

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
12 October 2011

Meeting time:
09:30

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Agenda

1. Introductions, apologies and substitutions

2. Welsh Government Draft Budget 2012–2013 – Scrutiny of Minister for Finance (9:30 – 10:20) (Pages 1 – 128)

FIN–05–11 – Paper 1, Annex A, Annex B, Annex C

Jane Hutt Minister for Finance and Leader of the House
Andrew Jeffreys Head of Strategic Budgeting – Strategic Planning, Finance & Performance
Jeff Andrews Specialist Policy Adviser, SPF&P
Michael Hearty Director General, Strategic Planning, Finance and Performance

3. Welsh Government Draft Budget 2012–2013 – Evidence from Welsh Council for Voluntary Action (10:20 – 11:10) (Pages 129 – 201)

FIN(4)–05–11 Paper 2

Welsh Government Draft Budget 2012–2013 – Evidence from Welsh Council for Voluntary Action

Michelle Matheron, Senior Policy Officer, WCVA
Phil Fiander, Director of Programmes, WCVA
Joy Kent, Director, Cymorth Cymru
Catriona Williams, Chief Executive, Children in Wales

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

Item 5
Item 6
Item 7

5. Members' consideration of evidence (11:10–11:15)

6. Draft report on Assembly Commission Draft Budget 2012–2013 (11:15–11:30) (Pages 202 – 232)

7. Potential inquiry into Devolution Funding (11:30–11:40) (Pages 233 – 262)

Paper to note

Additional Information from Marcella Maxwell, Working Links

Finance Committee

FIN(4) 05-11 – Paper 1

Title – Welsh Government Draft Budget 2012-13: A Budget for Growth and Jobs

Purpose

1. The Welsh Government's Draft Budget 2012-13 was published on 4 October. This paper provides an overview of the strategic priorities underpinning our spending plans.
2. A copy of the Draft Budget Proposals 2012-13, together with the supporting MEG Action tables and Budget Document, can be found on the Welsh Government's website at:

<http://wales.gov.uk/funding/budget/draftbudget1213/?lang=en>

Public Spending Context

3. The Draft Budget 2012-13 sets out the Welsh Government's spending plans for the next three years from 2012-13 to 2014-15. In presenting the Draft Budget, we are setting out for the first time, our plans for 2014-15, which is the final year of the UK Government's 2010 Spending Review settlement.
4. The Spending Review, as adjusted by the UK Government's March 2011 Budget, sets our budget for the period covered by the Draft Budget. Overall, in real terms, our total DEL budget in 2012-13 will fall by £430m and by 2014-15 will be £1.95bn lower than in 2010-11¹.
5. This real terms reduction is in stark contrast to the budget growth seen over the last decade between the establishment of the National Assembly for Wales in 1999 and 2009-10. In this period the Welsh fiscal resource DEL budget grew by £4.9bn in real terms. By 2014-15 the Welsh budget will be £1.3bn lower in real terms than at its peak in 2009-10 and around the same level as in 2005-06. We are well advanced in managing within these resources, but the ongoing reductions will continue to place a strain on all public services
6. In real terms, our capital budgets in 2012-13 will be lower by 9.9% than in 2011-12. This compares to a reduction of 28.6% in 2011-12. However, the cumulative impact of these reductions should not be underestimated. Our capital budget in 2014-15 will, in real terms, be half of its 2009-10 levels. These real terms trends in the Welsh budget are set out in the following two charts.

¹ Excluding depreciation

Chart 1.1 – Wales Fiscal Resource Departmental Expenditure Limit in Real Terms since Devolution (2010-11 prices)

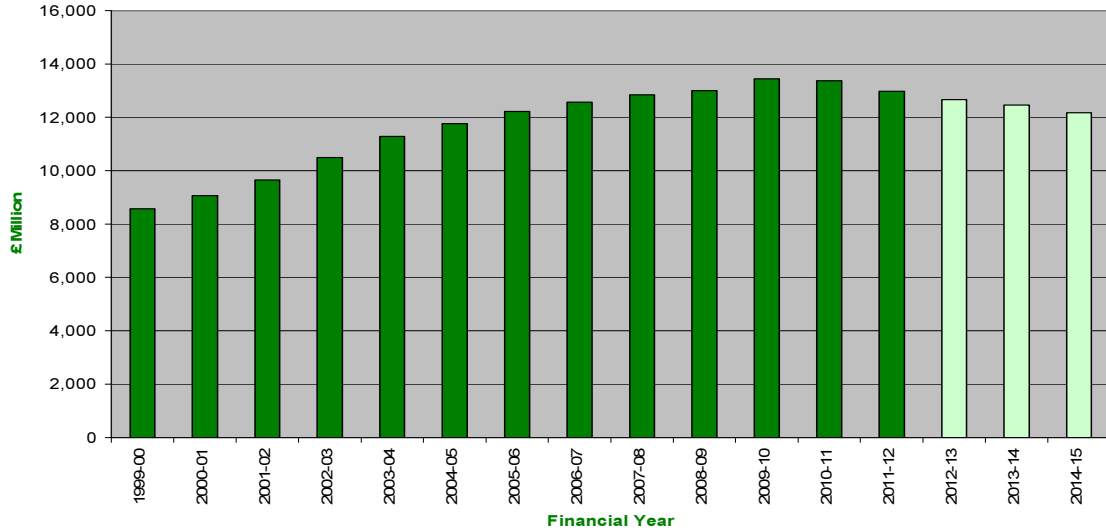
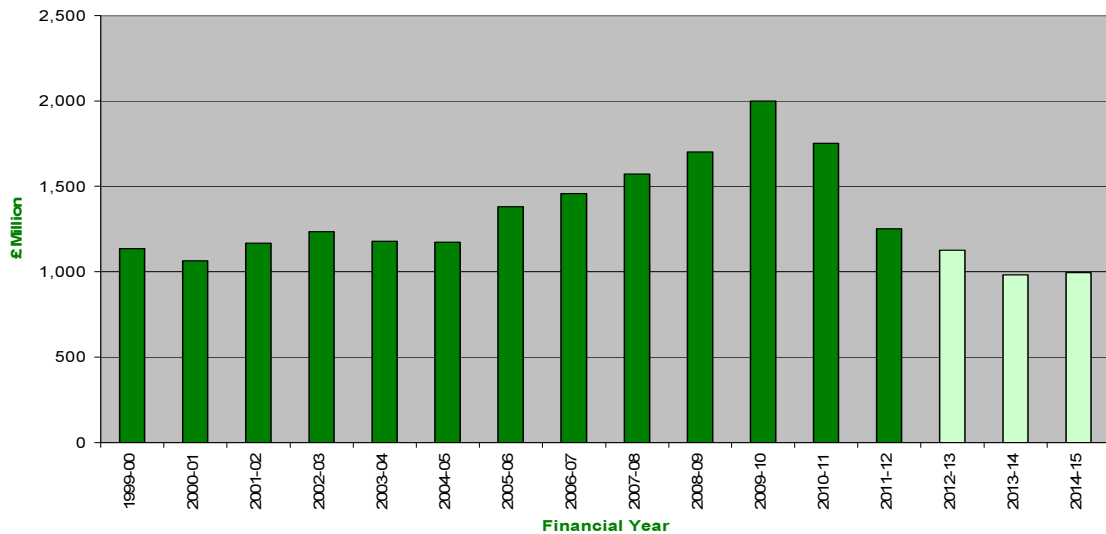


Chart 1.2 – Wales Capital Departmental Expenditure Limit in Real Terms since Devolution (2010 – 11 prices)



Programme for Government

7. The Programme for Government was launched by the First Minister on 27 September. It sets out what actions Ministers will be taking, how progress will be measured and what outcomes we want to see for the people of Wales.
8. Our Budget preparations this year have focussed on aligning our spending plans to deliver the vision for Wales that is set out in our Programme for

Government. Our previously published plans provided the platform for this and remain a sound base on which to deliver the Programme for Government.

9. The Draft Budget Proposals 2012-13 show how we will support the priorities set out in the Programme for Government and how Departments have aligned their budgets to take forward this ambitious agenda for Wales.

Strategic Priorities

10. At the heart of the Programme for Government is our vision for a more prosperous economy with better, more efficient public services that equip people to fulfil their potential and maximise their contribution to society and the economy. Ensuring growth in the economy and creating and sustaining jobs is a key priority for the Government. This underpins much of the work that we do and has shaped the Budget plans that I presented last week.
11. Promoting economic growth is complex – as a Government we can take action, but it also relies on factors outside of our control. We have a responsibility to use all the levers available to us to stimulate the economy and create employment opportunities. In the Budget, I set out the three pronged approach that we are taking:
 - There is the direct and targeted support that we provide for Welsh businesses. Over the three years covered in the Budget, we are sustaining the revenue investment funded through the Department for Business, Enterprise, Technology and Science.
 - There is the support that we are providing in policy areas which contribute to producing the conditions required for economic growth – education, employment support, skills and health.
 - Finally, there is the support that we can provide through capital investment. This is a key lever for delivering modern public services, but also for providing investment in the economy.
12. This approach underpins the additional allocations we have made in the Draft Budget and the spending decisions that we have taken. This is a Budget for Growth and Jobs which will support delivery of our ambitious Programme for Government.

Budget Proposals

13. The Draft Budget Document sets out in detail the additional allocations we have made to support our strategic priorities. These include:

Five for a Fairer Future

14. Our Five for a Fairer Future commitments are key to the delivery of our ambitions for economic growth. Over the next three years we are allocating an additional £129 million to support our Five for a Fairer Future pledges:

- £75 million invested over the next three years in our new Jobs Growth Wales scheme. This funding will support 4,000 young people every year with tailored training and employment opportunities and will combine Welsh Government funds and European support;
- An additional £27 million for frontline spending in schools to maintain our commitment to increase schools funding by 1% above changes to the Welsh budget as a whole. This means that over the Spending Review period as a whole, we will have invested an additional £185 million in schools;
- Additional funding of £5million in 2013-14 and 2014-15 to deliver 500 new Police Community Support Officers in Wales; and
- £55 million over three years to expand the successful Flying Start scheme which will help an extra 18,000 children.

Universal Benefits

15. Universal Benefits are an investment in the social fabric of our society. They are about ensuring that everyone is equipped to play their full part in society and contribute to our economic goals. These services are also providing a vital life-line to people experiencing the impact of the current financial pressures. In this Budget, we have continued the protection afforded to universal benefits and extended that protection to the final year of this Budget period. This means that over the Spending Review period we have invested an additional £10 million.

Increased NHS Funding

16. A strong NHS which delivers high quality services to the people of Wales is another key element of our Programme for Government. This is vital to the longer term health and well being of the people of Wales and to their ability to play a full role in the economy. We are investing an additional £288 million to the NHS over the next three years, with the expectation that this will put the NHS on a sustainable financial footing. This is in addition to the allocation that the Minister for Health and Social Services announced for the current year.

Capital Investment

17. Over recent years we have taken steps to maximise the Government's capital investment. This is despite significant reductions by the UK Government. We have previously brought forward capital projects, switched revenue to capital and adopted a more strategic approach to the investment of our limited capital resources through the Centrally Retained Capital Fund.
18. In the Budget Document, I outline the further steps that I am taking. I have set out my proposals for a National Infrastructure Plan, to set out our investment priorities and identify schemes and programmes of national importance. I have also committed to explore every opportunity to boost investment in Welsh infrastructure through a range of innovative approaches. We are working closely with local government and other partners to maximise existing borrowing capacity to boost public sector infrastructure investment over the coming years.

Equality Impact

19. Equality, inclusion and social justice have been central to the development of the Draft Budget. Last year, we published a comprehensive assessment of the equality impact of budgetary decisions. This year the focus has been on assessing the impact of changes to previous plans and where extra funding has been allocated. Full details can be found in the Budget Document.

Budget Motion

20. As we previously discussed, I intend to amend the format of the Budget motion this year to give the Government greater flexibility to effectively manage resources, whilst retaining accountability and transparency. I have published a Draft Budget and would welcome your views on that as part of your Budget report. Alongside this scrutiny, our officials will work together to develop the protocol that we agree should codify procedures around the new approach to the Budget motion.

