Committee is pleased to see additional funding provided to mental health, particularly for children and young people. However, the Committee would recommend that firm targets are linked to the additional allocations to ensure that the money directly benefits those that need it most and that service provision is measurably improved.

The additional funding we have made available for adult mental health services in the First Supplementary Budget was allocated to LHBs with requirements as to how that money should be utilised, and the outcomes we expect to be delivered. Local Health Boards are required to report back to us at the end of the financial year to inform us of the tangible outcomes they have achieved through the use of this additional funding. The Minister for Health and Social Services also made a statement on Mental Health Services on 7 October 2015 which provided further details on our Mental Health strategy.

Additional education allocations

Recommendation 4. The Committee recommend the Minister provide further detail as to how it is intended to fund Schools Challenge Cymru in 2015-16, given that it is an important initiative to improve performance in underperforming secondary schools across Wales.

Up to £20 million was made available for Schools Challenge Cymru for the second year of the programme, the actual level of support required is determined following the receipt of School Development Plans. As at the First Supplementary Budget, a total of £15.6 million had been provided from our central reserves with the necessary balance to be managed from within the Education and Skills MEG.

Recommendation 5. The Committee recommends that in future budgets the Minister allocates the full budget for Schools Challenge Cymru at Draft Budget stage to avoid uncertainty around future funding arrangements for the programme.

Future funding of Schools Challenge Cymru will be set out in our Draft Budget Proposals for 2016-17.

Full devolution of business rates

Conclusion 2. The Committee requests further details from the Minister as to why the cost to the Welsh Government of the Wales Retail Rate Relief Scheme is not affected by full devolution of business rates in the same way that small business rate relief is. It would be particularly useful for the Committee to understand why the use of a grant scheme means that the cost of the scheme is not directly affected by full devolution of business rates.

The Wales Retail Relief Scheme operates within the Economy, Science and Transport MEG, providing grant support to Local Authorities to offset the reduction in their business rates revenues arising from applications for the scheme. It does not provide a direct relief through the Non Domestic Rate Pool as, for instance, the Small Business Rates Relief does.

The Wales Retail Relief Scheme is a DEL backed grant scheme to which funds have been allocated from reserves. Although the levels of support provided are linked to overall business rate policy, it is not directly affected by the full devolution of business rates which transferred NDR pool backed expenditure from DEL into AME.

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business

Y Pwyllgor Cyllid | Finance Committee
FIN(4)-01-16 PTN3



Llywodraeth Cymru
Welsh Government

Jocelyn Davies AM
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
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16 December 2015

Dear Jocelyn

Thank you once again for your consideration of the Tax Collection and Management (Wales) Bill during Stage 1. I am pleased that the general principles of the Bill have been agreed, and I thank your Committee for their recommendation in this regard.

During the General Principles debate on the Bill on 8 December, I confirmed that I would provide a detailed response to your Committee's Stage 1 report and its 29 recommendations. I have set out below my response to the recommendations; this includes details of where I agree there is need to put forward amendments to the Bill. I have already tabled 20 Government amendments and will table further amendments in a second tranche next month.

I hope that the attached information helps to inform your further scrutiny as the Bill progresses through Stage 2.

I am copying this letter to the Chair of the Constitutional and Legislative Affairs Committee.

Best wishes,
Jane

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business

Tax Collection and Management (Wales) Bill Stage 1

Committee Report recommendations and Welsh Government response

Recommendation 2

The Committee recommends that the Welsh Government commit to undertaking an enhanced awareness raising campaign to encourage widespread public awareness of the Welsh Revenue Authority and devolved taxes prior to 2018.

Accept: I am committed to continued engagement. As announced previously, I will publish a Treasury Paper on Welsh taxes early in the New Year. This will help us to further engage on tax devolution, including informing people of progress to date and what is anticipated in the future, and beginning to develop the key elements of a constructive relationship between the new WRA and devolved taxpayers. This will be formalised in the Charter of standards and values. I would expect the WRA to start consultation on a Charter soon after its formation so that the document is in place when tax collection gets underway. I would certainly encourage the WRA to consider including a commitment in its Charter to engage with its stakeholders in a positive and constructive way on all matters, including the development of its devolved tax procedures, where appropriate.

I also aim to initiate a survey of the current level of public awareness of the developing proposals around devolved tax and to revisit this over time.

Work on raising awareness of the new devolved taxes and the changes to collection and management will need to start well in advance of April 2018. I am committed to ensuring that those who will be paying Welsh devolved taxes are fully aware of what they need to do from 1 April 2018.

Recommendation 3

The Committee recommends that the Bill be strengthened to ensure the independence of the Welsh Revenue Authority from the Welsh Government and this should be expressly provided for on the face of the Bill.

I am wholly supportive of the WRA being operationally independent, with Ministers having no role in individual taxpayer's affairs. However, for the reasons set out below, I believe that the Bill provides for this operational independence. I am, of course, open to further discussion on this point and, in that context, am mindful of section 7 of the Revenue Scotland and Tax Powers Act 2015 (with which you are familiar from our scrutiny sessions).

Our approach and proposals for the WRA are consistent with HMRC and Revenue Scotland in a number of key areas:

- all have clear operational independence in order to ensure that Ministers are not implicated in the day-to-day management of taxpayers' affairs;
- all are non-Ministerial departments and are staffed by civil servants;
- all have extensive powers legal powers and responsibilities vested in them (in Commissioners in the case of HMRC) and are responsible for exercising those powers in accordance with the law;
- all deliver tax policy set by Ministers;

- Ministers appoint non-executive Board members (HMRC commissioners are by letters patent, but they may resign by notice in writing to the Treasury); and,
- all are answerable to Tribunals and Courts for how they exercise their powers.

Tax collection is a function of government as tax receipts fund public services. The WRA, in common with HMRC and Revenue Scotland, will need to collect taxes within the tax policies and the priorities set by Ministers. The Welsh Ministers need to be able to give strategic direction to the WRA on devolved tax policy priorities: for example, on the emphasis they should place on tax compliance and avoidance work. To this end, section 14 of the Bill allows the Welsh Ministers to give general directions (in the same way that the Treasury can give general directions to HMRC). However, importantly, this power does not allow the Welsh Ministers to provide any specific direction to WRA on how it should make decisions in individual taxpayers' cases. Should the Welsh Ministers attempt to issue such directions, that would clearly be unlawful.

Part 8 of the Bill confers comprehensive review and appeal rights on taxpayers, enabling them to hold WRA to account for its decisions. Any suggestion by a taxpayer that WRA had been unduly influenced by the Welsh Ministers can therefore be subject to robust judicial scrutiny. Part 8 of the Bill confers wide powers on the tribunals to affirm, vary or cancel WRA decisions.

Furthermore, section 19 of the Bill creates a criminal offence in relation to the wrongful disclosure of protected taxpayer information. This is a further crucial safeguard for taxpayers, preventing WRA officials sharing confidential, individual taxpayer information with Ministers and others.

As announced previously, I have reflected on the Committee's comments concerning any general Ministerial directions that might be given under section 14. Currently, section 14 of the Bill requires the Welsh Ministers to publish any directions given to WRA unless they consider that publication would prejudice the effective exercise of WRA's functions. The Committee previously raised concerns about the caveat regarding non publication and therefore I tabled amendment 2 on 9 December to delete it. If agreed, the Bill will require that all directions given by the Welsh Ministers must be published. This will provide complete transparency and will enable others to scrutinise any directions and the reasons why they are being given.

This is clearly a very important point for all of us and it is crucial that we get it right. I would be happy to discuss it with the Committee further.

Recommendation 4

The Committee recommends that section 3(1)(d) of the Bill should be amended to ensure the members of staff appointed to the board are done so by a process of Chief Executive nomination in the first instance and then by a staff ballot process when future vacancies arise.

Accept: I am happy to consider introducing amendments that would provide for an additional executive member of the WRA to represent staff and for such an appointment to be made by a staff ballot.

The amendments will also alter the process by which the other executive members of WRA become members of the Board, so that instead of this being the result of a WRA nomination, it is the result of a recommendation by the Chief Executive, which the non-

executive members of WRA then appoint in accordance with (or require an alternative recommendation).

Recommendation 5

The Committee recommends that the Bill should include more detail on the appointment period for non-executive members and would recommend the model specified in the Public Audit (Wales) Act 2013 as a good example, whereby non-executive appointments should be for a period of no more than four years and a person may not be appointed more than twice.

Accept in part: I am committed to openness and transparency in the appointment process and have said previously that the Nolan principles will apply to all non-executive member appointments. Furthermore the terms and conditions of these roles will be advertised publically. I accept the Committee's recommendation in part and will look to bring forward an amendment that defines the appointment period and the maximum time that can be served.

Recommendation 6

The Committee recommends that provisions in Part 2 in relation to the chairperson and the deputy chairperson are consistent unless there is a valid reason for differing provisions.

There are necessary differences in the provisions relating to the Deputy Chairperson and Chairperson. Provisions for a Deputy Chairperson reflect the fact that such an appointment is additional to the non-executive member appointment. Unlike the Chairperson, the Deputy Chairperson could continue in the role of a non-executive member despite no longer serving as a Deputy Chairperson.

This means that provisions have been made in relation to a Deputy Chairperson that are not needed for the Chairperson (i.e. to the effect that a person can resign as a non-executive member *or* as a Deputy Chairperson (s. 5(3)) and that a person will no longer be the Deputy Chairperson when he/she ceases to be a non-executive member (s. 6(2)) because the Chairperson is a non-executive member *only* whereas the Deputy Chairperson is a non-executive member *and* a Deputy Chairperson.

In the circumstances, the provisions as drafted do not require any amendment.

Recommendation 7

The Committee recommends that section 8(4) which provides for Chief Executives "to be appointed by WRA" (subsequent to the first appointment by the Welsh Ministers) should be amended to ensure that the non-executive members make the final appointment decision (rather than the employee members of the Board).

Accept: I will bring forward an amendment to section 8(4) at Stage 2, so that Chief Executive appointments (subsequent to the first appointment by the Welsh Ministers) will be made by the non-executive members of the WRA Board rather than the whole of the WRA Board.

Recommendation 8

The Committee recommend the Bill is amended to ensure the Board's quorum prescribes a majority of non-executive members.

Accept: I want the WRA Board to always have a majority of non-executive members. I will bring forward an amendment at Stage 2 to include provisions that require WRA to make rules about quorum and to require those rules to specify that there needs to be a majority of non-executive members present at a WRA Board meeting in order for it to be quorate.

Amendment 1, tabled on 9 December, ensures that, in the event that Welsh Ministers use their regulation making power to amend the number of members on the WRA Board, they could only do so in a way that maintains a non-executive majority.

Recommendation 9

The Committee recommend that at least one non-executive member should be a member of each committee/sub-committee, unless it is a non-decision making committee/sub-committee.

Accept: the role of non-executives members in the work of the WRA is essential and I appreciate the point being made by this recommendation.

I intend to bring forward amendments to the effect that where WRA authorises a committee of WRA or a sub-committee of such a committee to carry out any of its functions under section 12(b) TCM Bill, the committee or sub-committee that it authorises for that purpose must include at least one non-executive member amongst its membership.

Recommendation 10

The Committee recommends that the Welsh Revenue Authority produces a publication scheme and that all decisions taken by committees/sub-committees of the Welsh Revenue Authority should be made publicly available. If there is a valid reason not to publish a decision, the reasons for this should be made publicly available in accordance with the publication scheme.

Accept: I agree that this is good practice. As a public authority, WRA will need to comply with relevant obligations under the Freedom of Information Act. As such, I would expect the WRA to:

- publish the classes of information that it will make available; and,
- tell people how they can access such information.

In formulating the arrangement for such a scheme the WRA will need to consider how it will safeguard individual taxpayers' information.

Recommendation 11

The Committee recommends that Tax Impact and Information Notes (or equivalent documents) should be introduced for all significant variations in the devolved taxes. Where appropriate the Welsh Government should ensure that these notes are produced alongside their budget announcements. These notes should be reviewed by the Welsh Revenue Authority at least every three years and be subject to scrutiny by an Assembly Committee before the Welsh Revenue Authority's budget is agreed.

Accept in principle: where new tax legislation is proposed, specific impact assessments will be undertaken, for example in relation to equality and protected groups and the rights of the child. This will be case for the proposed Land Transaction and Landfill Disposal taxes and any other taxes that might be devolved to Wales in the future. An RIA for each bill will include a timetable for a future review.

I consider that it would be good practice in the future to also consider publishing information about any significant variations to the devolved taxes, especially where changes are being made alongside wider budget considerations.

Clearly there is no immediate role for the WRA here, but when it is established and if and when there are significant changes to tax policy then I would expect the WRA to play an important role in contributing to tax policy considerations, including on practical implementation issues. Indeed, one of the WRA's functions as a result of this Bill will be to provide information, assistance and advice to Welsh Ministers, (section 11 (2) (b).

The relationship between the Welsh Government and the WRA will be set out in a memorandum of understanding and this will clarify respective roles in relation to future tax policy considerations including assessments.

Budget discussions will be between the Welsh Government and WRA and these will take account of both performance and Ministerial tax policy priorities.

Recommendation 12

The Committee recommends that section 12 should be amended to clarify that certain important functions (such as approval of the Corporate Plan, the Annual Report, the annual Accounts and the annual Tax Statement) are reserved as the responsibility of the Welsh Revenue Authority and should not be delegated to staff.

Accept: I intend to table an amendment that adopts the Committee's recommendation, so as to ensure that it is the WRA Board retains responsibility for the preparation of the corporate plan, the annual report, the annual accounts and the tax statement.

Recommendation 13

The Committee recommends that clear lines of accountability are provided, through a publicly available memorandum of understanding or service level agreement, between the Welsh Revenue Authority and the delegated bodies with responsibility for tax collection and management. The memorandum of understanding or service level agreement should set out clear standards for dealing with taxpayers.

Accept: I agree that it will be important to have publically available information about any delegation arrangements and the Bill already provides for this. Section 13 of the Bill provides for the delegation of WRA's functions and section 13 (4) requires the WRA to publish information about delegations or any directions made under that section.

It's also worth pointing out that the WRA's Charter will need to include standards of behaviour and values and that the Charter will apply equally to the WRA and any other body delivering functions on its behalf.

Recommendation 14

The Committee recommends that where the Welsh Revenue Authority delegates any of its functions to an organisation/s, consideration should be given to ensuring the organisation/s provides a high level of expertise to Welsh taxpayers, including taking Welsh Language provisions into account and setting out provision for Welsh speakers in a Statement of Service Standards.

Accept: Service standards and access to both tax expertise and Welsh language provision are important considerations in the on-going discussions we are holding with HMRC and NRW.

The Welsh Language (Wales) Measure 2011 will automatically apply to the WRA. The WRA will need to have its own Welsh language standards, which it will need to agree with the Welsh Language Commissioner. Such standards will apply equally to WRA and anyone undertaking delegated functions on its behalf. The WRA may delegate its functions, but it will still retain responsibility for the effective and efficient execution of its functions and duties.

Recommendation 15

The Committee recommends that the Bill is amended to prevent the Welsh Government intervening in the exercise of the Welsh Revenue Authority's operational functions.

For the reasons given above, in my response to recommendation 3, I consider that the Bill already guarantees the operational independence of the WRA and provides extensive protection to individual taxpayers against the intervention of the Welsh Ministers.