Summary

21. This is a Budget for Growth and Jobs in Wales which builds on the platform of spending plans agreed last year. This Budget does not start from scratch, but it does provide the support we need to stimulate economic growth and deliver jobs. These plans show how we will use the funding available to us to deliver our Programme for Government.
22. The scrutiny of our spending plans is an important stage of the Budget process in developing and testing our plans. I welcomed the opportunity to make an oral statement and the discussion around that marked a beginning to the scrutiny process. I look forward to hearing the Committee's views on our Budget proposals, as well as considering the evidence and feedback from our partners and stakeholders.

Draft Budget Proposals 2012-13

Laid Before the National Assembly for Wales by the Minister for Finance and Leader of the House

October 2011

Draft Budget Proposals

1. That the Assembly, in accordance with Standing Order 20.12, takes note of the draft budget for the Government tabled on the 4 October, in accordance with Standing Order 20.7

Welsh Ministers

2. Welsh Ministers propose

(a) to use resources (not including accruing resources) during the financial year ending 31 March 2013 for the services and purposes specified in Column 1 of Schedule 1, up to a maximum of the corresponding amounts specified in Column 2 of that Schedule;

(b) in addition, to retain income, within the categories of accruing resources specified in Column 1 of each Part of Schedule 2, during the financial year ending 31 March 2013, for use on the services and purposes specified in the corresponding entries in Column 2 of each Part of that Schedule, up to the limit specified for each Part of that Schedule; and

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

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

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

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

2B. The first condition is that the total resources (other than accruing resources) used during the financial year ending 31 March 2011 for all services [and] [or] purposes specified in Column 1 of Schedule 1 does not exceed the total of the amounts specified in Column 2 of that Schedule.

2C. The second condition is that the total accruing resources used during the financial year ending 31 March 2011 for all services [and] [or] purposes specified in Column 2 of Schedule 2 does not exceed the total of the amounts specified that Column.

3. Provisional amounts of resources and cash which the government proposes to use for the subsequent two years are detailed at Annex A.

For information – Assembly Commission, Auditor General and Ombudsman

4. The budget procedures for the Assembly Commission, the Auditor General for Wales, and the Public Service Ombudsman for Wales (the “direct-funded bodies”) are governed by Standing Orders 20.13 to 20.24. The budgets for the direct-funded bodies will be included as part of the annual budget motion to be tabled by the Minister for Finance and Leader of the House on or before 29 November 2011.

5. The amounts of resources (other than accruing resources) which the direct-funded bodies propose to use in 2012-13 are included in Schedule 3; the amounts of accruing resources which those bodies propose to retain and use for specified services and purposes are included in Schedule 4; and the amounts of cash which is proposed to be issued to the direct-funded bodies out of the Welsh Consolidated Fund are included in Schedule 5.

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

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

- (a) the Assembly Commission figures have been taken from the estimates as laid before the Assembly on 1 December 2010
- (b) the figures for the Auditor General for Wales are derived from the estimate for The Auditor General, provided to the Public Accounts Committee on 11 November 2010
- (c) the figures for the Public Services Ombudsman have been taken from the Estimate provided to the Finance Committee for consideration on 18 November 2010

Summary of Resource and Capital Requirements

Welsh Ministers

Ambit	Resources (£000)	Accruing Resources (£000)
Health, Social Services and Children	5,259,814	915,967
Local Government and Communities	4,199,901	2,000
Business, Enterprise, Technology & Science	311,033	588,962
Education and Skills	1, 920,797	118,592
Environment and Sustainable Development	313,381	5,644
Housing, Regeneration and Heritage	466,827	66,115
Central Services and Administration	347,985	8,500
Total Resources Requested and Accrued Income relating to Welsh Ministers	12,819,738	1,705,780

Direct Funded Bodies

Ambit	Resources (£000)	Accruing Resources (£000)
National Assembly for Wales Commission: Assembly Services	31,688	260
National Assembly for Wales Commission: Assembly Members	13,541	0
Public Services Ombudsman for Wales	3,961	6
Auditor General for Wales	4,853	8,024
Total Resources and Accrued Income for Direct Funded Bodies	54,043	8,290

Schedule 1 – Ambits for expenditure incurred by Welsh Ministers

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Health, Social Services and Children</p> <p>For use by Welsh Ministers to spend on Health, Social Services and Children including promoting or improving economic, social or environmental wellbeing.</p> <p>Revenue and capital funding for Local Health Boards and Welsh NHS Trusts and associated healthcare providers; Public Dividend Capital to NHS Trusts; loans to NHS Trusts; Payments for contracted services including dentistry, ophthalmic and pharmaceutical services; general medical services, support for education and training; research and development; mental health services; chronic disease treatment; and measures to combat Inequalities in Health; funding for support for children and their families, including funding for Flying Start, Families First, the Children’s Commissioner for Wales, child poverty strategies, childcare, play, children and young people’s rights, children and families organisations and advocacy; support for local authorities and the voluntary sector for childcare measures, support for community focussed schools;</p> <p>Support for the Food Standards Agency; support for older person’s services and for social services and carers; social services improvement (including the funding of the Association of Directors of Social Services (ADSS) Cymru and Social Care Institute for Excellence (SCIE); for the Care Council for Wales; the National Institute for Health and Clinical Excellence (NICE); the Older People’s Commissioner; and contributions to UK health and social care bodies.</p> <p>Funding for the Children and Family Court Advisory and Support Service (CAFCASS) Cymru; funding for services provided to or on behalf of the Scottish Government, Northern Ireland Executive and Department of Health; services for the improvement of health and the prevention, diagnosis and treatment of illness; and any related expenditure and non cash resource use.</p>	<p>5,259,814</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Local Government and Communities</p> <p>For use by Welsh Ministers to spend on promoting economic, social and environmental wellbeing in the areas of local government and public service delivery, the regeneration and development of communities, the promotion of social justice and community safety; and the development and maintenance of transport and infrastructure. The funding of local government unitary authorities; police authorities and fire and rescue service authorities through unhypothecated grant funding by means of revenue support grant, national non-domestic rates (NNDR) and general capital funding or discrete revenue and capital grant funding for specific policy purpose relevant to the above areas of activity. The funding and sponsorship of public bodies and non-statutory organisations with functions relating to the audit, regulation and inspection; the promotion and representation; the performance development and change management; the promotion and maintenance of standards and accountability (including appellate functions) in respect of local government. Funding for the programme, staffing and general administrative costs (including leasing costs) of the Care and Social Services Inspectorate and the Healthcare Inspectorate Wales, Sponsorship of Estyn including staff costs and general administrative expenditure together with the cost of capital and depreciation and any related expenditure and non cash resource use. Funding public bodies (including Community Safety Partnerships), Third Sector and other organisations to support the Communities First Programme; community safety and development; development of voluntary organisations and volunteering; financial inclusion; post offices; Criminal Records Bureau checks; work to support the armed forces, veterans and their families; the combating of substance misuse and domestic violence; and the promotion of Youth Justice. Revenue and capital funding for road transport, including construction, operation, maintenance and improvement of trunk roads in Wales; delivery of passenger rail and air services; road safety; regulation of pedestrian crossings and on-street parking; funding and administration of programmes to local authorities and other bodies designed to deliver a range of transport schemes and services including concessionary fares; support for the promotion and development of walking and cycling; and related expenditure and non cash resource use. Matched funding under Priority 4 of the European Social Fund; support for the Valuation Office Agency; and funding to meet the cost of Treasury Solicitor Services.</p>	<p>4,199,901</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Business, Enterprise, Technology & Science</p> <p>For use by Welsh Ministers on Business, Enterprise, Technology and Science including promoting economic, social or environmental wellbeing.</p> <p>Funding for the provision of support and advice to assist the establishment, growth and development of business in Wales, including the provision of repayable business finance; social and community enterprise development; encourage and promote STEM activities in schools; economic policy, research and evaluation; promote Wales as a location for business and investment, internationally and domestically; promotion of Welsh exports; provision of property and ICT infrastructure for business including environmental improvements, administration and delivery of EC structural funded projects; capital repayments to the National Loans Fund; major sporting events and assistance to Finance Wales. Expenditure relating to agriculture, rural development, fisheries and food including public health and woodlands. European Funding and matched funding: to support farmers in Wales, including the Single Payment Scheme; the management and delivery of measures under the Wales Rural Development Plan; and support for fisheries. Specialist information and advice and services; assistance to and development of the Welsh fisheries sector; management, regulation and enforcement of fisheries and the marine environment; funding for committees and enquiries into rural and environmental issues; publicity; support for the development, production, promotion and marketing of food, including the development of supply chain mechanisms for land based sector products; research and evaluation of agriculture, rural development, fisheries and food policies and development of associated evidence base; measures to mitigate greenhouse gas emissions from the land based sector.</p> <p>Promotion of and support for tourism in Wales and support for the Wales brand; capital grants to support the tourism industry and any other related expenditure and non cash resource use.</p>	<p>311,033</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Education and Skills</p> <p>For use by Welsh Ministers on Education and Skills to fund: the Foundation Phase; nutritional standards in schools; curriculum and qualification development and regulation; schools performance improvement; the funding of inspections; school based counselling; tackling disaffection; school effectiveness; capital and revenue funding for IT development in learning; support for improving standards; support for Techniquest; school uniform grant; school governor activities; capital to support the school and post-16 infrastructure; inclusion and additional learning needs; teacher training, development and support; bilingual learning; capital and revenue funding for the Higher Education Funding Council for Wales; support for undergraduate medical education; support for mergers and collaborations in the education sector; revenue provision for post-16 education and training including further education and work based learning; extending entitlement and 14-19 learning pathways; support for the Youth Service; learner and student finance including Student Loans Company costs and Education Maintenance Allowances; careers advice services; improving basic skills; support for international education initiatives; educational research and evaluation; skills development and workplace learning; offender learning; support for the Welsh Language Board and Welsh Language Commissioner and projects which promote the Welsh Language; promotion of education and skills; associated non cash items and any related expenditure and non cash resource use.</p>	<p>1,920,797</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Environment and Sustainable Development For use by Welsh Ministers on Environment and Sustainable Development including promoting or improving economic, social or environmental wellbeing; developing proposals for a single environmental body in Wales, provide funding, advice and administrative support for local authorities, agencies and other bodies to promote, facilitate and deliver a range of schemes and services in connection with Environment and Sustainable Development; facilitate, promote and deliver sustainability, climate change and environment quality; support and promote low carbon energy generation; energy efficiency and sustainable management of water resources and improvements in water quality; provide and fund water sewerage services, flood and coastal protection and risk management measures; provide funding support and advice relating to climate change, energy efficiency, fuel poverty, water and flood and coastal erosion risk management; provide funding, support and advice relating to waste and sustainability including Aggregates Levy; waste disposal, collection and management, re-cycling schemes, street cleansing and landfill tax credits; manage radioactivity, environmental pollution, environment quality and noise pollution; promoting economic, social and environmental wellbeing for business, people and places in Wales. Planning, including appeals casework, publishing planning documents, and funding for research; transpose and implement UK, European and international legislation and obligations; administration and delivery of EC structural funded projects; provide grant in aid funding, carry out investigations, research, and evaluation; promotion and publicity and services in connection with Environment and Sustainable Development and any related expenditure and non cash resource use; promoting economic, social or environmental wellbeing; conservation; animal and plant health; seeds, pesticides and GM crops; public health; compensation for livestock; animal welfare activities; specialist information and advice and services; disease surveillance activities; information technology development; match funding for European programmes; funding for committees and enquiries into rural and environmental issues; publicity; support for land management and woodland measures; including expenditure under the Rural Development Plan; EU funded woodland grants; capital and revenue expenditure by the Forestry Commission; research and evaluation of Rural Affairs policies and development of the evidence base that informs them; measures to mitigate greenhouse gas emissions from the land based sector; and any related or incidental expenditure including any legal expenditure and non cash resource use.</p>	<p>313,381</p>

Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Housing, Regeneration and Heritage</p> <p>For use by Welsh Ministers on Housing, Regeneration and Heritage including promoting or improving culture and economic, social or environmental wellbeing; provide funding, advice and administrative support for local authorities, agencies and other bodies to promote, facilitate and deliver a range of schemes and services in connection with Housing, Regeneration and Heritage; improve the supply and quality of housing across Wales, including the standard of local authority and social landlord housing, and improve housing-related services; acquisition, leasing, development and maintenance of land and buildings; housing stock transfers, community mutual support and capacity building; social housing; support for physical regeneration including housing renewal areas and licensing houses in multiple occupation; supporting people; preventing and addressing homelessness; providing grants for adaptations and facilities to enable people to remain in their own homes; regulation and inspection of registered social landlords; Regeneration policy and administration of policies and grants including promoting economic, social and environmental wellbeing for business, individuals, communities and places in Wales; transpose and implement UK, European and international legislation and obligations; administration and delivery of EC structural funded projects; carry out investigations, research, and evaluation; promotion and publicity and services; provide financial assistance to support culture, sport, media and publishing; and the historic environment including funding Amgueddfa Cymru – National Museum Wales; funding to the National Library of Wales; funding for the Arts Council of Wales; funding for the Wales Millennium Centre; funding for the National Botanic Garden of Wales; funding for the Welsh Books Council; funding for the Sports Council for Wales and organisations that promote sport and active lifestyles throughout Wales; funding to support the provision of policy directions to Lottery distributors; funding to support non-national museums, archives and libraries and local and national projects which seek to promote and widen access to cultural treasures; conserving, protecting, sustaining and presenting the historic environment of Wales to achieve an accessible well protected historic environment including current expenditure and the associated running costs and staff costs of Cadw and capital expenditure for grants and for the acquisition of capital assets; funding the Royal Commission on Ancient and Historic Monuments of Wales; any expenditure relating to conserving, protecting, sustaining and presenting archaeological</p>	<p>466,827</p>

<p>remains in Wales, ancient monuments in Wales, buildings and places of historical or architectural interest in Wales, and historic wrecks in Wales; any expenditure on arts and crafts relating to Wales, and on cultural activities and projects relating to Wales; and any related expenditure and non cash resource use.</p>	
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Ambits for expenditure incurred by Welsh Ministers (excluding accruing resources)	
<i>Column 1</i>	<i>Column 2</i>
<i>Services and purposes</i>	<i>Amount £000</i>
<p>Central Services and Administration</p> <p>For use by the Welsh Assembly Government on administration expenditure and running costs including: staff pay costs; payments of national insurance; pension contributions; reimbursement of expenses; compensation; staff loans; car hire and leasing; running costs and investment for the civil estate; the leasing, rental and acquisition of premises; general administrative expenditure; expenditure on IT and telecommunications; expenditure on enabling government; other administrative revenue and capital expenditure; public appointments; enabling and promoting open government; supporting research, including statistical research and evaluation; promoting economic, physical, social or environmental wellbeing; planning, attending and marketing of corporate internal communications events and ongoing external communication of Government policy and action; funding for inter-governmental relations, including the British Irish Council, and for constitutional development, including costs arising from any referendum; hosting events of national importance; spatial planning; the costs of public inquiries; funding to public sector bodies for achieving efficiency gains; funding Value Wales, Xchange Wales and Public Service Management Wales; payments to support overseas development and links; grants and financial support to other public sector organisations; support to EU funded projects; programme funding for equality and equal opportunities and for improving social inclusion and social justice; and any related expenditure and non cash resource use.</p>	<p>347,985</p>

Schedule 2 – Use of accruing resources by Welsh Ministers

Part 1: Health, Social Services and Children

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Services and purposes for which income may be retained</i>
<p>Accruing resources include income under the Pharmaceutical Price Regulation Scheme; income in respect of settlement of legal claims; charges for accommodation, goods and services to private and NHS patients, local authorities and others; repayment of Invest to Save funding from Local Health Boards and Welsh NHS Trusts; income from the Scottish Government, Northern Ireland Executive, Department of Health, other government departments and the European Union; income generation schemes; National Insurance Income from HM Revenue and Customs; non-operating income from sale of land, buildings, vehicles, equipment and property and recoveries of VAT.</p>	<p>Services and purposes include expenditure on primary and community health services; the purchase or acquisition of fixed assets by Welsh NHS Trusts, Local Health Boards and associated healthcare providers; supporting the provision and administration of health and social care services.</p>
<p>Overall amount of Income (£000)</p>	<p>915,967</p>

Part 2: Local Government and Communities

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

Part 3: Business, Enterprise, Technology & Science

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Grant funding from the European Commission; repayments of grants; property related infrastructure capital receipts and rental income; business services charges; project contributions from other public sector and private sector organisations; investment income; repayable business finance; accruing resources include income from European structural funds; income from the EU for support under the Single Payment Scheme; income from the EU Rural Development Fund; income from the European Fisheries Fund; income from the sale of capital assets; and levy income for the promotion of Welsh meat; income from fisheries regulation and enforcement activities; income relating to tourism activities; recoveries of grants or settlements in respect of grant payments and recoveries of VAT.	All European funded projects and to support all expenditure as identified within the expenditure Ambit, promotion of red meat.
Overall amount of Income (£000)	588,962

Part 4: Education and Skills

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources include Post-16 income from European Projects, research & evaluation and business skills development; curriculum and qualifications royalties; recoveries of Student Loans; sales of publications and recoveries of VAT.	Services and purposes include supporting European projects, CQFW, programme development, business skills development, research & evaluation current expenditure; to support curriculum and qualifications current expenditure and to support all expenditure as identified within the expenditure Ambit.
Overall amount of income (£000)	118,592

Part 5: Environment and Sustainable Development

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and Purposes for which income may be retained</i>
Accruing resources include income from European structural funds; income from the EU for woodlands; income from wind farm projects; income from Pwllperian Farm or the sale of capital assets; recoveries of grants or settlements in respect of grant payments; recoveries of VAT; income from the salvage of carcasses from animals slaughtered for disease control and income from the EU for the eradication of bovine TB; income from grant recoveries from local authorities, third sector organisations and other public and private sector organisations; income from marine licences; civil penalty fines associated with emission trading schemes; Food and Environmental Protection Act Licences, Dredging Licenses, OFWAT income in respect of the Consumer Council for Water, receipts from the sales of assets, funding from other central government departments and recoveries of VAT.	Services and purposes include compensation for the removal of diseased livestock; expenditure relating to the eradication of bovine TB; and expenditure on the promotion of Welsh meat; expenditure relating to Pwllperian Farm; expenditure relating to TSE and BSE and related devolved animal health activities; expenditure on Countryside Council for Wales Current Expenditure; the costs of administering the systems for marine licensing, dredging licenses and Food and Environment Protection Act licenses; and grant payments, schemes part supported by other government departments.
Overall amount of Income (£000)	5,644

Part 6: Housing, Regeneration and Heritage

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Service and Purposes for which income may be retained</i>
<p>Accruing resources include income from repayments of Social Housing Grant; grant recoveries from local authorities, third sector organisations and other public and private sector organisations; Rent Assessment Panel receipts, receipts from the sales of assets, funding from other government departments and recoveries of VAT; Cadw income from admission charges to Cadw sites, sales of souvenirs, publications, fees for specialist advisory services and Heritage in Wales membership; other income including income from events, filming, photography at sites and bequests; funds via European and other funding schemes; Royal Commission income from sales of publications and grants; recoveries of grants or settlements in respect of grant payments; ad-hoc grants from other sources and recoveries of VAT.</p>	<p>Services and purposes include Social Housing expenditure and grant payments and schemes part supported by other government departments; expenditure on Regeneration schemes; Cadw expenditure on archaeology, scheduling monuments, grants for historic buildings and ancient monuments, care and presentation of the monuments in care, and current expenditure/running costs (including staff); all European funded projects; and Royal Commission Current expenditure/running costs (including staff).</p>
<p>Overall amount of Income (£000)</p>	<p>66,115</p>

Part 7: Central Services and Administration

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Services and Purposes for which income may be retained</i>
<p>Accruing resources include income from: staff secondments and fees; repayment of staff loans; the refund of statutory PAYE deductions; recoveries of VAT; the sale of land and buildings; the sub let of properties; the sale of administrative assets; services provided to public sector bodies; administrative income; income from ICT services provided; recovery of costs shared with other public sector bodies; receipts of recoverable grants including Invest-to-Save receipts; and training provider repayments.</p>	<p>Services and purposes include funding of running costs and general administrative expenditure and supporting capital expenditure on the Assembly Government's estate and asset base.</p>
<p>Overall amount of Income (£000)</p>	<p>8,500</p>

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

Part 1 – National Assembly for Wales Commission: Assembly Services

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the National Assembly for Wales Commission on revenue and capital costs associated with the administration and operation of the National Assembly for Wales ('the Assembly'); promotion of the Assembly including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards and Remuneration Board; any other payments relating to functions of the Assembly or functions of the National Assembly for Wales Commission.	31,688

Part 2 - National Assembly for Wales Commission: Assembly Members

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the National Assembly for Wales Commission in respect of decisions of the Remuneration Board.	13,541

Part 3 – Public Services Ombudsman for Wales

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the Public Services Ombudsman for Wales ('the Ombudsman') on revenue and capital costs associated with the administration of the Ombudsman's office; payments to the British and Irish ombudsman association; payments to the European ombudsman association; payments to the International Ombudsman Institute and associated non cash items.	3,961

Part 4 – Auditor General for Wales

<i>Column 1</i>	<i>Column 2</i>
<i>Services and Purposes</i>	<i>Amount £000</i>
Resources other than accruing resources for use by the Auditor General on the administration of the Wales Audit Office and the discharge of the statutory functions of the Auditor General and local government appointed auditors.	4,853

Schedule 4 – Use of accrued resources by Direct Funded Bodies

Part 1 – National Assembly for Wales Commission: Assembly Services

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and purposes for which income may be retained</i>
Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the National Assembly for Wales Commission from the disposal of fixed assets and other capital income; rental income; gifts; grant support; recharges; income from commercial sales and other services provided to the public or others	For use on the purchase or acquisition of fixed assets and for use on administrative costs of the Assembly.
Overall amount of Income (£000)	260

Part 2 – Public Services Ombudsman for Wales

<i>Column 1</i>	<i>Column 2</i>
<i>Category of accruing resource</i>	<i>Services and purposes for which income may be retained</i>
Income from commercial sales and other services provided to the public or others; receipts of VAT.	For use on related services and the administration of the Ombudsman service.
Overall amount of Income (£000)	6

Part 3 – Auditor General for Wales

<i>Column 1</i> <i>Category of accruing resource</i>	<i>Column 2</i> <i>Services and purposes for which income may be retained</i>
<p>Accruing resources from fees and charges for audit and related services (excluding income under part 1 of the Local Government Act 1999 and Part 2 of the Public Audit (Wales) Act 2004); other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences, provision of administrative services etc.; recoveries of costs of seconded staff; repayments of staff loans; recoveries of car leasing payments; and interest received on working balance fees.</p>	<p>For use by the Auditor General on related services and the administration of the Wales Audit Office.</p>
<p>Overall amount of income (£000)</p>	<p>8,024</p>

Schedule 5: Resource to Cash Reconciliation 2012-13 (£000)

	Welsh Ministers	Assembly Commission	Public Services Ombudsman	Auditor General for Wales
Net Resource Requirement	12,426,730	44,479	3,947	4,853
Net Capital Requirement	393,008	750	14	0
Adjustments:				
Capital Charges	-99,313	-3,300	-153	-200
Impairments	-100,922	0	0	0
Movements in Provisions	-34,186	-500	-50	0
Profit/Loss on sale of assets	0	0	0	0
Movements in stocks	0	0	0	0
Movements in debtors/creditors	0	1,150	30	100
Use of Provisions	0	0	50	0
Other	0	0	0	0
Net Cash Requirement for issue from the Welsh Consolidated Fund	12,585,317	42,579	3,838	4,753

Notes:

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

Schedule 6: Reconciliation of resources requested in the budget motion to resources made available by the Treasury for the Welsh Block for 2012-13

	2012-13 (£000)				
	Revenue DEL	Capital DEL	Revenue AME	Capital AME	Total
<i>Resources Requested in the Budget Motion:</i>					
- Welsh Ministers	12,449,123	142,590	-22,393	250,418	12,819,738
- Assembly Commission	43,979	750	500	0	45,229
- Ombudsman	3,947	14	0	0	3,961
- Auditor General	4,853	0	0	0	4,853
Total Resources Requested in the Draft Budget	12,501,902	143,354	-21,893	250,418	12,873,781
<i>Adjustments:</i>					
(i) Resource Consumption of WGSBs and LHBS	176,971	0	149,649	0	326,620
(ii) Grants	-886,805	886,805	0	0	0
(iii) Supported Borrowing	0	107,299	0	0	107,299
(iv) Other	1,844,384	0	0	0	1,844,384
Total Adjustments in the Draft Budget	1,134,550	994,104	149,649	0	2,278,303
- Direct Charges on the Welsh Consolidated Fund	2,467	0	0	0	2,467
- Wales Office	6,052	724	0	0	6,776
- Unallocated Reserve	195,130	50,449	0	0	245,579
Total Managed Expenditure (Block)	13,840,101	1,188,631	127,756	250,418	15,406,906

Notes:

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

Item	2012-13 £000
Payments to the National Loans Fund	1,695
Salaries and related pension costs of the Presiding Officer and the Deputy Presiding Officer	243
Salaries and related pension costs of the Ombudsman	199
Salaries and related pension costs of the Auditor General	207
Salaries and related pension costs of the Commissioner for Standards	26
National Non Domestic Rates Income	-944,000
National Non Domestic Rates Payable	944,000
Election Costs	97
Total	2,467

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

	2012-13
Estimated net amounts payable to Welsh Ministers:	
Grant payable by the Secretary of State to the Welsh Consolidated Fund under Section 118 (1)	12,816,092
Payments from Other Government Departments	886,953
Payments from other sources	1,762,827
Estimated amounts payable to Welsh Ministers	15,465,872
Less amounts authorised to be retained by Welsh Ministers	-1,705,780
Less amounts retained in the Welsh Consolidated Fund	-944,000
Amounts available for distribution from the Welsh Consolidated Fund	12,816,092
Distributed as follows:	
- Welsh Ministers	12,585,317
- Assembly Commission	42,579
- Ombudsman	3,838
- Auditor General	4,753
Cash Released from the Welsh Consolidated Fund in the Motion	12,636,487
<i>Plus:</i>	
Direct Charges on the Welsh Consolidated Fund	2,467
Unallocated Funds	177,138
Total Estimated Payments	12,816,092

Annex A

**Indicative Resource and Cash
Allocations for
2013-14 and 2014-15**

Summary of Resource and Capital Requirements

Welsh Ministers

Ambit	Indicative 2013-14		Indicative 2014-15	
	Resources (£000)	Accruing Resources (£000)	Resources (£000)	Accruing Resources (£000)
Health Social Services and Children	5,282,550	915,967	5,282,938	915,967
Local Government and Communities	4,189,344	615	4,239,815	615
Business, Enterprise, Technology and Science	303,514	626,281	303,523	626,281
Education and Skills	1,945,949	133,874	1,945,609	149,576
Environment and Sustainable Development	307,162	5,644	310,608	5,644
Housing, Regeneration and Heritage	452,553	60,115	452,599	60,115
Central Services and Administration	330,754	8,500	331,272	8,500
Total Resources Requested and Accrued Income relating to Welsh Ministers	12,811,826	1,750,996	12,866,364	1,766,698

Indicative Resource to Cash Reconciliation for 2013-14 and 2014-15 (£000)

	Indicative 2013-14 (£000)	Indicative 2014-15 (£000)
Net Resource Requirement	12,386,729	12,427,606
Net Capital Requirement	425,097	438,758
Adjustments:		
Capital Charges	-99,100	-98,880
Impairments	-60,336	-75,696
Movements in Provisions	-50,289	-50,807
Profit/Loss on sale of assets	0	0
Movements in stocks	0	0
Movements in debtors/creditors	0	0
Use of Provisions	0	0
Other	0	0
Net Cash Requirement for issue from the Welsh Consolidated Fund	12,602,101	12,640,981

Notes:

This annex complies with Standing Order 20.7 and sets out provisional amounts of resources and cash which the government proposes to use for the subsequent two years



Llywodraeth Cymru
Welsh Government

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Draft Budget 2012-2013: A Budget for Growth and Jobs



Foreword

A Budget for Growth and Jobs

I am today publishing our financial proposals to deliver the vision for Wales that was detailed in the Programme for Government published last week. The Programme for Government clarifies the outcomes we are seeking for Wales and the steps we will take to make our vision a reality. These spending plans outline how we will align our budgets to those objectives and deliver for the people of Wales.

This is a **Budget for Growth and Jobs**. We have faced difficult and challenging financial times as a result of the global recession. Recent economic statistics have shown that the UK economy is still weak. This underlines the impact the UK Government's spending cuts are having on the country's ability to emerge from the global economic and financial crisis. These challenges remain and continue to shape our spending plans.

A key aim continues to be a fairer funding package for Wales that also gives us the ability to borrow to fund capital projects. We welcome the progress that has been made on this important agenda and the endorsement in July by all political parties in the Assembly on the financial reform agenda. We will play a constructive role in inter-governmental talks to review Welsh finances, including access to borrowing, and will work closely with the Commission for Devolution in Wales to consider devolution of further fiscal powers in Wales. In the meantime our task is to manage to the best of our ability within the resources available to us. We are already taking a more strategic approach to capital investment through the Centrally Retained Capital Fund, the development of a National Infrastructure Plan and exploring opportunities to increase investment in Welsh infrastructure through a range of innovative approaches. The Welsh Government will be resolute in supporting the economy and providing the necessary public services infrastructure.

In the Final Budget 2011-12, the National Assembly for Wales approved spending plans for the three years covering 2011-12, 2012-13 and 2013-14. The priorities set out in the last Budget helped shape the Programme for Government and provide the foundation for the spending plans outlined in this Draft Budget. In presenting this Draft Budget, we are setting out for the first time our plans for 2014-15 which represents the final year of the 2010 Spending Review settlement.

We have reviewed our spending plans in light of our priorities for the Programme for Government. This Draft Budget sets out how we will align spending plans with these priorities. This is reflected in the Departmental chapters of this document, where Ministers provide details on funding of key programmes being undertaken to deliver our priorities.

We must remember our previous budget was set against the backdrop of the most challenging financial times since devolution. Although we accepted the need for budget deficit reduction, it was recognised that these were severe spending cuts implemented by the UK Government. Despite the continuing tough financial climate,

we have maximised the use of the resources available to us to allocate additional funding strategically in support of our priorities, which continue to be schools, skills, health and universal benefits. This Draft Budget includes over £129m over the three years in support of our **'Five for a Fairer Future'** pledges, as set out in our Programme for Government. With sustainable development at the heart of all that we do in Government our focus is on the social, economic and environmental well-being for people and communities in Wales. Our spending plans maximise the opportunities to meet the needs of people and communities of Wales. They reflect the priority we place on frontline services, especially education and health. Over the next three years, we will be investing an extra £288m into the health service in Wales. The extra funding will be made with the expectation that the NHS is put on a sustainable financial footing whilst continuing to deliver high quality public services. We are also extending the protection we afforded to Universal Benefits in the last Budget to 2014-15 to help mitigate the impact of the financial pressures, now widely experienced by the people of Wales.

We will continue to improve procurement across the Welsh public sector to secure effective and value for money products & services whilst supporting the Welsh economy; and through the creative use of contracts to deliver new local employment and training opportunities.

Alongside the Final Budget 2011-12, we published a comprehensive assessment of the equality impact of our budgetary decisions. We placed the equality assessment at the centre of our budget processes and it helped shape our spending plans. Much of that work continues to be relevant this year. We have supplemented previous work by assessing the impact in those areas where we have made additional allocations or where we have realigned budgets.

This Draft Budget builds on the platform we established last year and demonstrates our continued commitment to protecting and improving frontline services, public services that we all depend upon and which we know the people of Wales value, protecting the vulnerable and supporting the economic recovery in Wales. Above all, the **Budget for Growth and Jobs** shows how we will use the funding available to us to deliver against our Programme for Government priorities for the people of Wales.

Jane Hutt AM

Minister for Finance and Leader of the House

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1. Strategic Context

Budget Priorities

- 1.1** The Programme for Government was launched by the First Minister on the 27 September 2011. It details the strategic outcomes that the Welsh Government wants to achieve and how these will be delivered for the people of Wales. The Programme for Government outlines how our legislation, programmes, policies and funding will contribute to making the difference we want to make for people and communities in Wales. This includes the **Five for a Fairer Future** commitments explained in further detail at section 2 – Additional Allocations.
- 1.2** The Programme for Government is a roadmap for this Assembly term. It represents our commitment to making a difference to the lives of people in Wales. It sets out the outcomes that we are working towards – a more prosperous economy; better public services; improved education, equality, health, social services and housing. It shows the key actions that we will take to deliver these outcomes and how we will monitor how these actions are on track. The Programme for Government is an important step away from focusing solely on how much money we spend. Instead we are focusing on the demonstrable improvements we want to make to people's lives. This principle underpins the spending plans we are publishing today.
- 1.3** We have reviewed the previously published spending plans in light of the Programme for Government and we are confident that the priorities reflected in the previous Budget remain a sound basis for delivering the Programme for Government. Our spending plans continue to reflect the priority that we place on frontline services – especially health and education. We are also extending the protection we have previously afforded to Universal Benefits to 2014-15. This Draft Budget shows how our spending plans will support these priorities and how Departments have aligned their budgets to take forward the Programme for Government agenda. Further detail is provided in the Departmental chapters of this document.

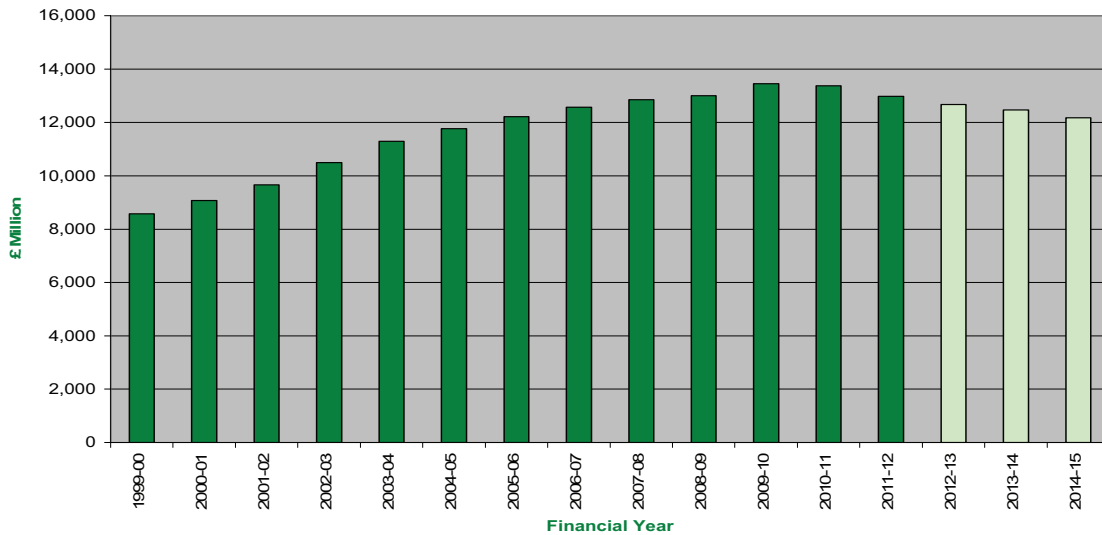
Public Spending Context

- 1.4** The 2010 UK Government Spending Review, as adjusted by the March 2011 UK Budget, sets our budget for the period covered by these Draft Budget proposals. In real terms, our total DEL budget in 2012-13 will fall by £430m and by 2014-15 will be £1.95bn lower than in 2010-11¹.
- 1.5** This real terms reduction is in stark contrast to the budget growth seen over the last decade between the advent of the National Assembly for Wales in 1999 and 2009-10. In this period the Welsh fiscal resource DEL budget grew by £4.9bn in real terms. By 2014-15 the Welsh budget will be £1.3bn lower in real terms than at its peak in 2009-10 and around the same level as in 2005-06. We