Recommendation 16

The Committee recommends that the Charter must specifically refer:

- to a quality service for the taxpayer;*
- to its application to delegated bodies with responsibility for collection and management of taxes.*

Accept: as mentioned under recommendation 2 previously, I intend undertaking engagement on this in the New Year. This will include consideration of how a Charter should refer to providing a quality service.

The WRA may delegate its functions, but it will still retain responsibility for the effective and efficient execution of its functions. As such, service standards will apply equally to WRA and anyone undertaking delegated functions on its behalf.

Recommendation 17

The Committee recommends that the first Charter should be published prior to the relevant taxes being formally devolved to Wales in April 2018.

Accept: it will be essential to have the Charter in place by the time that tax collection gets underway. The Charter will be the responsibility of the WRA, but I would nevertheless expect the WRA to consult on their proposed document in the run up to 2018 and to finalise and publish it so that it is in place by the time that devolved tax collection gets underway.

Recommendation 18

The Committee recommends that the Bill is amended so that:

- section 25(2)(a) replaces the word “aspire” with “adhere to”;*
- the requirement to review the Charter “from time to time” under section 25(3)(b) should include the provision for a review at least every five years.*

Accept: amendments 3, 4, 5, 8 and 9 tabled on 9 December change the wording of the provision for a Charter so that the WRA will be expected to adhere to standards of behaviour and values when dealing with taxpayers and their agents.

Amendments 6 and 7 require the WRA to review the Charter at least once in the period of 5 years beginning with the day on which the Charter is published, and at least once in the period of 5 years following a review after that.

Recommendation 19

The Committee recommends that section 26(2) is amended to ensure the Corporate Plan includes key performance measures.

I agree that performance measurement is essential and how this is to be done should be in the public domain. Section 26(2)(b) of the Bill requires the WRA to produce a corporate plan and this must set out the outcomes by reference to which the achievement of the main objectives may be measured. I will not be proposing an amendment because measures of performance are already required to be in the corporate plan.

Recommendation 20

The Committee recommends section 27 of the Bill should specify that the Annual Report should be published no later than 31 August to ensure the Annual Report and Accounts are available within a set time period to ensure accountability, transparency and effective scrutiny of the operations of the Welsh Revenue Authority.

Accept in principle: I am happy to look again at the timing of the preparation, reporting and publication of the Annual Report. In doing this I will consider how the timing of the publication of the Annual Report links to the timing of the final publication of the WRA's annual accounts and Tax Statement.

Recommendation 21

The Committee recommends that the Bill includes provision which enables the National Assembly to authorise a Committee to scrutinise the Welsh Revenue Authority.

In my letter to the Committee of 4 November I referred to section 37 of the Government of Wales Act 2006. I drew attention to this because the section confers broad powers on the Assembly to require a person to attend to give evidence or produce documents. The powers can be exercised by the Audit Committee or such other committee as the Assembly expressly authorise. Standing Orders require that every area of the Government and associated public bodies must be subject to committee scrutiny. The devolved taxes will be the responsibility of Government and the Welsh revenue authority, so the Business Committee must ensure that this area is subject to the scrutiny of a committee.

I also mentioned that the Bill includes several measures that require the Assembly to be provided with information to assist it to scrutinise the WRA. Taken together these provisions enable the Assembly to undertake scrutiny of the WRA, separate from the Welsh Ministers, however the Bill does not specify how the Assembly should scrutinise the WRA. Arrangements such as which Committee should undertake scrutiny are for the Assembly to decide, not for the Welsh Government to prescribe in legislation. This is in line with other Assembly Acts, such as the Public Audit (Wales) Act 2013. Whilst this latter Act sets out certain functions for the Assembly, such as appointing non-executive members to the Wales Audit Office, and makes provision for the Assembly to delegate these functions to a Committee of its choosing, amongst others, it contains no provisions relating to the general scrutiny of the Wales Audit Office by the Assembly beyond requiring the laying of certain documents before it.

Recommendation 22

The Committee recommends section 30(3)(a) is amended to ensure the wording of the audit provision in the Bill is consistent with that of the audit provision for the Welsh Ministers' accounts as set out in section 131 of the Government of Wales Act 2006.

Accept: I note the difference between the GOWA wording and the Bill wording and I will consider tabling an amendment at Stage 2, as recommended.

Recommendation 23

The Committee recommends section 32(3)(a) regarding the responsibilities of the Accounting Officer in relation to the signing of the accounts should expressly refer to the annual accounts and the annual Tax Statement.

Accept: I have tabled amendment 11 that amends section 32(3)(a) to include responsibilities in relation to both the signing of the WRA accounts and Tax Statement.

Recommendation 24

The Committee recommends that the Welsh Revenue Authority issues a Statement of Practice on a tax by tax basis to provide flexibility in the case of individual taxes whilst providing certainty over timescales for service users.

Accept: this will be a matter for the WRA. However, I agree that a Statement of Practice on a tax-by-tax basis is good practice that the WRA should seek to follow.

Recommendation 25

The Committee recommends the Minister reviews the position in relation to the Public Services Ombudsman for Wales' role in dealing with complaints against the Welsh Revenue Authority and in relation to tribunal arrangements for devolved tax collection and management and brings forward amendments if appropriate.

Accept: I note the views of the Committee on this matter and am happy to review the issue that has been raised.

Recommendation 26

The Committee recommends that the definition of rewards should be clarified on the face of the Bill.

The provision at section 23 is consistent with that found in both UK and Scottish legislation. In order to clarify this provision further, I will provide further details in the explanatory note relating to the provision. This will clarify that the provision provides for WRA to pay a reward to a person for a service relating to any of its functions, for example for information which leads to the collection of undeclared tax; and, that I would expect that any arrangements put in place by WRA would:

- be discretionary;
- would be payable only as a consequence of what is achieved as a direct result of information provided; and,
- be determined by taking account of such factors as: tax recovered; loss of revenue prevented; other measurable benefits, such as reduction in time/costs associated with compliance.

Recommendation 27

The Committee recommends the Bill is amended to ensure the Welsh Revenue Authority are not permitted to treat rewards as a deduction from the amounts paid into the Welsh Consolidation Fund.

I can reassure the Committee that the provision at section 24 does not include 'rewards' and therefore does not provide for any such expenditure to be deducted from the amounts that are to be paid into the Welsh Consolidated Fund.

The Committee recommends that section 22 of the Bill should be replaced with a provision that would treat the Welsh Revenue Authority as an additional “relevant person” in section 124 of the Government of Wales Act 2006. The Committee urges the Welsh Government to obtain the Secretary of State’s consent to ensure that should an amendment to amend section 124 of the Government of Wales Act 2006 be agreed by the National Assembly, the Bill would be able to be passed at Stage 4.

If it is not possible to obtain the Secretary of State’s consent to amend section 124 of the Government of Wales Act 2006, the Committee recommends that the Welsh Revenue Authority’s budget is identified separately and hypothecated in the Welsh Government’s annual budget motion.

The WRA will undertake a function of Government and it is therefore appropriate for it to receive its funding through the Welsh Government’s budget process. Welsh Ministers will have responsibility for the WRA’s budget in a similar way to that of HM Treasury and HMRC’s budget and the Scottish Government and Revenue Scotland’s budget.

I acknowledge however that it is essential that there is transparency around the WRA’s budget. I consider that such transparency can be achieved by including sufficient detail within an existing Welsh Government MEG – possibly that relating to Central Services. The Assembly has full oversight of the budget process and can vote on it.

I have also made provision for the WRA to be transparent in the use of its budget. Section 28 requires the WRA to prepare accounts which will be reported on by the AGW before being laid before the Assembly. Section 29 requires the WRA to prepare a Tax Statement of the amount of money collected by it during a financial year and this will also be laid before the Assembly.

Constitutional and Legislative Affairs Committee (CLAC)

Recommendations

CLAC recommend that the Minister should table an amendment to sections 3, 4, 26 and 186 of the Bill

Currently these powers are subject to the negative procedure, but CLAC recommend that it is made subject to the affirmative procedure, because primary legislation is being amended.

I have noted the view of the Committee on the broader issue relating to the negative or affirmative procedure. I note also that the First Minister has written to the Committee on this issue. In that letter he explains that the choice between the negative and affirmative procedure is considered on the merits of each case, and ultimately informed by a variety of factors, including the nature of the power, its likely scope, and the circumstances in which the power is to be used.

Given the scope and circumstances in which the powers in sections 3, 4, 26 and 186 might be used, I remain of the view that the negative procedure is appropriate.

National Assembly Finance Committee

Welsh Government Draft Budget
2016-17

7th January 2016



WLGA • CLILC

Summary

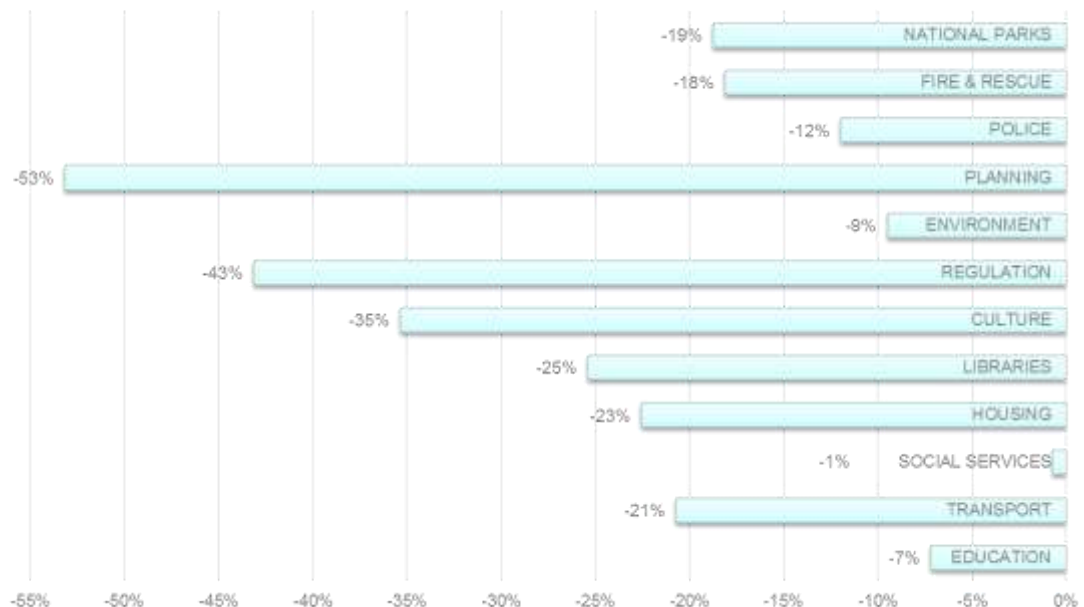
1. Local Government is a vital partner for the Welsh Government in delivering its broad social and economic outcomes. There is not one area in the Programme for Government where councils do not make a crucial contribution to outcomes. Local services support healthy people living productive lives in prosperous and innovative local economies. Local services provide the bedrock of safer, more cohesive and more equal communities. Local services make an invaluable contribution to a resilient environment and a society with a vital sense of its own culture and heritage.
2. The WLGA's response to the provisional settlement announcement for 2016-17 has been relatively positive. An average reduction of 1.4% was a lot better than the experience of the past couple of years although we are continuing to make a case for rural authorities who fared less well.
3. Councils have played their part in delivering savings so far and are continuing to bear the brunt of austerity. Continued austerity is putting local services, and the government's own objectives at serious risk, both now and in the future. Unprecedented unavoidable financial pressures facing councils next year and longer-term demographic demands are likely to 'crowd out' the smaller, discretionary local services until they hardly exist. The well-being of the current and future generations is at serious risk.
4. In May 2015 Royal Assent was granted to the Well-Being of Future Generations Act. The Act places duties on the whole public sector to demonstrate how they have applied long term, preventative, integrated and collaborative approaches in achieving the seven national well-being goals. The emphasis is now on long-term needs assessments. It signifies a step change to place sustainable development and the needs of future generations at the heart of public service delivery in Wales and the whole financial planning framework, including budget setting, needs to reflect that.

What, in your opinion, has been the impact of the Welsh Government's 2015-16 budget?

5. The 2015-16 Welsh Government Budget implied a cash reduction of 3.4% for local authorities across Wales. The announcement of the 2015-16 settlement was the third year in a row that the published indicative settlement had been significantly revised downwards. The recently published CIPFA 2015 Manifesto underlined that sound financial planning remains a concern across the public sector in the UK. Our major concern was the inability to rely on indicative figures while attempting to introduce significant reductions in funding in a planned and rational way, based on sound evidence and with an appropriate lead-in time.

6. There is no doubt that local public services are continuing to bear the brunt of austerity in Wales. While overall expenditure has levelled off in cash terms the impact on unprotected or discretionary services is extreme. The latest published budget data for 2015-16¹ shows environmental, cultural and community services are experiencing drastic reductions after adjusting for inflation.
7. Figure 1 shows that services that are vital to economic growth and the general well-being of communities have seen precipitous reductions since the onset of austerity. Some of the largest reductions have been in unprotected areas such as Planning and Regulatory Services which play a vital role in regeneration and preventative areas. Many other areas of LG spend have shrunk by at least a fifth in real terms. Areas that have been relatively protected include education, social services and environmental services have nonetheless being contracting.

Figure 1: Real terms reductions in service spend, 2009-10 to 2015-16



Source: IFS 2012, RO and RA returns

8. Since 2009-10 local authorities have achieved around £720m in efficiency savings. Most of this has been achieved through pay restraint and reductions in posts. Workforce surveys have shown that 15,000 posts have been lost since 2009-10. This is likely to continue through to 2019-20 on the same scale, effectively reducing the local government workforce by 20% over a 10 year period.

¹ <http://gov.wales/statistics-and-research/local-authority-revenue-budget-capital-forecast/?lang=en>

9. Many of the initiatives for addressing the budget shortfalls can be identified from local authorities' medium-term financial plans. The recent KPMG report on corporate support services identifies £33m of savings that are being reported in the last and the current financial year.
10. At the same time performance has been improving. The latest local government performance data shows how those services performed in 2014-15 compared to 2013-14. At a Wales level, 63% (26) of the 41 indicators which are comparable between 2013-14 and 2014-15 show improvement. The gap in performance (between the best and worst performing authorities) narrowed in 56% (23) of the indicators. For 39% (16) of the indicators, performance improved and the gap between the best and worst performing authorities narrowed.
11. Since the beginning of austerity Of the 43 national performance indicators in place for 2014-15, 67% (29 indicators) were comparable to 2009-10. Of the 29 comparable indicators, 86% (25 indicators) had improved.

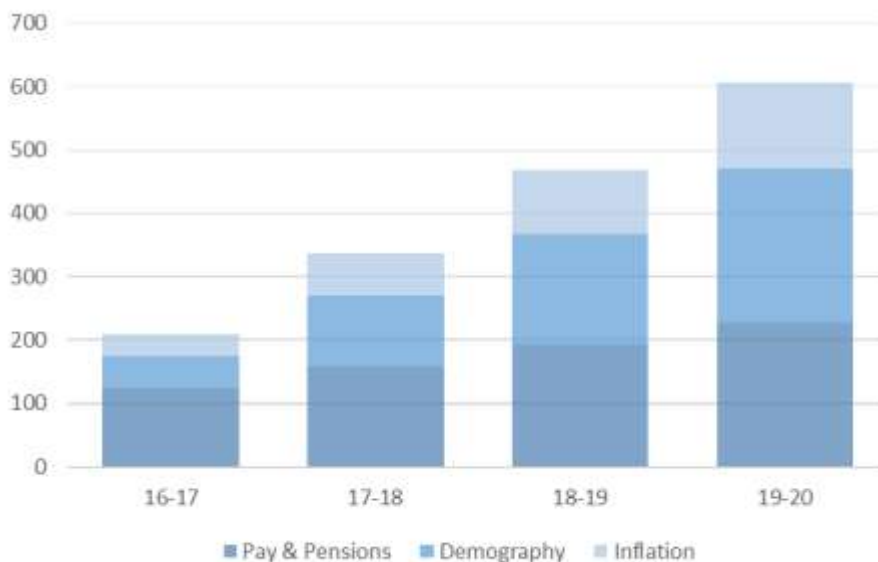
Looking at the draft budget allocations for 2016-17, do you have any concerns from a strategic, overarching perspective, or about any specific areas? / What expectations do you have of the 2016-17 draft budget proposals?

12. The WLGA Council met at the end of November 2015. In the run up to the budget announcement and provisional local government finance settlement, Leaders wanted to emphasise the preventative nature of local services especially social services. The letters set out in the annex received a positive response. The backdrop to the correspondence was the ongoing pressures that local authorities will experience over the next 5 years, not just 2016-17.
13. This derives from the increased demand for local public services and the increased cost of providing them. Some of these may arise from national or devolved government policy. Demand pressures are largely demographic and are most acute in the larger budget areas of social services and education. The work done for Wales Public Services 2025² demonstrated that pressures in social services budgets drive around 2.9% growth each year, which is around £43m annually up to 2019-20. This includes increases in Looked After Children as well as the elderly population
14. Within education budgets, increased birth rates are starting to feed through to growth in pupil numbers. From 2015 to 2019, the ratio of growth of school-aged children to the general population will increase nearly threefold from 0.8 to 2.3. The resultant annual pressure increases from £9m in 2016-17 to £24m in 2019-20.

² Future Pressures on Welsh Public Services, WPS 2025
(<http://www.walespublicservices2025.org.uk/new-report-by-mark-jeffs-wales-public-services-2025/>)

15. On the cost side there are unavoidable workforce costs that, left unfunded, means that the local services would be cut in order to fund them. By far the largest element is a pressure of £60m is due to loss of the National Insurance rebate as a consequence the introduction of Single Tier Pensions in 2016-17. For the education sector there is an additional pension pressure due to the part-year effect of increased employer contributions to the Teacher's Pension Scheme which is £13m for 2016-17 alone. A modest 1% pay award for teaching and non-teaching staff adds around £35m in 2016-17 and compounded thereafter.
16. There is also more general inflation and pressure generated through the Council Tax rises on the Council Tax Reduction Scheme. The former may be lower to due to systemic deflationary effects in the economy but there is a case for identifying the specific inflationary impact of contractual obligations and landfill charges. Overall these will account for £20m of pressure in 2016-17 and the CTRS scheme adds a further £13m.
17. Figure 2 below shows the total expenditure pressure in 2016-17 to be £208m over half of which is the unavoidable financial pressure of pay and pensions. By 2019-20 this rises to £607m when demographic pressure becomes the largest cumulative pressure.

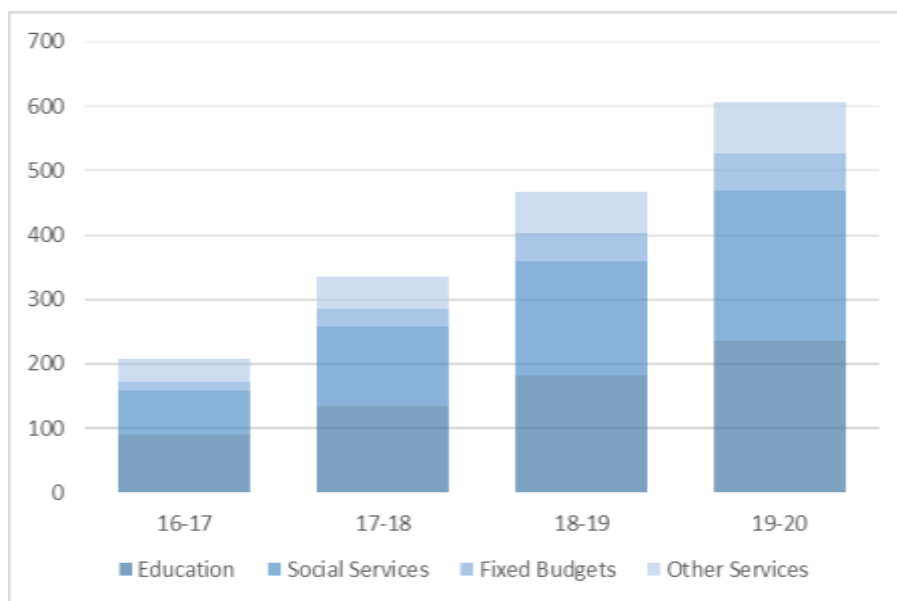
Figure 2: Cumulative impact of pressures up to 2019-20, by type, £m



Source: Base estimates: RO and RA returns (2013-14 to 2014-15), NI impact: SWT Survey (2015)

18. An alternative way of looking at these pressures is to base them on services and other elements of the overall budget. Figure 3 shows the pressures broken down in this way. Just under three quarters of the pressures are attributable to the largest services of social services and education, a proportion that remain consistent through to 2019-20.

Figure 3: Cumulative impact of pressures up to 2019-20, by budget, £m



Source: Base estimates: RO and RA returns (2013-14 to 2014-15), NI impact: SWT Survey (2015)

19. While Council tax continues to be an important source of income for local authorities, future increases are nowhere near enough to fund the pressures highlighted above in figures 3 and 4. It makes a contribution and this varies from authority to authority. Even if every local authority sets future levels at the 5% threshold historically accepted it can only raise £56m in 2016-17. So it barely pays for its own CTRS implication (£13m) plus social services demography (£43m). In short, it accounts for little under a quarter of next year's pressure without taking into account any funding reduction.
20. The combined effect of the funding reduction, additional pressures and council tax increases means that, on average, local authorities will be looking at absorbing a budget shortfall of £200m in 2016-17. This will involve making similar decisions to those made in the past about service prioritisation and transformation.
21. At authority level the funding formula determines the settlement for each authority and continues to deliver a range of reductions. The range in grant reductions was extreme this year. With Cardiff receiving a 0.1% reduction and Powys receiving a 4.1% reduction, the range was 4%. For grant allocations the range is driven by three factors: needs equalisation, resource equalisation (both of which are driven by the funding formula) and, finally, the damping mechanism.
22. Those authorities at the bottom of the range clearly come out worst from a combination of all three of these factors. The WLGA supports the views of

the independent members of the Distribution Sub Group that the funding formula is due for a fundamental review. In their report, the independent members continue to state that:

The reasons for a review of the formula were outlined in previous reports and they remain as already stated.

- *The continuing need to amend aspects of the formula and to bring historical data up to date suggests that the current formula is still far from stable.*
- *Reliance on historical data and spending patterns in a period of austerity and significant change is likely to have implications for the appropriateness of the existing distribution mechanism and brings with it a danger of loss of consensus but also the possibility of direct challenge.*
- *The current formula mechanism is based on a methodology that does not meet established standards of statistical practice. Regression analysis of only twenty-two cases (i.e. the Welsh local authorities) is susceptible to over-fitting of the data and to influential cases skewing the estimates. This issue is likely to become even more pressing if the number of authorities reduces further.*
- *Finally, given the reliance on collaboration for the delivery of many key services across Wales, there is a need to consider in what ways joint production of services might need to be incorporated within the formula.*

23. The Committee should also be aware that WLGA and CIPFA have joined forces to appoint an Independent Commission to look at the future of Local Government Finance³ in Wales which is chaired by Professor Tony Travers. The Commission is not tasked with evaluating the formula directly but is taking a broader view of the system and whether funding may be better incentivised or even localised. A balance needs to be struck between a system that better incentivises and one that fully equalises and reflects need. In the WLGA manifesto⁴ we make a case for more localisation and the corollary to this is greater fiscal devolution.

³ <http://www.cipfa.org/partners/independent-commission-on-local-government-finance-wales>

⁴ <http://www.wlga.gov.uk/local-government-policy-priorities-for-the-national-assembly-for-wales>

How financially prepared is your organisation for the 2016-17 financial year, and how robust is your ability to plan for future years?

24. The question posed by the Committee really is a key one for public services as a whole in Wales. For local authorities, the WAO has recognised that 'financial planning is generally getting better' but there are challenges for local authorities in addressing their own short termism. While local authorities can make sound estimates of future expenditure pressures, second guessing the scale of funding reductions in the future has become a quest for the grail. This is not helped by the Welsh Government's approach to its own budget setting.
25. The WG has retreated from a sound medium-term approach which it had at the outset of the 2010 Spending Round. The budget cycle has returned to an annual incremental approach accompanied by a complete withdrawal of the system of multiyear settlements for local government that had been developed as far back as 2007.
26. In England, local authorities now have a clear picture of their funding trajectory over the lifetime of the Parliament. Furthermore, the Office for Budget Responsibility has published its own forecast of local authority funding and spending up to 2021.
27. This is summarised in table 1 below where increase in central government current grants to local authorities between 2015-16 and 2020-21 are set to rise by 7% in Wales, 8% in Scotland (including business rates) and 4% in England (including retained business rates). Spending increases are even more generous.

Table 1: OBR Forecasts of LG Spending and Funding in Wales, England and Scotland, £bn

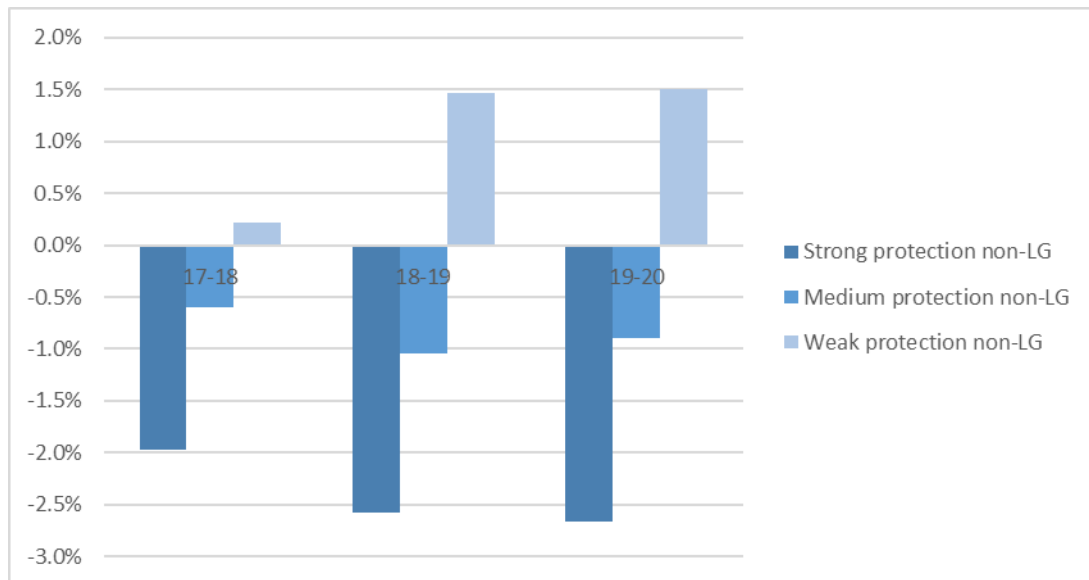
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Increase %	Annualised increase %
Net Current Expenditure								
Wales	7.1	7.3	7.4	7.5	7.6	7.9	11%	2.2%
Scotland	11.7	11.8	12.0	12.2	12.4	12.8	9%	1.8%
England	109.1	110.2	111.6	112.7	114.7	118.9	9%	1.7%
Central Govt current grants								
Wales	4.3	4.4	4.4	4.4	4.5	4.6	7%	1.4%
Scotland (inc business rates)	9.7	9.7	9.9	10.0	10.2	10.5	8%	1.6%
England (includes retained business rates)	69.2	69.1	69.0	68.9	69.4	72.1	4%	0.8%

Source: Office for Budget Responsibility [Table 3.31 in the Economic and Fiscal Outlook Supplementary Fiscal Tables](#)

28. However the Spending Review documentation does provide estimates for the Welsh Block Resource DEL which along with assumptions about growth in business rates can assist in modelling a number of scenarios for the Welsh

Government Budget and the impact on local government's core grant in the remaining years of the Spending Review.

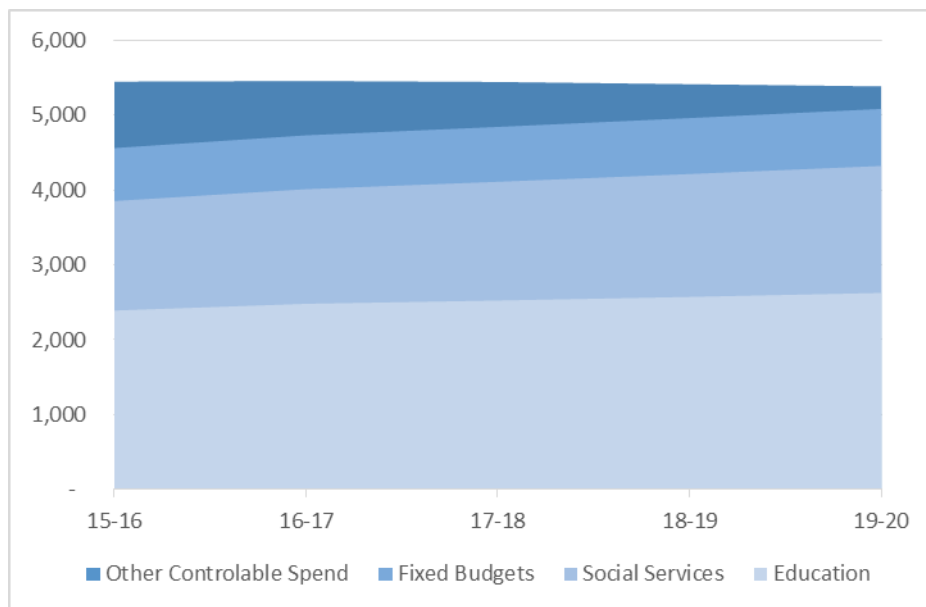
Figure 4: Modelled changes to Aggregate External Finance (AEF) to 2019-20, under 3 scenarios



29. Under the most optimistic scenario there is 'weak' protection for non-Local Government Budgets. Under this scenario, the NHS receives future increases based on a 'consequential' of the increase to the English NHS through the lifetime of the Parliament. All other budgets are held cash flat, allowing AEF to increase by 0.2% in 2017-18, 1.5% in 2018-19 and 1.5% in 2019-20. This scenario roughly aligns with the OBR forecast.
30. A less favourable scenario is to assume that there is 'medium' protection for non-Local Government Budgets. This time the NHS receives more generous uplifts based upon general (GDP) inflation over the SR period. All other budgets are held cash flat, allowing AEF to reduce by 0.6% in 2017-18, 1.0% in 2018-19 and 0.9% in 2019-20.
31. An even more pessimistic scenario could be envisaged where, as above, the NHS is protected for inflation, and so are all other non-LG budgets. AEF reduces by 2.0% in 2017-18, 2.6% in 2018-19 and 2.6% in 2019-20.
32. During the summer of 2015, the WLGA summarised the funding and spending projections, known at the time and concluded that there would be a cumulative budget shortfall of £941m by 2019-20, assuming current policies remain unchanged. The current estimate based on the most pessimistic assumption in the paragraph above predicts a budget shortfall of £670m.