¹ Excluding depreciation

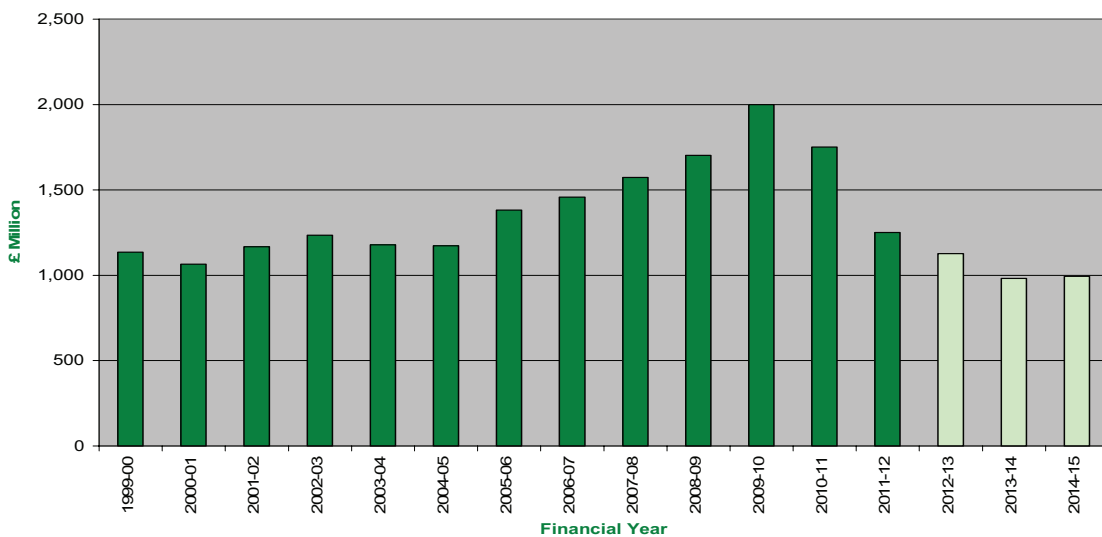
are well advanced in managing within these resources, but the ongoing reductions will continue to place a strain on all public services.

Chart 1.1 – Wales Fiscal Resource Departmental Expenditure Limit in Real Terms since Devolution (2010-11 prices)



1.6 The challenge in respect of capital budgets is even more acute. The capital budget reduction between 2011-12 and 2012-13 is less than the reduction we faced in 2011-12. In 2012-13 capital budgets reduce by 9.9% in real terms, compared to a reduction of 28.6% in 2011-12. Nevertheless, the cumulative impact of the capital reductions should not be underestimated and will have a major impact on the private sector and on our ability to invest in schools, hospitals and the infrastructure needed to support the economic recovery. Our Budget for investing in capital projects in 2014-15 will, in real terms, be 50% of what it was in 2009-10.

Chart 1.2 – Wales Capital Departmental Expenditure Limit in Real Terms since Devolution (2010 – 11 prices)



- 1.7** The outlook for public expenditure looks unlikely to improve in the short term, and these Draft Budget plans are framed in this context.

Economic Position

- 1.8** Recent evidence suggests the UK and Welsh economy is still feeling the effects of the economic downturn. Since the recession ended in late 2009, the UK economy has grown by 2.7%, but we are some way off recovering the output lost during the recession – where output fell by 6.4%. The medium-term outlook for economic growth remains highly uncertain. However, in the short-term growth is likely to remain sluggish as a result of lower consumer spending, the UK Government’s fiscal consolidation and the market uncertainty caused by the sovereign debt crisis across a number of European countries. It is as important as ever that we strive for economic growth and to mitigate the effects of the recession on people and communities in Wales.
- 1.9** The number of people in employment in Wales initially increased as we came out of the recession. However, recent data shows signs of some weakening in the labour market with the latest quarterly data showing a fall in employment and a rise in unemployment.
- 1.10** The fiscal consolidation imposed on the Welsh Government by the UK Government has inevitably impacted on the challenges we face. As far as possible we tried to mitigate this negative impact by protecting investment in schools, health and local government. These areas not only provide vital services but also important employment opportunities for many communities in Wales. In addition to protecting investment, we have also been maintaining workforce dialogue and supportive action wherever possible through the Workforce Partnership Council, chaired by the First Minister.
- 1.11** These actions, plus our proactive approach to training and reskilling displaced workers through Adapt, ReAct and ProAct means that thousands of people have been supported through these difficult times. We have helped to support businesses, safeguard jobs and help retain the skills in their communities. A crucial factor in mitigating the economic impact of reductions in public sector employment in Wales is the potential growth in private sector employment. Our support for business has helped mitigate against the effects of the downturn and our continued support to get people back into employment will be crucial going forward.

Maximising the Impact of Public Spending in Wales

- 1.12** We have been clear that the UK Government has imposed cuts that go too far and too fast. This is a view that has been increasingly vindicated by economic developments over the last year. We have always been a responsible Government – managing our responsibilities to the best of our ability within the resources available to us and playing our role in reducing the deficit.

Fairer Funding

- 1.13** Our task is not made easier by outdated funding mechanisms. The way in which devolved public services in Wales are funded is in need of urgent reform. The Holtham Commission provided compelling independent evidence that the current funding regime leaves Wales underfunded in relation to its needs. In the absence of change it is likely that the problem of underfunding will get worse over time. That is why the Welsh Government is seeking improvements to the present system, with a 'funding floor' being a vital first step to delivering a fairer deal for Wales.
- 1.14** We also believe that the time has come for the Welsh Government to be able to borrow in order to invest in infrastructure that will promote economic growth and improve our public services. It cannot be right for Wales to be the only part of the UK that is unable to borrow to invest in roads and hospitals. A discrepancy that is even more marked as capital budgets fall.
- 1.15** The Welsh Government is committed to working constructively with the UK Government to address all aspects of the financial reform agenda. We will continue to play a positive role in the ongoing intergovernmental talks that are considering the case for fair funding and borrowing powers. We will also seek to develop a constructive relationship with the Commission on Devolution in Wales, which will consider the case for devolution of further fiscal powers.

Capital Investment

- 1.16** Whilst we work to explore borrowing powers we are committed to developing alternate ways of maximising the use of our existing resources and mitigating the impact of our drastically reduced capital budgets.
- 1.17** We will work collaboratively with our partners to review and implement ways of working with other public service bodies, the third and private sectors to maximise capital investment. We will examine ways of managing our assets efficiently and effectively. Strategic spending will be core to our approach – leveraging in new money through innovative means and being more efficient and effective with the funding we already have. To do this we are:
- **seeking to increase the resources for public sector infrastructure investment** by developing appropriate innovative and affordable funding streams to finance our capital investments and provide the structures and organisational capability that may be required to maximise these opportunities;
 - ensuring that we spend our money strategically by developing **The Infrastructure Plan for Wales** – building on initial work already undertaken to map investment plans and putting in place a strategic, 10 year plan for investment in economic and social infrastructure in Wales to help prioritise allocation of resources, guide investment decisions and provide certainty to

the private sector and encourage inward investment. The plan will drive allocation of future capital budgets; and

- **improving efficiency and effectiveness of public sector investment** – through optimising cross-cutting collaboration and opportunities to generate savings through economies of scale by improving the business assurance and governance arrangements for our investments, improving procurement processes and building the skills required to ensure robust, defensible and value for money investments are made and delivered. We will coordinate work across Wales to make better and more strategic use of assets.

1.18 We have already begun taking a more strategic approach to capital investment with the Centrally Retained Capital fund. In March 2011, we announced the projects we would invest in during the current financial year. These projects are over and above Departmental capital spend and are set out in Table 1.1.

Table 1.1 – Centrally Retained Capital Projects 2011-12

Health, Social Services and Children	£m
Integrated H&SS for Communities of Builth Wells	4.0
Merthyr Health Park	18.4
Hazardous Area Response Team (HART)	3.8
Morrison Redevelopment	22.2
Local Government and Communities	
Enhancements to the rail infrastructure on the Cardiff Valleys network	3.0
A470 Maes yr Helmau to Cross Foxes Improvement	1.3
A470 Gelligemlyn	2.0
Business, Enterprise, Technology and Science (BETS)	
Online Services for Rural Payments	2.4
Projects to Support Business and Enterprise ²	15.0
Tourism Investment Support Scheme	3.0
Education and Skills	
Dinefwr Cluster Tri-Level reform	8.0
Transforming Post 16 Education (Merthyr)	7.0
Bridgend – Gateway to the Valleys 11-18 Schools	7.3
Environment and Sustainable Development	
Waste Infrastructure Programme	2.0
Housing, Regeneration and Heritage	
Eco Lighting	1.0
National Library for Wales - Transfer of ITV Archives	1.0
Merthyr Tydfil Old Town Hall	1.0
Physical Adaptation and Disabled Facilities Grants	3.0
Total	105.4

² BETS are developing specific project proposals to replace the Capital Growth Fund which was previously approved for CRC. This includes a proposal aimed at improving access to finance for micro businesses in Wales.

1.19 This is an approach that we will continue to develop and expand. Over the next three years, we will allocate up to £192m to capital programmes through this strategic approach.

Budget Exchange Mechanism

1.20 We have been concerned that the UK Government's proposals to reform the End Year Flexibility (EYF) system would take away important flexibilities that we had to manage our resources between years. That is why we pressed the UK Government to modify their proposals for the operation of the new Budget Exchange Mechanism in the devolved administrations. The new arrangements that we secured will give us much needed flexibility to help us respond to the challenge of managing within reducing budgets. We will continue to press the case that our former EYF stocks – money voted by Parliament to Wales – should once more be made available to the Welsh Government.

2. Additional Allocations

2.1 We have reviewed the previously agreed indicative allocations for 2012-13 and 2013-14 in light of the Programme for Government. We are confident that the priorities reflected in the Final Budget for 2011-12 remain a sound basis from which we can deliver our Programme for Government. Where necessary, we have realigned Departmental Budgets to equip us to deliver our desired outcomes. Those changes are explained in the Departmental chapters. In addition, we have made further allocations to Main Expenditure Groups (MEGs), over and above the previous indicative allocations, which are outlined in Tables 2.1 and 2.2. Our additional allocations are focused on:

- our **Five for a Fairer Future** commitments;
- continuing to deliver our suite of universal benefits; and
- ensuring financial sustainability in the NHS.

Five for a Fairer Future

2.2 At the centre of our Programme for Government is a commitment to building an equal society. We want the best for all of our families; we want to support strong communities and we want to foster strong economic growth. This vision has shaped our entire Programme for Government – we are ensuring that all programmes contribute to the delivery of that vision. In addition, we have identified five key interventions to support our goal – our **Five for a Fairer Future** commitments. We will:

- create a young people's jobs and training fund;
- improve access to GP surgeries;
- increase frontline spending for schools;
- fund 500 Police Community Support Officers in Wales; and
- double the number of children benefitting from Flying Start.

Create a young people's jobs and training fund

2.3 Through the Jobs Growth Wales scheme we aim to create 4,000 jobs for young people aged 16 to 24 within the first year of delivery. The cost of meeting this commitment has been identified as £25m per annum which will be funded through a combination of Welsh Government and European Structural Funds.

2.4 The Programme is focused on providing tailored support and employment opportunities to young people who are not in education, employment or training. Our goal is to support individuals to progress into and remain in sustained

employment. We will work with Jobcentre Plus and Careers Wales to ensure effective alignment with existing programmes, to avoid duplication and to ensure added value. Jobs Growth Wales will link directly with the Apprenticeship programme to enable progression.

Improve access to GP Surgeries

2.5 We are committed to the NHS and to quality healthcare because of the impact it has on the quality of lives and the contribution that good health makes to so many of our ambitions. Good health and the effective management of chronic conditions is crucial to taking an active role in communities and the economy. That is why we are committed to making GP surgeries more accessible to the working population and will increase access in the evenings and on Saturdays.

Increase frontline spending in schools

2.6 Education is fundamental to building a just, inclusive and fair society. So many of our hopes and ambitions for the individual, communities and the economy rest on effective investment in education. That is why we have maintained our commitment to growing the investment in schools above the rate of growth of the Welsh budget as a whole. We will continue previous plans to increase schools budgets by an additional 1% above overall changes to the Welsh budget as a whole for 2012-13 and 2013-14. In this Budget, we are allocating an additional £27m for schools in 2014-15, to extend the same protection across the whole budget period.