33. The impact on controllable budgets will continue to see expenditure on discretionary services hollowed out. Figure 5 shows that budgets on other services shrink to a third by 2019-20.

Figure 5: The budget shortfall implications for controllable budgets, £m



Conclusion

34. Local Government recognises that the Welsh Government is also faced with real terms reductions in its budgets, and is not simply seeking to achieve greater funding, but rather to seek a new relationship with WG where the gravity of the situation is recognised, accurate and transparent information is reported and flexibility is maximised. There are a number of ways in which this can be achieved (and is argued in the WLGA manifesto):

- Link any protection for schools more directly with Aggregate External Finance (AEF)
- Greater equity of consideration of the preventative services provided by local government such as social care and housing
- De-hypothecation of all specific grants into the RSG
- Greater coordination across Welsh Government departments in any aspects of policy making that affect local government
- A thorough review of the costs and benefits of audit and regulation
- A review of the impact of universal benefits and subsidised service delivery where these are proving unsustainable for councils
- Full consideration of the devolution of powers to councils, including the retention of business rates growth
- Greater clarity for the future with the issue of multiyear settlements
- Recognition that at a time of increasing financial risk, a council making cuts also needs to increase reserves to reflect the increased volatility of its budget

ANNEX I

Our Ref/Ein Cyf: JR/AS HD
Your Ref/Eich Cyf:
Date/Dyddiad: 30 November 2015
Please ask for/Gofynnwch am: Jon Rae
Direct line/Llinell uniongyrchol: [REDACTED]
Email/Ebost: [REDACTED]



Leighton Andrews AM
Minister for Public Services
Jane Hutt AM
Minister for Finance and Government Business
Mark Drakeford AM
Minister for Health and Social Services
Welsh Government
Cardiff Bay
Cardiff
CF99 1NA

Dear Ministers

Spending Review

We were pleased last Friday to welcome to the WLGA council the Minister for Public Services, Leighton Andrews AM who highlighted the issues facing Welsh Government in light of the Chancellor's recent Spending Review announcement and in advance of the Welsh Draft Budget. We thank him for taking and answering an extensive range of questions from members primarily related to the forthcoming provisional settlement.

It was the view of members following this debate that it is important that we set out a compelling case to help protect the NHS through investment in preventative local public services. Equally, it is important to recognise some of the difficulties faced by the Social Care sector. This includes residential and domiciliary care coming to grips with the financial implications of the living wage and, of course, the scale of demographic challenges.

We understand that the Chancellor has delivered a settlement for the Welsh Government where the revenue budget falls by 4.5% in real terms over the four-year period. We recognise that this presents a difficulty in how to fully passport a £220m health consequential when other negative consequentials have netted out to produce smaller cash increases of around £100m a year for the Welsh Block over the SR period.

Our concern is around the need to invest in key preventative services like social care. Recently at our Joint WLGA and Welsh Government Finance Seminar we heard how council funding is on a

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downward spiral and is possibly two years behind England. It begs the question what has happened across the border in that period?

There is a calamity in progress in England at the Health and Social Care interface which the Westminster Government contends can be answered by local authorities raising council tax by an additional 2% with the money raised spent only on adult social care. This is understandably being vigorously contested by the English LGA. The Leader of Newcastle City Council, Nick Forbes has argued that "This is a sticking plaster over a gaping wound. The fundamental problem is that there is not enough money in the care system. As a result, the NHS will come under increasing pressure". Of more than 1.8m people whose requests for care and support were assessed by English councils in 2014-15, 59% received no direct services at all. Furthermore figures on delayed transfers of care are worsening. In September the number of delays hit record levels while in Wales they have remained stable and recently reduced.

Our focus in Wales is to see social care as a tool to enable and empower people whereas in England it is increasingly portrayed as an act of charity for the vulnerable. We are all working under the banner of "Prudent Health Care" to shift the system radically towards prevention and focus on wellbeing rather than ill-health. As the Finance Minister's recently pointed out the "...UK Government continues to look at NHS services in isolation".

In light of the experiences above we are urging you to consider continued and increased investment in protecting core funding for social services through the RSG and other mechanisms such as the Intermediate Care Fund which has shown significant benefits over the recent period. We have all noted the recent comments by Simon Stevens Chief Executive of the NHS England on the impact that the dramatic cuts to social care are having on the English NHS and we understand he urged Government for the protection of social care to alleviate this.

We are seeking your continued support to invest in preventative services. We fully recognise the scale of challenges in the NHS and the fact that this will be the channel for the majority of resources from Welsh Government in the next period. But if more resource is channeled to one part of the system without changing anything else, it is likely to result in a similar crisis to that in England.

Thank you for your active consideration of the issues in this letter which we written on behalf of our colleagues across the 22 councils.

Yours sincerely



Councillor Aaron Shotton
**WLGA Spokesperson for
Finance and Resources**



**Councillor Huw David
WLGA Spokesperson for
Health and Social Care**

Document is Restricted

	Finance Committee of the National Assembly for Wales.
Purpose:	The Welsh NHS Confederation's response to the consultation on Welsh Government Draft Budget Proposals for 2016-17.
Contact:	Nesta Lloyd – Jones, Policy and Public Affairs Officer, Welsh NHS Confederation. [REDACTED] Tel: [REDACTED].
Date created:	5 January 2016.

Introduction

1. The Welsh NHS Confederation, on behalf of its members, welcomes the opportunity to respond to the Finance Committee's consultation on the Welsh Government's Draft Budget proposals for 2016-17.
2. By representing the seven Health Boards and three NHS Trusts in Wales, the Welsh NHS Confederation brings together the full range of organisations that make up the modern NHS in Wales. Our aim is to reflect the different perspectives as well as the common views of the organisations we represent.
3. The Welsh NHS Confederation supports our members to improve health and well-being by working with them to deliver high standards of care for patients and best value for taxpayers' money. We act as a driving force for positive change through strong representation and our policy, influencing and engagement work. Members' involvement underpins all our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.
4. The Welsh NHS Confederation and its members are committed to working with the Welsh Government and its partners to ensure there is a strong NHS which delivers high quality services to the people of Wales.
5. The seven Health Boards and three NHS Trusts in Wales are already working hard to make sure that high quality, safe and cost-effective healthcare services are available to everyone, based on their clinical need.
6. With money extremely tight and demand rising, finance and funding can never be far from NHS leaders' minds. The NHS in Wales, along with other public services, continues to work in an extremely challenging financial climate and it must prioritise and change. Radical transformation of healthcare, and related services, is now the only way in which NHS Wales can hope to be on a sustainable footing for the longer-term. This 'transformation' is not only about reshaping healthcare and doing things very differently, it also involves recalibrating our relationship as patients, and the public, with the NHS.
7. The Welsh NHS Confederation feels very strongly that this change needs to be planned, resourced and supported, rather than allowed to happen on an ad-hoc basis. The NHS in Wales has a clear objective to offer high quality and safe healthcare services to the people of Wales within the resources available. It also acknowledges that there are areas where it could, and should, do better.

Summary

- 8.

- a. The Welsh NHS Confederation welcomes the investment the Welsh Government has made in the NHS and this settlement for NHS Wales.
- b. In a period of austerity, combined with increases in demand, rising costs of providing services and an understandable expectation to continuously improve quality and safety, NHS Wales faces a significant financial challenge. The Welsh NHS Confederation recognises that the additional funding outlined in the Draft Budget comes with a responsibility to ensure that it is used effectively. We welcome the ring-fencing of funding for social care in Wales. We recognise social care as part of a patient's pathway and a crucial component of keeping people away from frontline NHS services.
- c. While the increase in directly available health resources is welcomed, further detail is required to establish if the funding provided and made available is sufficient to support the increasing demand on services in 2016-17. While the Draft Budget does outline an anticipated 3.6% real terms reduction to the overall Welsh Government budgets from 2015-16 to 2019-20, and acknowledges a continued projected population growth and growth within the over 65 population, it is unclear at this stage whether funding allocated to health will be sufficient in the longer-term.
- d. We welcome the prioritisation of mental health and older people services, funding for joint working and capital. We agree these are priorities areas for NHS Wales. Currently, the majority of spending in the NHS goes towards the costs of providing hospital and community-based services. Due to a range of factors, the NHS will not be able to continue to do all that it does now, and certainly not in the same way. While much of the debate has been over the amount of money the NHS has at its disposal, we have been trying to shift the focus to how that money is spent if we are to sustain the NHS in the future, including implementing the principles of 'prudent healthcare'.ⁱ
- e. The NHS must be allowed to prioritise, and change must take place right across Wales to ensure efficient, safe and sustainable services are provided within the resources allocated by the Welsh Government. This will inevitably mean that difficult choices have to be made on what services are provided where and when. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, while taking more responsibility for how they use those services. As our recent briefing, 'The 2016 Challenge: A vision for NHS Wales',ⁱⁱ produced for the National Assembly for Wales Election, highlights National Assembly Candidates should '*Recognise the change in the way we organise care is necessary, and play a leadership role in ensuring debates about change focus constructively on people's outcomes, experiences and well-being*'.
- f. Consideration will be required by the NHS of the impact of the Budget settlement and funding reductions to Local Authorities, and also wider partners who support healthcare service delivery such as the third Sector and housing. There will need to be clarity on the delivery plans of our partners to manage services within resources available to ensure there is no wider impact on NHS services. We recognise that any extra money given to NHS Wales means it cannot be spent elsewhere. With the proposed additional NHS funding it must be recognised that the funding provided to the Health and Social Services Department now accounts for 48% of the funding allocated to the Welsh Government, a 2% increase at a time when other departments' budgets are being cut. Therefore we want to underline our commitment to collaborate with colleagues across sectors; seeking new ways of working to deliver timely services which meet the needs of

the people of Wales. The Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015 will help support integration and collaboration across the public sector in Wales.

- g. Finally it is important to acknowledge the enormous achievements made by Health Boards and Trusts to make significant efficiency savings within the Welsh NHS. The Wales Audit Office's recent report into public services, A Picture of Public Services 2015,ⁱⁱⁱ found that, since 2011, the NHS has reported making around £800m in savings while the Draft Budget states that between 2010–11 and 2014–15 the NHS has made more than £1.1 bn in efficiency savings. The health service is committed to continuing to find more efficient ways of working which improve patient experience and reduce costs.

The Committee's terms of reference

9. We note the specific questions the Committee has raised in respect of this consultation. While we are not responding to the specific questions posed we considered it would be helpful to give an overview, from the NHS perspective, of the budget challenges and opportunities.

Health funding

10. These are difficult and testing times and the seven Health Boards and three NHS Trusts in Wales will continue to drive down costs to meet the reality of an austerity budget. While health and social services have seen the smallest real-terms reduction of any department, a significant financial challenge remains.
11. In each year since 2010-11, the Welsh Government has provided more revenue to the NHS than initially planned, with health revenue funding increased by more than 9% since 2013-14 on a recurrent basis. However, according to the Wales Audit Office's recent report^{iv} into public services, health spending in 2011-12, 2012-13 and 2013-14 was lower than in 2010-11 in real terms. Therefore the Welsh NHS Confederation welcomes the recently announced extra capital and revenue funding in the Draft Budget.
12. While the increase in funding is positive news for 2016-17 we are concerned about the proposed settlements within the UK Government Spending Review for the following two years. These will place significant pressures in future years and therefore it is important that the NHS in Wales quickly moves to transforming our health services to contend with this looming pressure. The 'prudent health' care approach will help us work through this but it will require the commitment of the NHS, all healthcare related partners and the general public, to truly be successful. The NHS will need to be supported to make progress in changing the way care is delivered, with patient outcomes at the heart of the measurement of success.

Efficiencies made within the NHS

13. As highlighted the increase in funding is recognised, but we are frustrated that the success in delivering efficiency savings within the NHS is not more widely recognised. As the Draft Budget highlights, 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% of health board revenue allocations. While the efficiency savings made by the NHS are significant, the annual achievement has been gradually diminishing year on year, a reflection that traditional methods of savings are unlikely to deliver what is needed in the future.

14. With the Welsh Government's block grant in 2019-20 predicted to be £1.8bn (11%) less than in 2010-11, we know that financial pressures across public services will continue for years to come.
15. While the NHS continues to work in an extremely challenging financial climate, the National Health Service Finance (Wales) Act 2014 does enable Health Boards and Trusts to have a greater focus on medium-term planning. The increased flexibility afforded in the Act allows plans to be developed at Health Board and Trust level so investment can be made in one year to support service change and a reduction in costs in future years. As the Nuffield Trust report^v highlighted, the NHS must transform the way it provides care to meet demand and financial pressures and ensure its resources are used effectively and efficiently. Improving Health Board and NHS Trust planning arrangements is part of this process.
16. While increases in funding are welcome, it is important to note that money is not the overall solution to the issues faced by the Welsh NHS. In a recent survey conducted by the Welsh NHS Confederation,^{vi} more than half of our members (56%) said that an increase in funding would not solve the challenges. This demonstrates that, while finances are extremely important, more money is not a single solution.
17. Radical change is what is needed if the NHS is to meet the level of demand being placed upon it while living within its means. Sustainable plans will have to be developed to enable the NHS to deliver financially as well as provide high quality care to patients. This is a significant and complex challenge which will require the support of the political community and the public.

Growing pressures on the health service

18. Against the backdrop of significant financial pressures, there have been relentless advances in medical technology, increased patient and clinical expectations, long-term demographic trends, lifestyle-related conditions and the challenges of providing services across all parts of Wales. Furthermore, an ageing population, combined with more people having increasingly complex needs, means that demand for health and social care services is predicted to grow rapidly.
19. While the fact that more of us are living longer is a success story and should be celebrated, this trend brings about fresh challenges for the NHS. The number of people aged 65 and over is projected to increase by 50% by 2037.^{vii} While people are living in good health for longer, this health gain is not distributed equally. Wales currently has the highest rates of long-term limiting illness in the UK, which is the most expensive aspect of NHS care. Between 2001-02 and 2010-11 the number of people with a chronic or long-term conditions in Wales increased from 105,000 to 142,000.^{viii} This figure is expected to rise for a number of conditions, including cancer, dementia and diabetes.
20. In practical terms this has meant that the NHS in Wales has had to contend with increasing costs arising from, but not limited to:

- a) The workforce, in respect of capacity to deal with increased demands and the increased cost of the workforce through increments and pension contributions. Currently, around 129,000^{ix} people are employed in the health sector in Wales – the equivalent of 8% of the country's employment – while NHS Wales itself employs around 85,000 staff.^x This makes the health service Wales' biggest employer, with the NHS pay bill standing at around £3 billion (more than 50% of NHS spend);
 - b) Non pay cost increases, also through increasing demands, price increases and the increasing demands for high cost drugs;
 - c) Increased volumes of packages of care for patients in the community meeting the continuing NHS healthcare and funded nursing care criteria as a result of our growing elderly population;
 - d) Increased demand for prescribed drugs within the primary care setting.
21. The challenge for the NHS is that, in successive years of dealing with financial challenges, the traditional methods of finding savings are unlikely to serve us well in the future. We must recognise that, year on year, the NHS in Wales has to develop more sustainable and sophisticated plans that have got to be delivered within its responsibility to provide high quality care to patients. Ensuring that efficient and safe services are provided within the resources allocated by Welsh Government requires each NHS body, and NHS Wales as a whole, to prioritise spending. This will inevitably mean that difficult choices have to be made on what services are provided.
22. The NHS has made a strong and consistent case for investing in the NHS based on sound economic and social policy. The moral case for transforming how care is delivered to better suit the needs of people today is strong. There is however an equally compelling economic case for investing in the NHS now, so it can better support our society to live healthier lives with less need for medical care. Put bluntly, a strong economy needs a strong NHS. It is increasingly apparent that more of the same is unsustainable. In order to address the continued austerity in NHS Wales and the challenges it brings, our overriding approach now must be for the NHS in Wales to adopt and implement universally a 'prudent healthcare' approach.

Patient outcomes

23. There are numerous examples within Europe, and the rest of the world, which demonstrate that focusing on improving outcomes for patients rather than focusing on purely inputs will improve the quality of care delivered. This approach will also reduce the cost of delivering care. There are several examples of good practice happening across NHS Wales. We would welcome the opportunity to do further work with the Welsh Government to reconsider the performance framework for NHS Wales. This would enable performance to be measured and monitored in a way that will promote improvements in clinical quality and outcomes.
24. The senior leaders in NHS Wales are engaging with clinical leaders to reconsider longstanding delivery models and to adopt a more prudent approach, without compromising the delivery of outcomes. This will require a combined and shared leadership across professions, particularly for finance and clinical leaders, and aligned Welsh Government policies to support its implementation.
25. Targets also have a role to play when it comes to prioritising spending. Waiting times are a key priority for those in the NHS and there is much work going on to address this. While targets have a role to play, policy makers must look at the bigger picture, which is about instigating a whole

system change in the way treatment is delivered to patients and providing the best service we can within the resources that we have. Patient-centred care, which is measured in outcomes, should be driven further through the provision of more services in communities and closer to people's homes. Treatment should be provided in hospitals only when it is absolutely necessary to do so.

26. For these strategies to be successful requires a collective ambition and an acceptance that change in the way we deliver services will be inevitable. For any change to be successful the Welsh Government, the National Assembly and the public must acknowledge that the priorities for health services in Wales will need to be re-assessed and delivery targets set accordingly. The current financial position of the NHS means it is very difficult to transform services at the same time as handling ongoing enormous pressures on existing services, finances and resources.

Service redesign

27. Part of the responsibility of the NHS in Wales, especially in these economically straitened times, is to be open about the difficult choices we face. Of course the NHS can make the current model more cost-effective through efficiency by 'doing the right thing', reducing the costs of delivering services and workforce redesign. However, there are only so many costs that can be taken out of the existing models.
28. The challenge here is that there is limited flexibility to shift significant investment away from treatment services when the current demands on the health service are so great. Therefore, this is an extremely difficult, yet vital, task and the health service will need support to do this.
29. In parallel, the NHS needs to channel resources into new care pathways, preventative measures and more cost-effective models of care, which can generate efficiency savings from 'doing the right thing' in the first place. Moving resources into new models of care won't be easy and evidence suggests it takes time for us to see the benefits.
30. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, while taking more responsibility for how they use those services.

Capital Funding

31. We support the additional £33.5m allocated to capital for NHS equipment, ICT and infrastructure. The shortage of capital funding is a very particular barrier to service change. In order to consolidate services and make them more efficient to release revenue there will need to be a significant investment in buildings, equipment and information and communication technology in the secondary care sector but also in primary and intermediate care.
32. We welcome the recently launched digital strategy for Wales^{xi} and it is important that capital funding is made available for IT services. If we are going to move into modern ways of working we must fully embrace the opportunities that IT and digitisation can bring.

Engaging with the public

33. We believe that the people of Wales understand that the current economic climate affects not only the size of the budget for public services but also how it is used. We know that the NHS in

Wales must do more to involve the public and patients, staff and partner services in explaining and working through the choices that need to be made. We must have honest conversations with the public about what the NHS can and cannot provide and what their role and responsibilities are in terms of using health services in the right way and maintaining their own health and well-being.

34. Health Boards and Trusts are committed to improving arrangements for involving all these groups, explaining priorities and continuing the development of a modern, safe, quality, value-for-money health service. There are positive examples from NHS Wales of engaging with the public for the re-design of local services and to make savings, including:
 - a. Through the local development of services that allow patient activity to be brought back to a local area;
 - b. By developing new service responses to growing demand;
 - c. By creating patient-focused alternatives;
 - d. By shifting services and resources more appropriately to the community; and
 - e. Simply by continuing to focus on more patient activity and efficiency.
35. In addition to the role of Health Boards and Trusts in engaging with the public, politicians must play a leadership role in ensuring that the debate around the NHS is constructive. As our briefing 'The 2016 Challenge: A vision for NHS Wales' highlights, all National Assembly candidates should recognise that change in the way we organise care is necessary, and help to ensure debates about change focus constructively on people's outcomes, experiences and well-being.

Integration

36. The NHS must consider the impact of the budget settlement and funding reductions to Local Authorities, and wider partners, who support healthcare service delivery.
37. Integration across the whole public sector is important. Unless we develop a truly coordinated approach to care, public funding will continue to grow to fund demand with a diminishing rate of return. Budget cuts can create tensions between those in the public sector but good relationships are vital if we are to transform services.
38. To provide patient-centred care, collaborative working is vital. Integration needs to happen, both within and outside the health service. We support the additional £21m to social services and allocating £30m additional funding to the Intermediate Care Fund, which strengthens the integration between health and social care. The NHS will not be able to rise to the challenges it faces without the help of our colleagues in other sectors, including housing, education and, in particular, those in social services. The health and well-being of the population is not the sole responsibility of the NHS - everyone must come together to play their part. At the same time, the NHS must build on its ability to work with others in order to provide services which are not only person-centred but also help to reduce health inequalities and improve patient outcomes.
39. We also recognise that any extra money given to NHS Wales from the Welsh Government's budget means it cannot be spent elsewhere. Therefore we want to underline our commitment to collaborate with colleagues across sectors; seeking new ways of working to deliver timely services which meet the needs of the people of Wales.
40. The Welsh NHS Confederation believes that Wales, given its size, structure and close links, has a golden opportunity to achieve so much when it comes to integration. The Welsh NHS

Confederation is working with ADSS Cymru on a project called Delivering Transformation to assist transformational change across social services and health.

41. Alongside this, there is a need for honest conversations with the public about how greater integration will impact on local services. An increasing proportion of resources will go to community-based interventions, prevention, social support and primary care. Services will need to be transferred out of hospital, but in a way that does not compromise access or outcomes.

Preventative spending

42. Measures to protect preventative programmes at 2015-16 funding levels (such as Flying Start) are welcomed in the context of a wider real terms Welsh Government funding reduction. In the context of wider population health gain and preventative spending programmes' impact on the longer term demographic trends and health service needs, this could result in the continued development of such programmes not fulfilling their potential.
43. Unless we get serious about prevention, health needs will continue to grow, putting more pressure on our universal healthcare system. Services provided by the NHS in Wales cover both prevention and treatment-based services. Evidence has long been put forward that the amount that the NHS spends on preventative services is too little and that there are significant health and economic gains from shifting the emphasis of the NHS from a treatment to a preventative service. The challenge is that the Welsh Government and NHS bodies have limited flexibility to shift significant investment away from traditional treatment services when the current demands on the health service are so great.
44. As a result, investment in new preventative initiatives tends to be linked with specific policy initiatives funded (usually) by top sliced allocations taken from the NHS budget. There is a challenge both for the Welsh Government and NHS bodies to demonstrate that this approach is effective and to ensure that plans produced by the NHS are tested in terms of the investment in preventative services and the expected outcomes and timelines.

Conclusion

45. The Welsh NHS Confederation does not underestimate the massive challenge of public service budget setting in a time of austerity. The Welsh NHS Confederation, and our members, remain committed to doing the very best we can to continue to provide an NHS, in partnership with other public services, which supports the people who need it most, and helps the population generally live healthier lives. But we can only do what we can afford to do. All parts of the NHS in Wales have been making changes to the way services are organised. The fact is that, with funding very tight, the NHS will have to continue to make difficult decisions about the future shape of healthcare services and about priorities. We will also have to strengthen our relationships with others in order to rise to the many shared challenges that public services face. To achieve all of this, the input and support of the public, politicians and staff is vital.

ⁱ Bevan Commission, Mansel Aylward, Ceri Phillips, Helen Howson, December 2013, 'Simply Prudent Healthcare – achieving better care and value for money in Wales – discussion paper'.

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- ii The Welsh NHS Confederation, October 2015, 'The 2016 Challenge: A vision for NHS Wales'.
 - iii Wales Audit Office, December 2015, A Picture of Public Services 2015.
 - iv Wales Audit Office, December 2015, A Picture of Public Services 2015.
 - v Nuffield Trust, June 2014. A Decade of Austerity in Wales?
 - vi The Welsh NHS Confederation, October 2015, 'The 2016 Challenge: A vision for NHS Wales'.
 - vii Welsh Government, StatsWales, July 2013. Population projections by local authority and year.
 - viii Nuffield Trust, June 2014. A Decade of Austerity in Wales?
 - ix NHS Wales Shared Services Partnership, January 2015. NHS Wales Workforce: Key themes and trends.
 - x Welsh Government, StatsWales, March 2015. Health and Social Care, NHS staff by staff group and year.
 - xi Welsh Government, December 2015. Informed Health and Care: A Digital Health and Social Care Strategy for Wales.

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National Assembly for Wales Finance Committee

Call for Evidence on the Welsh Government Draft Budget Proposals 2016-17

Response by the Bevan Foundation

The Bevan Foundation is an independent think-tank and registered charity that develops ideas to make Wales fair, prosperous and sustainable. We are grateful for the opportunity to submit evidence to the Finance Committee's inquiry.

1. What, in your opinion, has been the impact of the Welsh Government's 2015-16 budget?

The Bevan Foundation has not undertaken any assessments of the impact of the 2015-16 budget and so is unable to comment.

2. Looking at the draft budget allocations for 2016-17, do you have any concerns from a strategic, overarching perspective, or about any specific areas?

We recognise the severe pressure faced by the Welsh Government in 2016-17. We also recognise the constraints arising from both the lateness of the draft budget and its delivery by a different administration from May 2016 onwards.

Our main concerns about the draft budget 2016-17 are that:

- a. the budget does not set a direction of travel for managing the greater fall in expenditure forecast for 2017-18 and 2018-19 – most the changes on the previous year are relatively marginal;
- b. the reduction in local authority expenditure is substantial and is likely to result in cuts to public services that will affect the least well off in Wales;
- c. the underlying problem of a weak economy has not been addressed.

Looking ahead, unless there is a change in priorities, demand or costs it is clear that expenditure on health will account for an ever-larger share of the Welsh Government budget. Important though the health service is, cuts to other services (including those that help to maintain healthy living such as leisure services, cultural activities and social care) could be counter-productive.

The Bevan Foundation has previously argued¹ that sustained reductions in public expenditure and the forecast increase in social, economic and environmental pressures require a radical rethink of spending priorities and how public services are

¹ V. Winckler (2015) *The Shape of Wales to Come: Wales' economy, society and environment in 2020*. Bevan Foundation <http://www.bevanfoundation.org/publications/shape-wales-2020/>

delivered. We appreciate the timing of this draft budget make it more difficult to make significant changes.

3. What expectations do you have of the 2016-17 draft budget proposals? How financially prepared is your organisation for the 2016-17 financial year, and how robust is your ability to plan for future years?

The Bevan Foundation is not funded by the Welsh Government and so this question is not relevant to us.

4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?

We would like to comment on poverty and the mitigation of the impact of welfare reform.

We have long-standing concerns, as set out in our evidence to the Communities, Equality and Local Government Committee inquiries and in responses to Welsh Government consultations on its draft child poverty strategy and draft financial exclusion strategy as well as in numerous reports and online articles, that the Welsh Government's approach to reducing poverty and mitigating the impact of welfare reform are insufficiently focused on the problems, should make better use of evidence on 'what works', and are of insufficient scale to make an impact. Others including the Social Mobility and Child Poverty Commission and the Assembly's Communities, Equality and Local Government Committee have similar concerns.

While we are naturally concerned at the proposed reduction in budget for Communities and Tackling Poverty, we suggest that it is more important that good use is made of its proposed £333 million budget, which remains a substantial sum not least in comparison with expenditure on natural resources and the economy itself. In our view actions to reduce poverty and those to develop the economy and skills should be much more closely aligned.

We remain concerned at the absence of a comprehensive, long-term response to the changes brought by welfare reform, the effects of which could be devastating on low-income families and deprived communities, and which are likely to increase demand for public services.

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WELSH GOVERNMENT DRAFT BUDGET 2016-17

Response to the consultation by the National Assembly for Wales Finance Committee by Michael Trickey, Wales Adviser to Joseph Rowntree Foundation (JRF)

1. Background

As an independent foundation, JRF's interest in the Welsh Government Budget derives from its long-standing focus on understanding and tackling the root causes of poverty across the UK. It publishes wide-ranging research and policy analysis every year, including the regular monitoring of poverty levels across the four countries of the UK and updating annually its minimum income standard. It is currently developing an Anti-Poverty Strategy for the UK, based on extensive research and modelling, due for completion in autumn 2016. It will be exploring with policy-makers and stakeholders what this means for each of the devolved nations.

JRF and the 2015 UK Spending Review

JRF welcomed the National Living Wage, announced in the Summer Budget, as an important step to tackling low pay. It also welcomed the Chancellor's subsequent change to his tax credit proposals but noted that many working families will still find themselves worse off due to upcoming reductions in Universal Credit. By 2020, families with children will be better off only if both parents work full time on the National Living Wage – something only a small minority of families can manage.

Many of the announcements in the Spending Review applied, in practice to England only. JRF's concerns, for example, that, despite the welcome decision to provide extra money for house building even so-called 'affordable' home ownership is out of reach for low earning households and that the direction of travel on social care opened up the risk of a two-tier social care system primarily related to England. The response below addresses the position in Wales

2. Draft Welsh Budget 2016-17- response to Committee questions

Q1 What in your opinion has been the impact of the Welsh Government's 2015-16 budget

JRF has not undertaken an assessment of the impact of the 2016-17 draft Welsh Budget.

Q2 Looking at the draft budget allocations for 2016-17, do you have any concerns from a strategic, overarching perspective

JRF notes that the Welsh Government will experience a 4.5% real terms reduction in its resource DEL 2016 – 2020 with the profile of the reduction becoming deeper from 2017 onwards. The Welsh Government formed after the National Assembly elections will face tough choices about spending priorities, perhaps through its own spending review. In particular, this includes the trade-offs between responding to NHS cost and demand pressures and spending on all other programmes – including those related to tackling poverty, skills, employment and public services more generally. JRF notes that the draft budget includes commitments on social care, housing and other services as well as the NHS. The importance of a holistic approach is reflected in JRF's definition of poverty as when a person's resources (mainly their material resources) are not sufficient to meet their minimum needs (including social participation).

The draft budget for 2016-17, perhaps inevitably given the timing and proximity to the Assembly elections, reflects an existing set of priorities rather than chart a longer-term response to the challenges thrown up by the Spending Review.

Q3 Impact on your organisation.

N/a

Q4 The Committee would like to focus on a number of specific areas – do you have any comments on the areas identified below

The comments below concern policies to reduce poverty.

The Welsh Government budgets for 2015-16 and 2016-17 reflect a broadly consistent approach to tackling poverty, many of the relevant programmes being more or less protected in cash terms. JRF has previously welcomed the Welsh Government's commitment to tackling poverty and continues to do so.

There have been some encouraging pieces of news, for example the recent data on the improvement in education attainment gap among some age groups eligible for free school meals.