2.7 This additional investment – on top of the previous indicative allocations – means cash growth for schools budgets over the four years of more than 5%. Education funding within the Revenue Support Grant will be over £80m higher in 2014-15 than in 2010-11. The protection we provided to schools funding in last year's Budget has enabled local authorities to increase the level of expenditure per pupil by 1% compared to 2010-11. The protection for schools budgets also means that these budgets in the Education and Skills MEG will be £16.6m higher in 2014-15 than in 2010-11. We are committed to ensuring that our spending plans reflect our strategic priorities and in education, this is about increasing the resources available to the frontline. For this reason, we will be collecting specific information from local authorities on their expenditure on schools budgets in order to monitor the use made of the money by local authorities and to ensure that the money is spent on schools. We will also ensure the additional funding included in the Education and Skills MEG reaches the frontline by distributing this additional funding through the School Effectiveness Grant.

Fund 500 Police Community Support Officers in Wales

2.8 The Welsh Government is determined to make our communities stronger and safer. In support of this ambition, we have committed to fund an additional 500 Police Community Support Officers (PCSOs). This will represent a significant expansion in the overall numbers of PCSOs in Wales and will make a real difference to our communities. We are providing an additional £5m to the Local Government and Communities MEG in 2013-14 and 2014-15 and further funding will be provided from reprioritisation within the Local Government and Communities MEG.

2.9 We are clear that PCSOs are not a replacement for warranted police officers, but are there to complement and support existing police resources. These new PCSOs will be able to build upon the links between police and communities, providing visibility and reassurance and engaging with local people. They will be able to tackle the anti-social behaviour that still blights some of our communities. And they will develop the relationships that already exist between policing and other flagship Welsh Government priorities, such as Communities First.

Double the number of children benefitting from Flying Start

2.10 There is strong evidence that high quality, early years support for children from disadvantaged backgrounds will improve their health and educational outcomes in the short term, and in the longer term will improve skills and narrow the gaps in outcomes for children living in poverty. That is why we established the Flying Start Programme, which already sees 18,000 children benefitting from an integrated approach to supporting their early development. Interim evaluation findings endorse the approach that we are taking. We are committed to extending the Flying Start Programme to increase the numbers of children who benefit.

2.11 We are allocating an additional £5m in 2012-13, £20m in 2013-14 and £30m in 2014-15 to support the phased expansion of this successful programme.

Increased NHS Funding

2.12 We believe in a strong NHS, which delivers high quality services to the people of Wales. We are therefore allocating an additional £287.5m to the NHS over the next three years with the expectation that the NHS is put on a sustainable financial footing. This settlement will not be without challenge, and we will continue to work closely with the NHS as it responds

2.13 This means an extra £239m over the next three years, on top of the £48.5m additional funding allocation earlier this year to maintain service standards for orthopaedics³. The overall NHS allocation will rise from the level set in last year's budget by 2% in 2012-13 and 2% in 2013-14, with a similar level of additional investment in 2014-15⁴.

Universal Benefits

2.14 Universal benefits form an important part of the network of programmes and benefits that help us to achieve our goals for the people of Wales. Free prescriptions ensure that those on low incomes are not deterred from taking regular medication, they help people balance the management of long-term conditions with work. Free school breakfasts and school milk have an important

³ The additional allocation of £48.5m to maintain service standards for orthopaedics does not include the non-recurrent allocation of £12.2m in 2012-13 which has been made available to manage orthopaedic waiting times.

⁴ Additional allocations calculated as a percentage of the NHS Delivery SPA.

nutritional contribution to young people and help improve educational outcomes. Concessionary bus travel provides access to those who need it most. Free swimming supports our health and well being ambitions for the citizens of Wales. These are all important initiatives that contribute to our vision for a more equal society and were amongst our **five to keep** commitments. They also help to mitigate the impact of financial pressures now widely experienced by the people of Wales,

2.15 Under previously agreed indicative budget plans, these initiatives were protected by 1% above overall changes to the Welsh budget. In these budget plans, we have confirmed the previous protection and allocated an additional £1.3m in 2014-15 to extend the protection to the final year of this budget period.

Other Allocations and Commitments

2.16 In addition to the allocations outlined earlier in this section, we are also making a number of additional allocations in respect of existing commitments. These include:

- an additional £7.4m over the three years to provide financial support for **Waste Management**; and
- an additional £15m over the three years for **Adapt** to continue support for displaced public sector workers.

Table 2.1 – Additional Allocations

Allocations	£000s		
	2012-13	2013-14	2014-15
Programme for Government			
Jobs Growth Wales ⁵	12,500	12,500	12,500
Increase Schools Funding by at least 1% above percentage change in our block grant	0	0	27,000
Police Community Support Officers	0	5,000	5,000
Double numbers benefitting from Flying Start	5,000	20,000	30,000
Total	17,500	37,500	74,500
NHS			
Health Structural Support	83,000	83,000	73,000
Total	83,000	83,000	73,000
Universal Benefits			
School Milk	0	0	30
School Breakfasts	0	0	105
Prescriptions	0	0	388
Concessionary Fares	0	0	741
Free Swimming	0	0	46
Total	0	0	1,310
Existing Allocations and Commitments			
Orthopaedics - Capacity Building	15,300 ⁶	16,600	16,600
Adapt	5,000	5,000	5,000
Cadw	353	621	621
Waste Management	500	1,300	5,600
Total	21,153	23,521	27,821
Baseline Transfers			
Animal Health	17,394	16,835	15,981
Total	17,394	16,835	15,981
Total amount allocated to Welsh Government Departments from Reserves			
	139,047	160,856	192,612

⁵ For Budget purposes, we have assumed that 50% of the costs will be met from European Structural Funds. This allocation will be revisited if the proportion of European Structural Funds funding is higher or lower from this assumption

⁶ This figure excludes the non-recurrent funding of £12.2m for orthopaedic services which will be made as an in-year allocation, subject to the achievement of certain milestones.

Table 2.2 – Additional Allocations by Main Expenditure Group (MEG)

MEG	£000s		
	2012-13	2013-14	2014-15
Health, Social Services and Children	103,300	119,600	119,988
Local Government and Communities	0	5,000	28,141
Business, Enterprise, Technology and Science	0	0	0
Education and Skills	17,500	17,500	22,235
Environment and Sustainable Development	17,694	17,935	21,381
Housing, Regeneration and Heritage	353	621	667
Central Services and Administration	200	200	200
Total allocated to Departments	139,047	160,856	192,612

3. Public Service Reform and Efficiency

Progress

3.1 Our previous Budget, approved by the Assembly in February, was focused on how we could continue to deliver the existing range of services and improve quality with a budget reducing in real terms. In advance of last year's Budget, we worked across the public service to help ourselves and our delivery partners to prepare for the challenge of a tight settlement. That work has continued since February, and we have made notable progress:

- through Invest-to-Save we have supported 48 public sector improvement projects. Our repayable investment of £42m has resulted in forecast annual savings of £46m – nearly £150m over the next 3 years;
- we have worked with the Office of Government Commerce to develop a bespoke database to capture public sector property data and assist in better asset management– Electronic Property Information Service lite (ePIMS);
- ePIMS will continue to enable initiatives such as Carmarthenshire's Asset Review project which involves public and third sector partners and has identified some £40m of potential surplus assets, plus associated resource savings;
- on procurement, the Welsh public sector saved £13.5m from the use of all-Wales framework contracts and £12.5m from the adoption of xchangewales e-procurement tools in 2010-11;
- in addition, local government and the NHS reported additional procurement savings in excess of £11m; and
- the Welsh Government itself saved £30m in 2010-11, through the **Managing with Less** programme and has saved £3m on procurement in the year to date.

Next Steps

3.2 This work stands us in good stead to face the coming years. Despite our strong argument that the cuts are too drastic, there is little indication that the UK Government's approach will change. We therefore need to continue to find new solutions to provide better services with less money. Following the election, we have reviewed our approach to driving efficiencies, and are moving the focus from preparation for tight budgets to the delivery of efficiencies.

3.3 The Welsh Government is providing strong leadership by simplifying and streamlining partnership arrangements and providing clarity on a regional collaborative footprint. It is also putting in place a new framework for national

collaborative leadership and governance between central and local government and other key public service partners.

The **Simpson Review: What services are best delivered where?** sets the agenda for the reform of local service delivery. The aim is to realise the benefits of scale and expertise which can be achieved by working nationally or regionally, combined with responsiveness to local needs through local democratic accountability. Simpson provides a clear route-map to determining the most effective service configuration whether that is local, regional or national. Achieving this will require an unprecedented degree of collaboration between all organisations delivering public services.

The Public Service Leadership Group

- 3.4** Delivering effective change requires strong political and executive leadership across public services, nationally and locally. The Minister for Local Government and Communities chairs the Public Service Leadership Group which will support the Partnership Council in maintaining the momentum for change. This builds on earlier work to find new solutions to provide better services with less money. The Partnership Council will provide the political accountability for driving reform and the Leadership Group will provide a direct link between national leadership and regional delivery.
- 3.5** This will include speeding up the pace of service reconfiguration and developing and adopting national solutions to shared public service challenges such as procurement, asset management and service effectiveness. There is strong evidence of major potential gains from working as one Welsh public service on these issues, and the Partnership Council for Wales will work to ensure that these are realised as soon as possible.
- 3.6** The programmes of work led by the Public Service Leadership Group will comprise:
- **Assets Management and Procurement** – bringing together the procurement and asset management work. This will build on earlier work to realise efficiencies and effectiveness from proactive, strategic estate management and drive savings and wider value from more than £4bn spent annually on procuring goods and services in the public sector in Wales;
 - **Organisational Development and Simpson Implementation** – drawing on existing good practice in Wales and elsewhere to support the application of tested methodologies, such as LEAN and shared services to improve organisational efficiency as part of the Simpson agenda; and
 - **Effective Services for Vulnerable Groups** – promoting innovation and sustainable change in the way that public services are designed and delivered to improve outcomes and make better use of resources.

- 3.7** Each of these groups will be chaired by a Chief Executive from the public service in Wales, with membership drawn from public service partners. These national groups will be complemented by regional leadership, taking forward delivery consistent with the regional footprint set out by the Government to ensure clarity and stability as we establish the new cross-sectoral collaborative arrangements.
- 3.8** A measurement framework to help demonstrate and report the progress being made in different areas will be developed, building on the previous framework and benefitting from the advice of the Wales Audit Office and other independent experts.

A new public service delivery footprint

Standardising collaboration on a common footprint will enable and support joint working across local government, health and police services. It will reduce complexity and provide a clear framework for collaborative working as we move to implementation of the Simpson review and the other major reforms underway, for example in education and social services.

The footprint responds to calls for clarity – in particular from local government – about the basis for regional collaborative delivery. This approach is designed to put collaboration on a more stable, long term footing so that partners can get on with the job of joining up services to meet the needs of individuals and communities across Wales.

Standardising a common set of geographical boundaries and regional arrangements will facilitate delivery by promoting stronger governance and accountability. There is clearer political accountability between the Government and local partners including local authorities. Accountability is also enhanced for the delivery of shared outcomes in a particular geographical area.



Supporting innovation and best practice

- 3.9** A common feature in all of this work is our intention to generate or identify best practice which can be spread across the Welsh public service. We all need to realise efficiencies within existing budgets, secure improved services and achieve better outcomes. We can all learn from one another. The Welsh Government is supporting this through its Invest-to-Save Fund, which helps the delivery of improvement projects that will result in significant cash-releasing efficiency savings whilst ensuring effective citizen-centred services. This repayable investment Fund is provided over and above core budgets to pump-prime collaborative efficiency projects.
- 3.10** Investments have already helped improvements in collaborative procurement, asset management, corporate shared services and initiatives relating to more efficient and effective approaches to service delivery. Details of Invest-to-Save backed projects are being published today in a separate document entitled **Investing-to-Save**.⁷
- 3.11** The Fund is continuing to invest in projects that support key aspects of the Welsh Government's Programme for Government - specifically, the public service efficiency and wider improvement agenda. It will be available to support partnership proposals that help implement key recommendations arising from the Simpson Review of local government services, the Frontline Resources Review, the Vivian Thomas Review, social services reform, the NHS five-year strategic plan and the ICT Strategy for the Public Sector in Wales.
- 3.12** In addition to the Invest-to-Save Fund, there are a number of projects under ESF Priority 4 (Making the Connections) which will utilise European Structural funding to invest in improving public services through collaboration and capacity building. There are a range of ESF projects that will support more efficient service delivery in future. These include:
- new models of working with families in Bridgend, Swansea and Neath Port Talbot that aim to wrap services around the whole needs of the family rather than via individual service strands; and
 - Anglesey's Developing Collaboration Improvement Framework project which will build upon current collaboration efforts and drive integration and improvement in services under-pinned by formal agreements.
- 3.13** These are expected to result in better service delivery, reduce duplication, reduce future demands and develop a model that can be applied more widely.