But poverty in Wales is a complex, deep-rooted issue. Overall levels of poverty have remained worryingly high and not changed in the last decade. The significant shift from pensioner to in-work poverty has been widely noted and the challenges for many young families have become deeper, often linked to low pay and short hours. The next stage in the welfare reform programme (see above) is likely to accentuate the trend.

Several things flow from this in terms of future strategic direction.

- A big challenge for Wales is achieving impact on poverty at scale, especially given that key fiscal transfer levers such as the tax/benefits system are substantially non-devolved. There is an argument about whether concentrating budgets and levers available to Wales on a small number of big interventions would have more of an impact than a wide but relatively thin spread of initiatives. This needs further investigation.
- Tackling poverty cannot only be about dedicated spending programmes. Creating a long-term, sustainable path towards a prosperous and low poverty Wales depends on the performance of the labour market and economy, and the role of businesses, employers and local leaders in working with the Welsh Government to tackle low wages and high costs. In support of this, a strong, well-articulated alignment is needed between action on skills, employment, economic development and tackling poverty.
- Action to mitigate the costs faced by low-income households is an essential component of tackling poverty. Over the last few years, essential items have risen in price faster than the average. As a result, the cost of living has risen more quickly for low income households than others. The potential for government influence on costs varies but there are some aspects, such as meeting complex care needs or affordable housing, where the role of government is well-established and will need to be reflected in long-term budget decisions.

We hope that JRF's anti-poverty strategy will be a contribution towards addressing some of these issues alongside the big messages to be drawn out of the Welsh Government's important programme of poverty-related research and evaluation, such as the impact of welfare reform, the dynamics of poverty and evaluation of poverty-related programmes.

Michael Trickey, January 2016

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Submission to the National Assembly for Wales Finance Committee scrutiny of the draft 2016-17 Wales budget

Names:	<i>Alice Moore (Campaigns and Communications Officer) and Eleri Butler (CEO)</i>
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These are the views of:	<i>Welsh Women's Aid (Third Sector) - the national charity in Wales working to end domestic abuse and all forms of violence against women.</i>

Introduction

Welsh Women's Aid is the national charity in Wales working to prevent domestic abuse and all forms of violence against women¹ and ensure high-quality services for survivors that are needs-led, gender-responsive and holistic.

Established in 1978, we are an umbrella organisation that represents and supports a national federation of 24 local independent charities delivering specialist domestic abuse and violence against women prevention services in Wales, as part of a UK network of provision. These specialist services constitute our core membership, and they provide lifesaving refuges, outreach, and community advocacy and support to survivors of violence and abuse - women, men, children, families - and deliver innovative preventative work in local communities. We also deliver direct services including the Welsh Government funded *Live Fear Free Helpline*; a National Training Service; refuge and advocacy services in Colwyn Bay and Wrexham; and the national *Children Matter* project which supports local services to help children and young people affected by abuse and to deliver preventative STAR groupwork in every local authority in Wales.

We have been at the forefront of shaping coordinated community responses and practice in Wales, by campaigning for change and providing advice, consultancy, support and training to deliver policy and service improvements for survivors, families and communities. As a national federation, our policy work, consultancy, training and advocacy is all grounded in the experience of local specialist services and service users. Our success is founded on making sure the experiences and needs of survivors are central to all we do.

Key recommendation:

- 1. Welsh Government commits to protecting the funding for independent specialist domestic abuse and sexual violence services in Wales in 2016/17; and to establishing sufficient resources and a sustainable funding model for these specialist services in future.***

¹ Domestic abuse is the exercise of control by one person, over another, within an intimate or close family relationship; the abuse can be sexual, physical, financial, emotional or psychological. Violence against women is violence directed at women because they are women or that affects women disproportionately, and includes domestic abuse, rape and sexual violence, forced marriage, female genital mutilation, sexual exploitation including through trafficking and the sex-industry, so-called 'honour-based violence' and sexual harassment .

Summary of additional recommendations:

2. *Ministers should ensure NHS and social care investment enables these agencies to play a greater role in the prevention of domestic abuse, sexual violence and other forms of violence against women. This should include funding arrangements in 2016 which support Public Health Wales and the Health Boards and Trusts in Wales to:*
 - a. *Commit to delivering a public health approach to preventing domestic abuse, sexual violence and other forms of violence against women.*
 - b. *Commission the IRIS programme for health services and independent (third sector) specialist services, to ensure national delivery.*
 - c. *Implement violence against women guidance and NICE Domestic Violence and Abuse Guidelines (PH50 2014).*
3. *Welsh Government should promote the business case for violence against women prevention amongst all providers/contractors in receipt of Government investment, requiring them to:*
 - a. *Ensure they demonstrate corporate social responsibility by creating workplace policies, and training and educating employees on domestic and sexual abuse.*
 - b. *Promote and/or provide access to support for victims, and take action against perpetrators.*
 - c. *Exert leadership in local communities by supporting specialist services and promoting preventative campaigns and equality between women and men.*
4. *Welsh Government should ensure budgets also prioritise the sustainability of the third sector (as well as the public sector), and investment should also be targeted at systems change and transformation (as well as public services innovation).*
5. *Welsh Government should ensure budgets support delivery of multi-agency statutory guidance that delivers systems-change and ‘change that lasts’; prioritising needs-led strengths-based delivery that places survivors of abuse at the centre of any intervention.*
6. *Welsh Government should ensure budgetary investment targeted at reducing poverty and mitigating welfare reform proactively addresses violence against women prevention and the negative impacts these have on women and children.*
7. *Welsh Government should ensure budgets deliver sufficient specialist women’s refuge spaces in Wales to meet the needs of women and children and a national network of independent specialist women’s services to support women and children to achieve independence and freedom from abuse.*

Response to consultation questions:

1. **What, in your opinion, has been the impact of the Welsh Government’s 2015-16 budget?**
 - 1.1 Having worked for nearly four decades in Wales to prevent domestic abuse and all forms of violence against women, we are pleased that budgetary investment in 2015-16 contributed towards strengthening the legislative and policy framework on violence against women prevention in Wales. The enactment of the Violence Against Women Domestic Abuse and Sexual Violence (Wales) Act 2015 was accompanied by **investment in various work-streams** including, but not limited to:

- The Live Fear Free Helpline for sexual abuse and domestic abuse victims (women, men, children and young people). Welsh Women's Aid successfully bid for the contract to deliver this service, which runs over the next 5 years.
- The National Training Framework development, which includes delivery of the national 'ask and act' train-the-trainers programme for regional trainers to cascade this to public services. This 5 year training contract was awarded to Welsh Women's Aid national training service partnership, in December.
- The development of a suite of statutory guidance to inform implementation of the Act; currently being consulted on.
- Local domestic abuse coordinators and a national Ministerial Advisor position.
- *Supporting People* funding which continues to support refuge services and associated domestic abuse floating support provision in many areas across Wales, and which in some areas is supplemented by other local government grants.

1.2 The 2015-2016 budget(s) for violence against women, domestic abuse and sexual violence **also resulted in cuts to provision**, including to our own national services.

- In 2015/16, the Welsh Women's Aid *Children Matter* project, funded by Welsh Government within our core grant, was cut by 25% with the expectation that this could be picked by regional pathfinder commissioning processes. This did not happen and resulted in a restructure of the project, reduced capacity, and less local specialist services were able to deliver groupwork for children and young people affected by abuse.
- In 2015/16, our two directly-managed services were subject to a 10% cut in *Supporting People* grant; this followed previous funding cuts in North Wales.

1.3 Amongst our national membership of domestic abuse/violence against women services, the vast majority also bore the brunt of public authority cuts to their frontline services this year, ranging from 3%, 5%, 15%, 20% and in some cases 50-70% cuts to some funding streams. The impact of losing this funding was compounded for some services by the successive cuts – 25 to 35% - experienced over the last 3 years. Amidst these cuts, demand for support increases:

- In 2014-15, over 10,000 adult survivors were supported by specialist services and **at least 284 women in Wales could not be accommodated by refuges because there was no space available when they needed help.**
- In the first 6 months of this year, nearly 6,000 survivors were supported, **and 161 women in Wales could not be accommodated by refuges because there was no space available when they needed help.**

1.4 The vast majority of these specialist services across Wales already operate on shoestring budgets; the impact of these apparently small funding cuts is significant for small specialist providers and for the survivors that depend on them for lifesaving support. Feedback on the impact of in-year cuts from our membership of independent (third sector) providers of specialist domestic abuse refuges and associated support services, includes, for example -

- One service, which has been supporting 12 families in the refuge and local community for several years, only has a small amount of council funding for a domestic abuse support worker, to support children 2 days a week. From April this will be cut to zero. Having already experienced a 15% cut in refuge funding this year, they expect another 10% cut next year and fear closure as a result.
- Another service has 6 part-time staff supporting families accessing multiple refuges, a floating-support service and one-stop shop. Funding cuts this year means they have cut staff hours to the bare minimum, and cover the shortfall by their own dwindling charitable reserves, which cannot continue into next year.

- One service has experienced a 30% cut in their housing grant, which supplements their *Supporting People* provision, and will lose this funding from April despite receiving a 150% increase in referrals.
- Another service experienced a 3% cut in funds, which had a significant impact on its staffing and service model, which comprises 11 families and their children being supported by 3 part-time staff. Rather than cut services, these support workers continue to provide support to help women resettle in the community, but this work is now unfunded. Any further cuts will likely lead to service closure.
- One service receives around £10K from the public sector to support children affected by abuse across all its refuges and community outreach provision; this inadequate funding of children's support is not unusual. Unlike the rest of the UK, specialist services that have established refuges and community outreach provision do not have adequate funding for children's support services in most areas of Wales.
- A service that supports families in rural areas fears that any further cut to its recent 25% cut in funding will mean that families who live in isolated areas will lose access to support. They currently manage this on a voluntary basis; further reductions in funds will make this unsustainable. It costs services more to support families experiencing domestic abuse in rural areas due to travel and more extensive safety-planning work needed.
- Services in urban areas are also struggling. Many services tell us they are only funded by *Supporting People* for the direct contact-time with a client which limits the time they can spend with survivors and the length of support they can offer. This means their supervision and support, administration and monitoring, and other vital back-office functions go unfunded. This false economy also means that survivors are limited in the support they can access to meet their needs, and leads to revolving-door access to service provision.
- A service that experienced 6% cuts this year have been advised to expect a further 20% cut in *Supporting People* from April. They have already reviewed and restructured service models, cut staff salaries to the bare minimum and are not replacing staff when they leave. They told us: '*we have restructured and re-designed the whole organisation to manage the cuts... but we are stretched almost to breaking point*'. Any further loss to their funding will mean parts of their service will close.
- Many services, that for years have provided needs-led support, now fear that cuts to their provision will mean survivors who most need specialist services because of their high-levels of support needs, are those least likely to be able to access help in future. This includes multiple support needs associated with experiencing domestic abuse, mental ill-health and problematic substance use; survivors who have insecure immigration status and/or no recourse to public funds; survivors who have multiple experiences of abuse and need support for its associated trauma; survivors with additional language support needs; young people being abused in their own teenage relationships, and women who have been abused and who are also involved in the criminal justice system.

1.5 **Funding decisions about resourcing specialist services at a local and national level in Wales in 2015-16 was at odds with decisions made in Westminster in 2015-16.** In England, £13.2m was allocated this year by the Treasury to ensure English refuges' capacity was maintained to counteract years of local commissioning which had previously reduced the domestic abuse sector in England. A further allocation of £40 million for services for victims of domestic

abuse was also announced; a tripling of the dedicated funding provided compared to previous years. It was also announced that an additional £15 million a year will be ring-fenced to fund women's health and support charities over the course of the UK Parliament. There has been no equivalent ring-fenced allocation for refuge or other women's services in Wales, and instead of a tripling of funds to specialist provision there has been a year-on-year funding cut for the majority of local specialist services in Wales. It is not yet clear how women's services in Wales can access the designated £15 million a year from 2016.

- 1.6 **Funding decisions about resourcing specialist services at a local and national level in Wales in 2015-16 was also at odds with decisions made at a European level.** The recent *European Directive on Victims' Rights*, from November, includes obligations for states to ensure the provision of specialist services for victims of domestic abuse and other forms of violence against women. Further, the *Council of Europe's Convention on Preventing and Combating Violence against Women and Domestic Violence (Istanbul Convention)* requires the UK to provide "an adequate geographical distribution [of] immediate, short- and long-term specialist support services to any victim subjected to any of the acts of violence covered by this Convention [including] ... specialist women's support services to all women victims of violence and their children."
- 1.7 **Funding decisions at a national level also appear at odds with local decisions on funding specialist services in Wales.** At the same time as local decisions are being made to reduce the capacity of specialist services, or put services out to tender to replace them with generic provision, Welsh Government funded Welsh Women's Aid to develop several significant pieces of work nationally in 2015-16, including for example:
- Delivery of Welsh Women's Aid National Quality Service Standards, an accreditation framework for specialist services that aligns with other UK frameworks and evidences the quality of local provision. This is currently being piloted and will be rolled-out from 2016.
 - Development of an early intervention and preventative service model to achieve 'change that lasts', which will deliver needs-led, strengths based and trauma informed service models, that places survivors and specialist services at the centre of a community approach to deliver early intervention and prevention. The cost savings to the state of delivering this service model is evident through case studies (see Appendix One).
- 1.8 **Funding decisions at a local level are also at odds with the new legislative framework.** Whilst we welcome national implementation of legislation that introduces a new statutory duty on public authorities to prevent domestic abuse, sexual violence and other forms of violence against women, the Act places increasing responsibility on public authorities to identify and refer survivors to specialist services. It introduces a national framework to encourage more agencies to 'ask and act' and will increase awareness of the need for specialist support. Accompanying forthcoming statutory guidance on training and a whole education approach to prevention is also expected to encourage local public services, schools and youth services to refer survivors, including children and young people, to specialist services in local communities. The scope of national statutory commissioning guidance was consulted on in 2015/16, which we expect will be delivered from 2017.
- 1.9 However, as outlined above, local commissioners are already enacting cuts to specialist services which have been supporting families and communities affected by domestic abuse and other forms of violence against women for 40 years. We are concerned that **the specialist domestic abuse and sexual violence sector in Wales may be severely depleted or even non-existent by the time statutory commissioning guidance for specialist services comes into effect in 2017. If these services are lost, lives will be lost.**

2 Looking at the draft budget allocations for 2016-17, do you have any concerns from a strategic, overarching perspective, or about any specific areas?