⁷ Full details can be found on the Invest to Save Fund pages of the Welsh Government internet site at: <http://wales.gov.uk/topics/improving-services/better/vfm/i2savefund/?jsessionid=Lps6TGGFpWBN3GHWGMSGxrXf2yG1wLq4M0v4yYMB7zGNjj2xLtfq!-1666378451?lang=en>

4. Impact Assessments

- 4.1** To meet our legal obligations, we need to demonstrate that we are considering the potential impacts of our spending plans on equality. We take this obligation seriously and have gone above and beyond our legal requirements. As part of last year's Budget, the Welsh Government undertook a significant amount of work to assess the impact of the plans we published on people with protected characteristics as well as the wider social and economic impacts. The Welsh Government has not repeated the detailed assessment from last year as much of our previous work continues to be relevant and many, but not all, of this year's allocations remain unaltered.
- 4.2** We need to be confident that the equality impact has been assessed for those budgetary areas that have changed. In order to achieve this, Welsh Government Departments undertook an initial screening on proposed changes to consider whether there may be a potential impact in terms of equality. Following the initial screening, if it was apparent that there was a significant impact on people with protected characteristics then a full Equality Impact Assessment (EIA) was required to better understand the equality impact of the proposed budget allocations and to meet legislative requirements. In Annex C, Departments have provided their equality impact assessments of the budget and where appropriate, updates on budget changes from the EIA published with the 2011-12 budget. Annex C and the Equality Assessment for the Budget 2011-12⁸ should be considered together.
- 4.3** Annex C also provides a summary of the impact of the Welsh Government spending decisions and the impact of the Tax and Benefit changes that are non-devolved.
- 4.4** From an equality impact assessment perspective, the proposed changes to the draft budget are limited. The main changes are around:
- our **Five for a Fairer Future** commitments;
 - continuing to deliver our suite of universal benefits; and
 - ensuring financial sustainability in the NHS.
- 4.5** The Welsh Government has undertaken Equality Impact Assessments on these areas. The Welsh Government's approach to Equality Impact Assessment is through our Inclusive Policy Making (IPM) process which ensures that equality is embedded throughout the government's policy making and delivery. The latest policy area currently using the IPM process is the next phase of the Communities First programme.

⁸ Full details of the Budget and Equality Impact Assessment for 2011-12 can be found on the Welsh Government internet site at:
<http://wales.gov.uk/about/civilservice/directorates/spfp/financedepartmentreports/110201equalityimpacts/?lang=en>

5. Welsh Government Budget Proposals for 2012-13

- 5.1** The Welsh Government's Budget proposals build on achievements to date and reflect the priorities of the new Programme for Government.
- 5.2** Devolved expenditure in Wales for 2012-13 comprises the Wales DEL of just over £15bn and Annually Managed Expenditure (AME) of £378m. The Wales DEL includes the budgets of the Assembly Commission, the Auditor General for Wales and the Public Services Ombudsman for Wales. The largest element of the Wales DEL is the funding allocated to Welsh Government Departments, which in the Draft Budget for 2012-13 comprises £13.6bn of resource and £1.1bn of capital. Departmental allocations are set out below (see Tables 5.1, 5.2 and 5.3), and both the AME and the other elements of the Wales DEL are set out in Tables 5.4 and 5.5.

DEL Resource Budgets

- 5.3** Tables 5.1 and Table 5.2 set out the DEL fiscal resources budgets and the non-fiscal resource budgets allocated to MEGs for the period 2012-13 to 2014-15. These tables also show the percentage change in budgets from 2011-12. These resource budgets, which underpin public services in Wales, increase by £76.4m in cash terms or 0.6% between 2011-12 and 2012-13. Indicative allocations increase by 0.8% between 2012-13 and 2013-14 and by 0.3% between 2013-14 and 2014-15.

DEL Capital Budgets

- 5.4** We believe that continuing capital investment is vital to leading Wales' economic recovery. There has been no change to existing indicative Departmental capital allocations but we intend to retain centrally the residual amount arising from the increase in our capital DEL in 2014-15 for strategic allocation in due course. This will increase the Centrally Retained Capital (CRC) fund from £50m to £92m in 2014-15 and provide us with the flexibility to allocate capital in line with strategic priorities.
- 5.5** Table 5.3 sets out the percentage change in DEL capital budgets allocated to MEGs from 2011-12. These capital budgets reduce by £79.2m or 6.5% in cash terms between 2011-12 and 2012-13 reflecting reductions made by the UK Government. The Indicative plan for 2013-14 decreases by 10.9% between 2012-13 and 2013-14. The Departmental capital budgets for 2014-15 are the same as in the indicative plans for 2013-14.

Table 5.1 – Allocation of the Welsh Government’s Fiscal Resource DEL Budgets and Percentage Change from 2011-15

MAIN EXPENDITURE GROUPS (MEGs):	£000s					
	2011-12 Baseline ⁹	2012-13	2013-14	2014-15	% Change Over 3 Years (Cash)	% Change Over 3 Years (Real)
Fiscal Resource DEL Budgets						
Health, Social Services and Children	5,804,139	5,876,623	5,909,280	5,909,668	1.8%	-5.8%
Local Government and Communities	4,725,057	4,733,774	4,788,739	4,811,880	1.8%	-5.8%
Business, Enterprise, Technology and Science	184,095	181,319	182,877	182,877	-0.7%	-8.1%
Education and Skills	1,532,070	1,550,749	1,570,793	1,575,528	2.8%	-4.9%
Environment and Sustainable Development	265,969	262,085	262,657	266,103	0.1%	-7.5%
Housing, Regeneration and Heritage	280,345	274,605	275,920	275,966	-1.6%	-8.9%
Central Services and Administration	315,830	305,455	290,899	290,899	-7.9%	-14.8%
Total Welsh Government Departments	13,107,505	13,184,610	13,281,165	13,312,921	1.6%	-6.1%

⁹ The baseline figures for 2011-12 are as at the Supplementary Budget approved by the Assembly in June, adjusted to remove non-recurrent allocations.

Table 5.2 – Allocation of the Welsh Government’s Non-Fiscal Resource DEL Budgets and Percentage Change from 2011-15

MAIN EXPENDITURE GROUPS (MEGs):	£000s					% Change Over 3 Years (Cash)	% Change Over 3 Years (Real)
	2011-12 Baseline ¹⁰	2012-13	2013-14	2014-15			
Non-Fiscal Resource DEL Budgets							
Health, Social Services and Children	170,000	170,000	170,000	170,000	170,000	0.0%	-7.5%
Local Government and Communities	109,098	109,098	109,098	109,098	109,098	0.0%	-7.5%
Business, Enterprise, Technology and Science	1,551	1,551	1,551	1,551	1,551	0.0%	-7.5%
Education and Skills	98,131	97,431	104,031	106,931	106,931	9.0%	0.8%
Environment and Sustainable Development	3,098	3,098	3,098	3,098	3,098	0.0%	-7.5%
Housing, Regeneration and Heritage	3,677	3,677	3,677	3,677	3,677	0.0%	-7.5%
Central Services and Administration	16,000	16,000	16,000	16,000	16,000	0.0%	-7.5%
Total Welsh Government Departments	401,555	400,855	407,455	410,355	410,355	2.2%	-5.5%

¹⁰ The baseline figures for 2011-12 are as at the Supplementary Budget approved by the Assembly in June, adjusted to remove non-recurrent allocations.

Table 5.3 – Allocation of the Welsh Government’s Capital DEL Budgets and Percentage Change from 2011-15

MAIN EXPENDITURE GROUPS (MEGs):	£000s					% Change Over 3 Years (Cash)	% Change Over 3 Years (Real)
	2011-12 Baseline ¹¹	2012-13	2013-14	2014-15			
Capital DEL Budgets							
Health, Social Services and Children	262,103	240,603	214,478	214,478	214,478	-18.2%	-24.3%
Local Government and Communities	281,172	261,641	233,291	233,291	233,291	-17.0%	-23.3%
Business, Enterprise, Technology and Science	94,588	88,456	79,370	79,370	79,370	-16.1%	-22.4%
Education and Skills	169,973	161,343	143,834	143,834	143,834	-15.4%	-21.7%
Environment and Sustainable Development	60,642	61,629	54,238	54,238	54,238	-10.6%	-17.3%
Housing, Regeneration and Heritage	316,738	294,558	262,564	262,564	262,564	-17.1%	-23.3%
Central Services and Administration	30,720	28,464	25,313	25,313	25,313	-17.6%	-23.8%
Total Welsh Government Departments	1,215,936	1,136,694	1,013,088	1,013,088	1,013,088	-16.7%	-22.9%

¹¹ The baseline figures for 2011-12 are as at the Supplementary Budget approved by the Assembly in June, adjusted to remove non-recurrent allocations.

Wales DEL Budget

5.6 Table 5.4 shows the components of the Wales DEL budget which includes the Welsh Government's DEL budget and indicative budgets for the Assembly Commission, the Auditor General for Wales and the Public Services Ombudsman for Wales. It also shows the resource reserves and capital reserves. The Wales DEL also includes Direct Charges to the Welsh Consolidated Fund.

Table 5.4 – Allocation of the Wales DEL Budget

Wales DEL Budget		£000s			
		2011-12	2012-13	2013-14	2014-15
Health, Social Services and Children		6,236,242	6,287,226	6,293,758	6,294,146
Local Government and Communities		5,115,327	5,104,513	5,131,128	5,154,269
Business, Enterprise, Technology and Science		280,234	271,326	263,798	263,798
Education and Skills		1,800,174	1,809,523	1,818,658	1,826,293
Environment and Sustainable Development		329,709	326,812	319,993	323,439
Housing, Regeneration and Heritage		600,760	572,840	542,161	542,207
Central Services and Administration		362,550	349,919	332,212	332,212
Total Allocated to Welsh Government Departments		14,724,996	14,722,159	14,701,708	14,736,364
Resource	Fiscal Resource	187,892	126,689	172,466	177,478
Reserves	Non-Fiscal Resource	25,942	68,441	71,208	92,361
Capital Reserves		69,880	50,449	50,449	92,162
Assembly Commission		48,822	44,729	45,021	45,021
Auditor General for Wales		4,853	4,853	4,853	4,853
Public Services Ombudsman for Wales		3,854	3,961	3,960	3,960
Direct Charges to the Wales Consolidated Fund		631	675	675	675
Total Expenditure within the Wales DEL Budget		15,066,870	15,021,956	15,050,340	15,152,874

Reserves

5.7 In this Draft Budget, our fiscal resource Reserves for 2012-13 are set at 0.95% of the fiscal resource DEL. In years 2013-14 and 2014-15, the fiscal resource Reserves are set at just over 1%. We are satisfied that the level of Reserves going forward is adequate to manage risks and give us sufficient flexibility to respond to unforeseen events.¹²

¹² Fiscal Resource Reserves includes resources earmarked for Transition Fund in future years.

Annually Managed Expenditure

5.8 Table 5.5 shows forecast levels of the Welsh Government's Annually Managed Expenditure (AME) budgets. AME is defined as expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL. AME typically consists of programmes which are large, volatile and demand-led. For a full definition see Annex 4 – the Glossary.