- 2.1 At a strategic level, we appreciate Welsh Government has had some difficult financial decisions to make, and we agree with the focus on prevention and early intervention across priority areas: health and social services; educational attainment; supporting children, families and deprived communities, and growth and jobs. We also look forward to the use of a common definition of *preventative spend* to be agreed with the third sector, and we would welcome the opportunity to pilot what this would achieve for violence against women prevention in Wales.
- 2.2 We also support the need to embed into the budgeting process the 5 ways of working (integration, involvement, collaboration, prevention and long-term thinking) and 7 well-being goals (prosperity, resilience, health, equality, cohesive communities, culture and global responsibility) that are aligned with the Future Generations Act. At a national level, we are also pleased to see that the *Supporting People Programme* has been recognised as a key priority and protected in next year's budget with an allocation of £124.4m. Our membership, specifically survivors of violence and abuse, benefit from *Supporting People* and we welcome its continuation.
- 2.3 However, there is no guarantee that the national protection of *Supporting People* resources will mean local domestic abuse services retain their *Supporting People* funding. We remain concerned that specialist domestic abuse and sexual violence services in Wales, and the survivors that rely on them, face a postcode lottery dependent on whether local commissioners prioritise these services. These services include a range of needs-led and gender responsive approaches such as refuge and emergency housing, 'floating' community support, community-based advocacy, children's services and more. Most refuge services in Wales have low annual turnovers - significantly lower than their English counterparts - and any further cuts to services in 2016/17 will result in detrimental, possibly life-threatening, consequences for survivors of abuse.
- 2.4 Despite the announcement from Welsh Government that *Supporting People* will be protected, many of our members are still uncertain about their funding position and have either not yet been informed about funding decisions from April 2016 or have been told – despite national protection of *Supporting People* budgets – local domestic abuse provision can expect cuts in some areas of between 10-20%.
- 2.5 We also share concerns expressed by *Cymorth Cymru*, about the reduction in the Homelessness Grant, which aims to prevent homelessness. In some areas, this grant is used to fund domestic abuse provision which delivers savings to statutory budgets like housing, social care and health. Cuts to this grant combined with cuts to local *Supporting People* allocations will mean the sustainability of many local specialist services will be affected.

3. What expectations do you have of the 2016-17 draft budget proposals? How financially prepared is your organisation for the 2016-17 financial year, and how robust is your ability to plan for future years?

- 3.1 At the time of writing, Welsh Women's Aid has only 30% of its public sector funding confirmed from April 2016, which includes government contracted services (Live Fear Free Helpline and Ask and Act Training). As with all refuge-based domestic abuse services and violence against women services across Wales, our direct services for survivors in North

Wales have also not had funding confirmed from April (from various commissioners). Furthermore, our core grant from Welsh Government (already cut by 25% this year for *Children Matter* project delivery) remains unconfirmed from April.

- 3.2 Welsh Women's Aid core funding from Welsh Government is vital for the continuance of support to specialist member services in Wales. The funding enables us to help specialist services and local partnerships to develop and improve service delivery to survivors in Wales. This is achieved by providing policy and service updates, consultancy support on commissioning frameworks and service models, learning and development courses/materials and updates, statistical information and data reporting to inform needs assessments, consultation opportunities, survivor engagement, Children Matter preventative programme, and quality standards and accreditation for specialist services in Wales. We also support Welsh Government and statutory authorities with regards expert feedback on all aspects of violence against women issues. This includes development of guidance to support legislative delivery; needs assessments and commissioning models for effective early intervention and prevention work; and on needs-led service delivery models (Change That Lasts).
- 3.3 Last year in Wales we supported specialist services that between them made sure that over 10,000 adult survivors and nearly 4,000 children and young people were provided with refuge and community based advocacy and support by domestic abuse services in Wales; and our national Helpline received over 28,000 calls in 2014/15. Our highly experienced team have been successful in proactively raising additional funding from charitable trusts and foundations to support the Welsh Government strategy to improve services to survivors through capacity building for specialist services. Together, we aim to maximise financial and social value whilst ensuring specialist services enable survivors to achieve independence and freedom from abuse in Wales. We continue to make every effort to diversify our income but would not be able to continue with the level of support and development work we provide without core funding from Welsh Government.
- 3.4 At a local level, as outlined above, the expected budget cuts within specialist domestic abuse/violence against women services range from between 10-20% (*Supporting People*) and some public sector funding streams (like housing grants or small grants for children's support) will, we are told, be cut from specialist services altogether. The majority of specialist services that are cut will be significantly impacted: services that are already paying support workers from reserves, or that have already reduced staff hours to a minimum, will face closure if existing funding is not protected.
- 3.5 Planning for future years in domestic abuse/sexual violence services that are reliant on annual public authority funding is impossible to achieve for many services. Whereas policy and legislation focusses on long-term approaches to decision-making, this is not supported by a corresponding long-term approach to funding the third sector. Specialist domestic abuse services at present do not know what funding they have from April. The current funding climate for small specialist providers presents significant challenges with regards strategic business planning, service delivery and development and income diversification.
- 4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

We have commented below on the areas that most closely relate to our core business.

Local health board financial arrangements

- 4.1 We are pleased to note that 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. We also support increased investment into mental health and services for older people. We would like to see greater join up between health, social care and housing budgets, and how violence against women prevention is addressed strategically across these sectors. We **recommend that Ministers ensure NHS and social care investment enables these agencies to play a greater role in the prevention of domestic abuse, sexual violence and other forms of violence against women.**
- 4.2 Domestic and sexual violence and abuse has major public health implications, and represents an enormous cost to the NHS. The close link between such abuse and mental and physical ill-health, children's safety and wellbeing, plus the positive results of working in partnership, make it even more important that the NHS recognises and acts upon its responsibilities in this area. The NHS spends more time and money dealing with the impact of violence against women and children than any other agency, so action to tackle the causes and consequences of such violence is therefore not only cost-effective but contributes to the health and wellbeing of the population.
- 4.3 Therefore, in order to effectively achieve a healthier Wales, to reduce health inequalities, to close the gap in health outcomes and achieve a more equal Wales, it is vital that health and social care budgets prioritise early intervention and prevention of domestic abuse, sexual violence and other forms of violence against women. As a starting point, for example, and to demonstrate integration, involvement, collaboration, prevention and long-term thinking across Government, **Welsh Government funding arrangements in 2016 should require Public Health Wales, the Welsh Ambulance Service Trust, and the 7 Health Boards in Wales to:**
- **Commit to delivering a public health approach to preventing domestic abuse, sexual violence and other forms of violence against women.** This should involve transforming how policies and programming address this issue, in order to prevent it from occurring in the first place by directing policies and strategies towards changing the underlying causes, behaviours and attitudes that lead to the perpetration of violence against women. Key underlying determinants and contributing factors in its perpetration include inequality between men and women; cultural and social norms and practices and weak sanctions; and lack of access to resources and support systems.
 - **Commission the IRIS programme for health services and independent (third sector) specialist services** to deliver essential care pathways for all adult patients living with abuse and their children. In order to commission the IRIS model at a local level a minimum financial investment of approximately £70,000 is required for year to support general practice. Ultimately IRIS improves the quality of care for patients experiencing abuse and fulfils the moral, legal and economic case for addressing domestic abuse in general practice (2).
 - **Implement the Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act associated guidance and the NICE Domestic Violence and Abuse Guidelines (PH50 2014)** which contain 17 recommendations for everyone working in health and social care whose work brings them into contact with people who experience or perpetrate domestic violence and abuse (3).

² <http://www.irisdomesticviolence.org.uk/iris/commissioning/>

³ <https://www.nice.org.uk/guidance/PH50/chapter/1-Recommendations>

Approach to preventative spending

- 4.4 The short-term false economy of cutting funding to specialist services at a local level fails to recognise that the cost of dealing with just one domestic violence homicide exceeds most of these services' annual budgets. The cost of domestic abuse alone in Wales is £826.4m annually (in service costs, lost economic output and human and emotional costs).
- 4.5 This short-term false economy also fails to acknowledge that these services collectively have expertise in protection, provision and prevention, built up over four decades. It is these services that the public sector are reliant on to refer survivors to when they identify violence and abuse; to support and advocate for survivors to help them navigate the myriad of statutory systems that fail to meet their needs; to advise public services on how prevention can be achieved and to deliver community engagement work to promote prevention.
- 4.6 Investing in tackling violence against women prevention, therefore, is a cost effective approach and resources to do this should be protected nationally. Even a small increase in the cost of providing specialist services is outweighed by the decrease in the costs to public services, lost economic output and the decrease in the human and emotional costs⁴. Incorporating requirements to prevent violence against women into and across all main budgets will help ensure:
- A prosperous and healthier Wales: responding effectively to abuse achieves better health outcomes and domestic abuse and sexual violence impacts on the productivity of employees and businesses. Domestic abuse alone costs the Welsh economy £100.9m in lost economic output each year.
 - More resilient, equal and cohesive communities: many women and girls are not able use public spaces with the same freedom as men and boys; actual and threatened violence and abuse constrains and limits women's and girls' choices, routine decision-making and behaviour in everyday life. Tackling violence against women will lead to safer communities, challenge stereotypes and social stigma, which in turn will promote inclusiveness and better community ties.
- 4.7 In order to become a productive and prosperous nation, with a highly skilled workforce and an economy that is globally competitive, it is vital that public and private sector employers are equipped to better respond to domestic and sexual abuse in the workforce. ***Welsh Government should promote the business case for violence against women prevention amongst all providers/contractors in receipt of Government investment, requiring them to:***
- Ensure they demonstrate corporate social responsibility by creating workplace policies, and training and educating employees on domestic and sexual abuse.
 - Promote and/or provide access to support for victims, and take action against perpetrators.
 - Exert leadership in local communities by supporting specialist services and promoting preventative campaigns and equality between women and men.

Sustainability of public services, innovation and service transformation

- 4.8 We support the priority given to support local authorities. However the approach taken, to invest in core budgets rather than through ring-fenced grants, has the potential to have a detrimental impact on public authority grants to violence against women third sector services. Several specialist services in Wales have told us that local authority cuts to their

⁴ Walby, S. (2009) The Cost of Domestic Violence: Update 2009. Lancaster: Lancaster University.

grant funding are made in order to prop up statutory provision. They also report that the value of partnerships with specialist independent providers like domestic abuse services is not recognised in many local authorities, where they are either quick to cut services and deliver similar provision in-house, or reduce specialist provision in order to contract with one large generic provider. Funding for domestic abuse and sexual violence services needs to be protected in the current financial climate.

4.9 ***We strongly recommend that the budget also prioritises the sustainability of the independent third sector (as well as the public sector), especially small specialist providers like domestic abuse/violence against women services.*** Women supported by our membership often face multiple discrimination and disadvantages based on their identities and life experience, including unemployment, low pay, housing problems, poverty or mental health issues. Women with severe and multiple disadvantage value women-only services to help them build resilience and recover from abuse or other adverse childhood experiences. The WEN Wales Women and Multiple-Disadvantage Survey (2015) – completed by 47 organisations and projects across Wales that support disadvantaged women – identified “a bleak picture of a worsening situation in which the cumulative effects of austerity, decreased funding, public sector cuts and welfare reform are contributing to disadvantage.”⁵ Successive evidence demonstrates the added value small specialist services can provide, and it is predominantly voluntary sector organisations that hold many of the values, ideas and approaches that will equip Wales to deliver innovation and transformation. Yet balancing demand against income is increasingly difficult; this is particularly marked in Wales where only 38% of charities think they will be able to continue doing this in the coming years.⁶

4.10 We welcome the intent to develop service delivery models which prevent or reduce the need for more costly state interventions, and we agree that innovation and service transformation is vital if we are to effectively prevent violence and abuse. However ***we also recommend investment should also be targeted at systems change and transformation (as well as public service innovation).*** Systems-change is being advocated by voluntary sector services like Welsh Women’s Aid and others, because at present, government-led systems across public services have developed to only be able to respond to one ‘need’ at a time, which in turn generate perverse situations where some of those in greatest need receive the least help. A government and public-sector led focus on interventions and co-ordination has also provided a distraction from the need to fundamentally reform existing systems:

“One solution that we like to generate is case coordination, where people are employed to help vulnerable individuals navigate the maze. This can reach surreal levels of inefficiency...The systems themselves aren’t required to change, they are just subject to the brokerage, advocacy and special pleading of professionals employed to champion the most disadvantaged. In other words, we employ one set of workers to try and persuade another set of workers to do the right thing”⁷

4.11 Nowhere is this more evident in systems set up to respond to domestic abuse. In many cases, survivors of abuse are being failed by systems that are created to serve agencies, and not improve the lives of survivors of abuse; a focus on risk has been accompanied by a reduction in needs-led responses, and a growing crisis of unmet need. If inter-related systems were changed to meet survivors’ needs from the outset, then resources would be saved and survivors of abuse would achieve a much greater positive benefit from their interaction with

⁵ <http://www.wenwales.org.uk/news/women-and-multiple-disadvantage-survey-summary-of-key-findings/>

⁶ Lloyds Bank Foundation (2015) Expert yet Undervalued and on the Frontline
http://www.lloydsbankfoundation.org.uk/assets/uploads/Expert_Yet_Undervalued_-_Grantee_Opinion_Survey_2015_WEB.PDF

⁷ Julian Corner (2013) Why Our Public Services Need System Change’, Lankelly Chase.

public authorities. To support a systems-change approach that transforms services **we recommend Welsh Government should ensure budgets support delivery of multi-agency statutory guidance that delivers systems-change and ‘change that lasts’; prioritising needs-led strengths-based delivery that places survivors of abuse at the centre of any intervention** (see appendix).

Welsh Government policies to reduce poverty and mitigate welfare reform

- 4.12 We support the vision for a more equal Wales, and action to tackle the causes and effects of poverty, the creation of cohesive communities where everyone has the support they need to live healthy, prosperous and independent lives.
- 4.13 However we recommend that **Welsh Government should ensure budgetary investment targeted at reducing poverty and mitigating welfare reform proactively addresses violence against women prevention and the negative impacts these have on women and children.** Evidence shows that female lone parents and single pensioner households will experience the biggest drop in living standards as a result of cuts to public services compared to other households. This is in addition to analysis by the House of Commons library which shows that of the £16bn in savings announced since the 2015 general election, three quarters will come directly from women⁸.
- 4.14 As one of several examples of how women as survivors of abuse are particularly impacted by welfare reform, the spare room subsidy has potentially life-threatening implications for women whose homes have been fitted with ‘sanctuary schemes.’ A judicial review was recently launched by a woman whose council home had been fitted with a secure room to protect her from a violent ex-partner and who was set to lose £11.65 a week from her benefits because she was deemed to have a spare room.⁹ This followed evidence last year that revealed 1 in 20 households across England using the sanctuary scheme had been affected by the spare room subsidy.¹⁰ We do not want women in Wales to face the same dangerous situation.

Impact of the Welsh Government’s legislative programme and whether its implementation is sufficiently resourced

- 4.15 Positive steps have been taken in Wales to introduce the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015. It is anticipated that improvements to identifying violence against women by public services (as outlined above) will lead to increased demand on specialist services without addressing the geographical and funding gaps in provision of services.
- 4.16 At a time when the demand for refuges and other specialist services is expected to increase still higher, it is deeply worrying that such lifesaving services do not have sustainable funding to protect and support the most vulnerable women and children in Wales.

‘We feel this would result in adding further strain to an already busy service both refuge and drop in /community.’ (specialist domestic abuse service)

⁸ Women’s Budget Group response to spending review, 2015.

⁹ <http://www.theguardian.com/society/2014/nov/18/panic-room-woman-challenges-bedroom-tax>

¹⁰ <http://www.theguardian.com/news/datablog/2014/mar/14/bedroom-tax-domestic-violence-protection-scheme>

‘Refuge is a resource that is already oversubscribed,— for example just today we had 6 requests from women for a refuge room which would accommodate one woman and 3 children, including by women accessing our drop in service.’ (specialist domestic abuse service)

- 4.17 We urgently need consistent national and local commitment by funders, to sustain specialist services that work to prevent domestic abuse and other forms of violence against women in Wales. ***The recent legislative commitment by the Welsh Government must now be accompanied by a commitment to sufficiently fund the protection and support of survivors of domestic abuse, sexual violence and other forms of violence against women.***

Welsh language, equalities and sustainability

- 4.18 We welcome the commitment made to continue to resource Welsh language provision amongst key services, and also welcome the Government’s commitment to delivering Equality legislation duties.
- 4.19 Violence against women and girls is a human rights violation. One in every three women worldwide experiences physical and/or sexual violence at least once in their lives, usually by an intimate partner. United Nations (UN) Secretary–General Ban Ki-moon has proclaimed the elimination of violence against women as a top priority of the UN’s work and achieving “gender equality and empowering women and girls” is one of the Goals of *Agenda 2030 for Sustainable Development*, adopted by the 193 member states of the UN during the annual General Assembly (25 September 2015). One of the important targets of the goal is the elimination of all forms of violence against women and girls and the need for specialist women’s services to support survivors.
- 4.20 Black and minority organisations that support survivors of violence and abuse are most vulnerable to cuts and closure, even though they are well known in the communities they serve and have the highest numbers of women approaching them directly, rather than being referred on by police, social workers or others. Bigger, more generic services are rarely able to achieve this profile or these ‘self-referrals’. In work to eliminate violence against women, particular attention should be given to the rights and needs of women and girls facing multiple forms of discrimination, including women of ethnic minorities and with immigrant and/or refugee status, survivors of trafficking, women living in poverty, disabled women, LGBT+ women. In every case the inclusion of women’s voices is imperative in efforts to prevent or mitigate such violence.
- 4.21 We urge Welsh Government, through its budgetary processes and associated legislative and policy frameworks, to commit to contributing to the realization of equality between women and men and to the elimination of all forms of violence against women, which will transform the lives of women and girls in Wales. To achieve this, ***we recommend Welsh Government should ensure budgets deliver sufficient specialist women’s refuge spaces in Wales to meet the needs of women and children and a national network of independent specialist women’s services to support women and children to achieve independence and freedom from abuse.***

Any comments or questions regarding our response can be directed to:

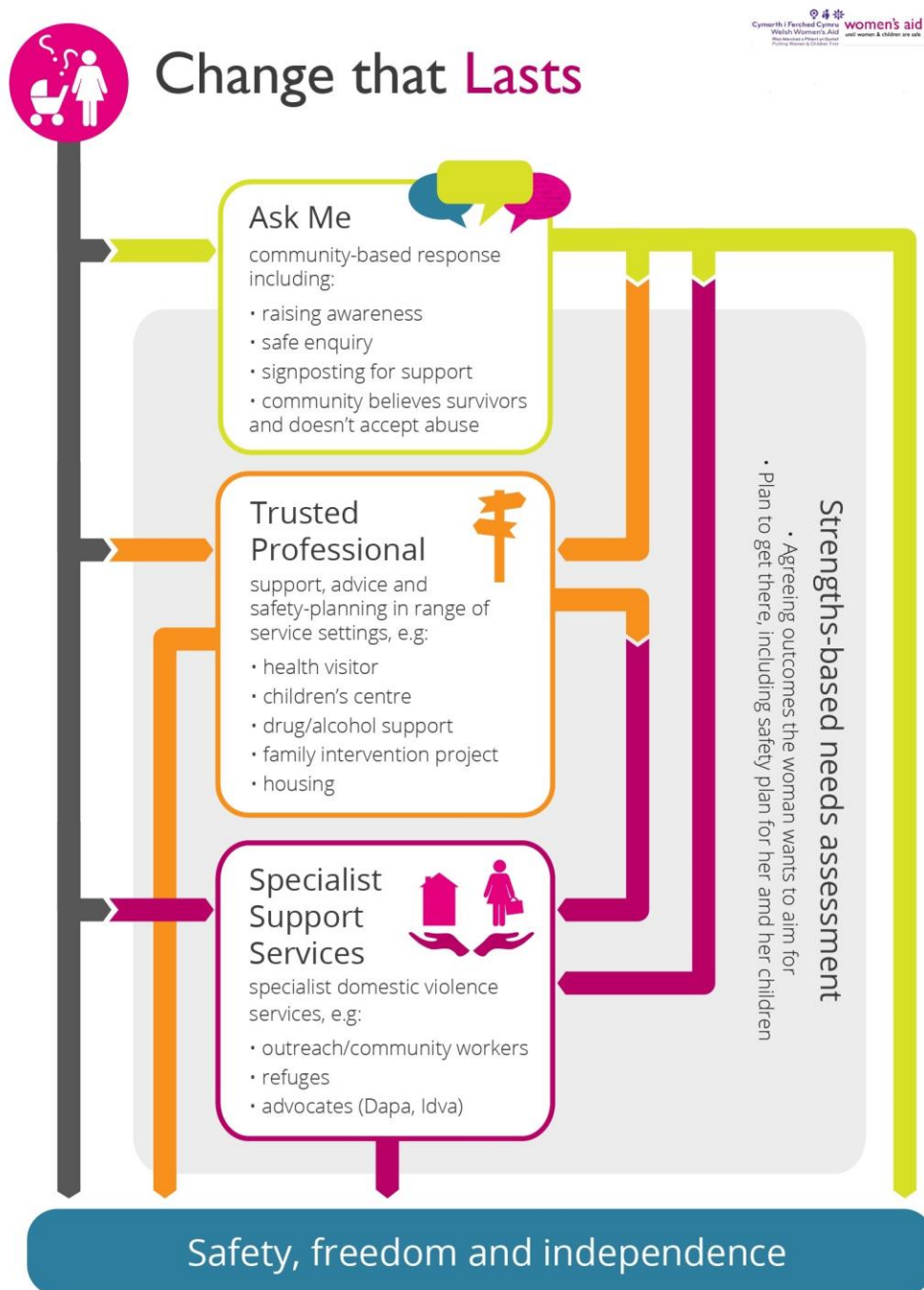
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Appendix One: Change that Lasts service model to achieve early intervention and prevention

Welsh Women’s Aid and Women’s Aid (England) have worked in partnership to develop a new, cross sector model response to domestic abuse and violence against women: Change that Lasts. In partnership with services and key national stakeholders from many related fields, we have reviewed current approaches and the systems in place and have developed a cross-sector common approach that places the survivor at the heart and builds responses around her needs and the strengths and resources available to her. **Change that Lasts is a strengths-based, needs-led model that supports domestic violence survivors and their children to build resilience, and leads to independence.**



Change that Lasts Case study (domestic abuse): Yasmin's journey

The true story of a domestic violence survivor, and what could have been, with needs-led intervention.

This is what actually happened.

Yasmin has always suffered from OCD and depression. She meets her partner in 2012 and moves in soon after. After 4 months the abuse starts when she discovers he is a heroin addict. After the first violent instance she attends Accident and Emergency.

At this point there was an opportunity for needs-led intervention, for someone to ask and act, for a referral to specialist support and help. Instead Yasmin is sent home with painkillers.

He beats her regularly. She sees A&E every fortnight. She calls the police more than 50 times but doesn't find their responses helpful. **The total cost of this is £102,938.**

Eventually she is referred to the local housing team. She is housed near the perpetrator **at a cost of £5,300**. He regularly breaks in until she agrees to move back in with him. After she moves back in, the violence starts again and he begins injecting her with drugs against her will. He tries to burn down the house with her inside. She escapes; at this point the perpetrator's behaviour assessed as 'high risk'. A MARAC meeting, **costing £11,900**, considers her case and decides to move her temporarily and put panic alarms in a new property. The cost of rehousing her and adding the alarms **is £5,752**.

He breaks in and the downstairs alarm fails. He holds her hostage, repeatedly raping and injecting her. After 5 days she makes it upstairs, and sets off the alarm upstairs. He is arrested but escapes a custodial sentence.

She is moved and now lives in supported housing at a cost **of £47,323.50 a year**, because she cannot live independently; her mental health has deteriorated and she is addicted to prescribed and other drugs she was forced to take. She cannot contact friends or family in case they lead him to her.

The total fare for Yasmin's journey is £2,018,943.

With needs led intervention at A & E the story could have been different.

When Yasmin first attends A & E, staff call the police and a nurse refers her to the Domestic Abuse Support Worker from the local specialist domestic abuse service, co-located in A&E at **a cost of £648**.

She is kept safe in hospital overnight until she can be moved to a women's refuge. The overnight stay **costs £1,779**.

The refuge helps her talk about the abuse she experienced, and because she's in a safe place she also speaks about abuse as a child. They help her with counselling and mental health support. Her stay at the refuge advocacy and mental health support **costs £11,160**.

After 6 months she moves into private housing where she regularly sees family and friends.

The total fare for **Yasmin's journey could have been £13,700**.



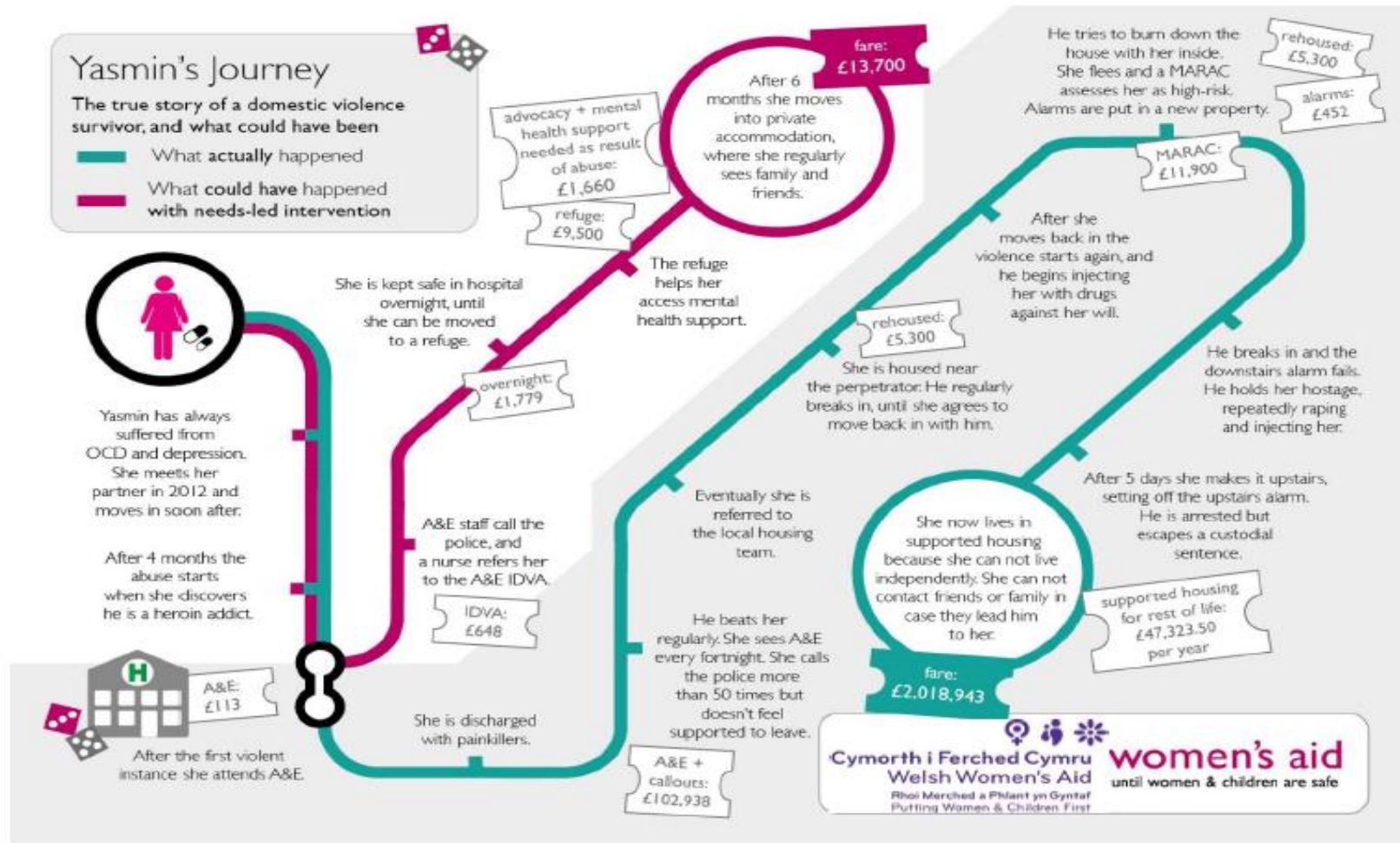
Cymorth i Ferched Cymru Welsh Women's Aid

Rhoi Merched a Phlant yn Gyntaf
Putting Women & Children First

Yasmin's Journey

The true story of a domestic violence survivor, and what could have been

- What actually happened
- What could have happened with needs-led intervention



women's aid
until women & children are safe

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Welsh Women's Aid
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Putting Women & Children First

By virtue of paragraph(s) vi of Standing Order 17.42

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Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales
Cardiff
CF99 1NA

7⁵ January 2016

Dear Jocelyn,

Following my appearance at Finance Committee on 9 December, I agreed to provide clarification on a number of issues that were raised, the majority of which relate to points of detail regarding budget movements within Main Expenditure Groups (MEGs). I also agreed to provide further clarification on the approach to the presentation of the Budget in order to enable meaningful comparisons to be made.

Firstly, turning to the impact of budget reductions on specific budget lines:

- The Welsh Language Spending Programme Area (SPA) within the Education and Skills MEG comprises both the Welsh in Education Action and the Welsh Language Action. The overall budget for Welsh Language is the combined total of both of these Actions. As set out in the MEG Action Tables accompanying the Budget documentation, the overall change at the SPA level is 5.9 per cent. While the Welsh Language Action has reduced by £1.685m, this comprises a transfer of £825k to the Welsh in Education Action. This transfer reflects a reprioritisation of fund within the overall Welsh Language SPA to develop a more strategic approach to language acquisition for 0-4 age group.
- Within the Economy, Science and Transport MEG, the overall net impact of budget changes and reprioritisations within the Museums, Archives and Libraries capital Spending Programme Area is £70k in 2016-17. This is as a result of the repayment of Invest to Save funding. There is no impact on the funding available for the developments at St Fagan's and we are investing a further £1m in support of this project in 2016-17, fulfilling our financial commitment; and

- We discussed at Committee the reduction of £524k to the Homelessness Prevention Action within the Communities and Tackling Poverty MEG. As set out in the Minister for Communities and Tackling Poverty's response to WAQ69580, while this represents a reduction to the Homelessness Prevention budget, the Minister for Communities and Tackling Poverty will be making available an additional £2.2m to local authorities in 2016-17 to support the implementation of the new homelessness legislation, central to which is preventing homelessness.

Turning to the way we have presented the numbers in the Budget this year, the approach we have taken is consistent with standard practice. We have used the latest published figures, adjusted to remove non-recurrent allocations, to arrive at a baseline figure. On fiscal resource, the majority of the non-recurrent adjustments relate to invest-to-save investments. It is worth highlighting, however, that the health allocation of £84.6m made in the First Supplementary Budget 2015-16 remains in the baseline. With regard capital, the non-recurrent adjustments relate to capital allocations whereby in line with the Wales Infrastructure Investment Plan, capital is allocated for specific projects on a time-limited basis. As explained at Committee, if we had not removed the non-recurrent allocations, the budget position for 2015-16 would be artificially inflated and would distort the ability to make like-for-like comparisons.

A full reconciliation of the non-recurrent adjustments is provided at Annex C of the Budget narrative. In addition, and in line with our previous commitment to the Finance Committee, we have also highlighted the year on year changes affecting each MEG in Tables 6.1, 6.2, 6.3 and 6.4 in Annex B of the Budget narrative.

Finally, in terms of the distribution of the additional funding to the NHS, I indicated in my evidence that this is a matter for the Health and Social Services Minister to determine. I will write to you with further details on this once that information is available.

I hope this response is helpful.

Beath Fisher,
Jane

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business

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