Table 5.5 – Welsh Government AME Budget

MAIN EXPENDITURE GROUPS (MEGs):	£000s					
	2012-13		2013-14		2014-15	
	Resource	Capital	Resource	Capital	Resource	Capital
Health, Social Services and Children	181,780	-	80,514	-	199,392	-
Local Government and Communities	64,314	-	25,690	-	53,240	-
Business, Enterprise, Technology and Science	41,402	-	41,402	-	41,402	-
Education and Skills	-99,893	250,418	-108,455	269,740	-125,974	279,284
Environment and Sustainable Development	-	-	-	-	-	-
Housing, Regeneration and Heritage	-58,510	-	-52,260	-	-52,260	-
Central Services and Administration	-1,837	-	-1,366	-	-848	-
Total Welsh Government AME Budget	127,256	250,418	-14,475	269,740	114,952	279,284

6. Health, Social Services and Children

Summary of Budget Changes

- 6.1** Compared to indicative plans for 2012-13 published in the Final Budget 2011-12 (as restated based on the new structure in the First Supplementary Budget 2011-12), the total MEG allocation for Health, Social Services and Children has increased by £92.4m in 2012-13 and £108.7m in 2013-14. The indicative plan for 2014-15, which is published for the first time, is £6.294bn (£0.4m higher than in 2013-14).
- 6.2** The additional resource funding is associated with the following expenditure programmes:
- **Additional funding for the NHS** – We have allocated an additional £83m in 2012-13, £83m in 2013-14 and £73m 2014-15 to place Local Health Boards on a sustainable financial footing going forward;
 - **Orthopaedics** – We have allocated an additional £15.3m in 2012-13 rising to £16.6m in 2013-14 and maintaining this level of funding in 2014-15 to increase capacity to deal with the significant increase in demand for Orthopaedic treatment;
 - **Children’s Flying Start programme** – We have allocated an additional £5m in 2012-13 rising to £30m in 2014-15 to extend the programme in line with the Government’s commitment to double the number of children benefiting from the scheme; and
 - **Free Prescriptions** – We have allocated an additional £0.4m in 2014-15 to retain this universal benefit, ensuring that people on low incomes are not deterred from taking regular medication that would help them to live healthier lives.
- 6.3** These additional allocations are offset by transfers to other Main Expenditure Groups of £10.8m in each of the three years.
- 6.4** In line with the announcement last year, following a significant reduction in the Welsh Government’s capital allocation from the UK Government, the Health, Social Services and Children capital allocation will be £21.5m (9%) lower in 2012-13 than 2011-12, with a further annual reduction of £26.1m (12%) in 2013-14. The 2014-15 capital budget is set at the 2013-14 level.
- 6.5** In addition to the budget changes highlighted above, there have been transfers between certain Action lines, resulting from a review of Health, Social Services and Children budgets to identify opportunities to consolidate existing budget lines and to transfer funding into the NHS Revenue allocation and Public Health Wales core grant budgets where appropriate.

Strategic Priorities

6.6 The principle aim for our Health Department from the Programme for Government is better health for all with reduced health inequalities. Our work on Social Services reflects that we wish to establish high quality, integrated, sustainable, safe and effective people-centred services that build on individuals' strengths and promote their wellbeing. We are working to help individuals and families in the greatest need to lead healthy and independent lives. Action will be proactive and focused on early intervention to make the greatest contribution to our aims on poverty and inequality.

Health Services

6.7 The 5 year Service, Workforce and Financial Framework for the NHS, produced in 2009 guides the reform agenda necessary to achieve the vision of a first class Health and Social Care service. The Department will continue on this path whilst at the same time focusing on delivering priorities identified in the Programme for Government document.

6.8 The Department's work will be guided by the following principal outcomes:

- improving health outcomes by ensuring the quality and safety of services are enhanced;
- preventing poor health and promoting healthy lifestyles;
- improving access and patient experience; and
- joint working and integrated care systems between primary, community and social care services to deliver community based services.

6.9 Despite the additional investment announced in this Draft Budget, this is a challenging financial environment and success will be dependant on efficient and effective partnership working across Government Departments, within the NHS, with Local Government and with other partner organisations.

6.10 Demand for services continues to increase. This plus the current financial outlook reinforces the need to increase the momentum and accelerate work in transforming the way we deliver our services. We need to deliver increased integration between all aspects of the care system. Managing the demand for health services and reducing the strain on acute services will be key to maintaining sustainable high quality services. A strong focus on health improvement and self care will remain a key priority.

Social Services

6.11 The work of an independent Commission has recently informed the production of a major strategic document, published in February 2011, entitled 'Sustainable Social Services for Wales: A Framework for Action'. Successful delivery of the commitments laid out in the document will require much closer integrated working and collaboration across Local Government and with the NHS. We have already made considerable progress to drive up standards. We will build

on this work and develop a National Outcomes Framework which will reflect the vision and principles set out in 'Sustainable Social Services for Wales'. We will implement a programme of policy and legislation to deliver our ambition and to renew Social Services in Wales. Central to the delivery of this will be the Social Services Bill which will provide a coherent Welsh legal framework to transform Social Services.

- 6.12** We have also implemented from April 2011 a "First Steps Improvement Package" to introduce more consistency where local authorities charge for non-residential social services. This was to address the wide variations in charging that authorities operated in Wales and to introduce a guarantee that no one who is charged for services should pay more than £50 per week. To compensate local authorities for the resulting loss in income, funding has been included in the Revenue Support Grant with a transfer of £10m to the Local Government and Communities MEG.

Children

- 6.13** Our aim is to give children a healthy start in life. We want to ensure children receive the care they need as close to their homes as possible in an integrated, safe and sustainable health system.
- 6.14** We have made clear our commitment to improve outcomes for children. The Rights of the Children and Young Person's Measure 2011 places a clear duty on Welsh Ministers to show due regard to the United Nations Convention on the Rights of the Child. This provides for Welsh Ministers to prioritise the rights of Children and Young People.
- 6.15** We are doing this through our programme of health and social interventions, responding to the evidence base in the Marmot, Allen and Field Reports which clearly show that prevention and early identification and intervention, along with addressing the social determinants of health, are an essential investment in the future of each child.

Programme for Government

- 6.16** The Programme for Government identifies a number of commitments which will be delivered over the next four years and these will be our main priorities for this term of Government. These commitments will place a much clearer focus on improving health outcomes and reducing inequalities. Included within these commitments is work to:

- improve access to GPs;
- instigate annual health checks for the over 50s;
- improve cancer, cardiac and stroke services and children's health;
- improve ambulance response times; and
- reduce unnecessary attendance at emergency departments.

Five for a Fairer Future

6.17 More specifically the Government has highlighted five specific pledges that are of particular importance - **Five for a Fairer Future**. Responsibility to deliver two of these falls directly to Health, Social Services and Children.

Improved access to GP surgeries in the evening and Saturday mornings. We will require GPs to make surgeries more accessible to working people.

6.18 This commitment is an extension of existing work on access to GP surgeries. Following an agreement with the BMA in 2008 around 10% of Welsh practices already provide extended evening opening. This will be expanded and Health Boards will work with GP leaders to establish a Saturday morning service. The commitment will improve continuity and quality of care. It will ensure that working people can access a service at times that are convenient and remove barriers to work for those with chronic conditions. Better access to planned appointments will improve the standard of chronic disease management which in turn should reduce numbers of patients demanding unplanned care as a result of complications. Improving access to GPs for patients who would not otherwise consult will also enable opportunistic advice on health promotion, which could provide long term benefits to patients.

We will double the number of children benefitting from improved health visiting, free nursery places and better support to families through our 'Flying Start' programme.

6.19 The Flying Start programme is predicated on evidence that for children from disadvantaged families, increasing the investment in their early years will have an improved impact on their health and educational outcomes in the short term and in the longer term will improve skills and narrow the gaps in outcomes for children living in poverty. Flying Start is based on an integrated approach to service delivery, with sufficient levels of investment to affect improved outcomes for children.

6.20 The programme contains four key components:

- free, high quality part time childcare for all eligible 2-3 year olds (12.5 hours per week for 42 weeks of the year);
- an intensive health visiting service;
- access to evidence-based intensive parenting programmes; and
- access to language and play that develop basic skills for parents and children.

6.21 The extension to the programme will be phased over a number of years to allow for the recruitment and training of additional health visitors and childcare workers and training for additional staff to deliver parenting programmes.

Funding of Key Programmes

- 6.22** Over the next three years we will spend £287.5m more on the NHS delivery than in our previously published plans. We expect this increase will provide a stable financial platform and allow the NHS to continue to deliver high quality services. Particular challenges have been experienced in meeting Orthopaedic waiting time targets which have resulted from significant increases in demand over a number of years and which look set to continue due to demographic factors. Recognising the specific need for further investment to support initiatives to increase capacity in a sustainable way and to respond to the immediate backlog.
- 6.23** In order to meet the key priorities, other programme funding allocations have been reviewed. Actions and SPAs have been prioritised and redirected to ensure delivery of each of the commitments within the Programme for Governments. Details of these changes are included in the Action-level budget tables.

Efficiencies and Savings

- 6.24** The continuing and relentless financial pressures within the NHS require constant attention to the control and management of costs. We need to find new and innovative ways to deliver even greater efficiencies. Unavoidable cost pressures within the NHS are currently estimated to be between 4-5% per annum and consequently to remain within financial balance, NHS organisations need to find cash releasing savings of at least £250m each year. The NHS has a good track record of delivering efficiency savings, with savings of £313.9m identified in 2010-11 and further savings of £296.5m forecast to be delivered in 2011-12.
- 6.25** Further savings and efficiencies are expected to be realised through the work of the NHS Wales Shared Services Partnership which became fully operational from 1 April 2011. Real benefits will accrue from achieving consistency and standardisation across all NHS services.
- 6.26** Whilst significant improvements in performance and efficiencies have been delivered in recent years, service transformation is key to the longer term financial sustainability of the service and each Local Health Board has produced 5 year plans in support of the overall 5-Year Service Workforce and Financial Strategic Framework. This will continue to shape our response to current budgets.

Impact Assessments

- 6.27** Full Equality Impact Assessments were conducted on Health, Social Services and Children's policies to ensure that they 'have due regard' to gender, race, disability, age, sexual orientation, gender re-assignment and religion or belief when the spending plans for 2011-12 to 2013-14 were set in last year's Budget.

The assumptions underpinning these spending plans are largely unchanged, and remain relevant to 2014-15.

6.28 Assessment of budgets in the context of the Assembly's equality duties is a continuing process and consequently separate consideration has been given to the equality impact of the additional allocations which have been included in the current budget. The theme of equality will continue to be considered not only in policy design, but in its implementation, development and delivery.

Table 6.1 – Health, Social Services and Children Resource Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans		
NHS Delivery	5,407,503	5,386,004	105,958	5,491,962	5,399,772	107,258	5,507,030	5,497,418		
Health Central Budgets	212,185	212,185	-6,811	205,374	212,185	-6,811	205,374	205,374		
Public Health Prevention	155,592	155,591	1,957	157,548	155,591	1,957	157,548	157,548		
Social Services	188,721	190,768	-8,664	182,104	193,825	6,336	200,161	210,161		
CAFCASS Cymru	10,138	9,635	-	9,635	9,167	-	9,167	9,167		
Total DEL	5,974,139	5,954,183	92,440	6,046,623	5,970,540	108,740	6,079,280	6,079,668		
AME										
NHS Impairments	184,699	129,764	52,016	181,780	89,827	-9,313	80,514	199,392		
Total Managed Expenditure (TME)	6,158,838	6,083,947	144,456	6,228,403	6,060,367	99,427	6,159,794	6,279,060		

Table 6.2 – Health, Social Services and Children Capital Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans		
NHS Delivery	247,573	230,279	-	230,279	205,275	-	205,275	205,275		
Public Health Prevention	5,418	5,039	-	5,039	4,492	-	4,492	4,492		
Social Services	9,112	5,285	-	5,285	4,711	-	4,711	4,711		
Total DEL	262,103	240,603	0	240,603	214,478	0	214,478	214,478		
Total Managed Expenditure (TME)	262,103	240,603	0	240,603	214,478	0	214,478	214,478		

7. Local Government and Communities

Summary of Budget Changes

- 7.1** Compared to indicative plans for 2012-13 published in the Final Budget 2011-12 (as restated based on the new structure in the First Supplementary Budget 2011-12), the total MEG allocation for Local Government and Communities has decreased by £50.5m in 2012-13 and £45.5m in 2013-14. The indicative plan for 2014-15, which is published for the first time, is £5.154bn (£23.1m higher than in 2013-14). The budget for Local Government and Communities is net of a reduction in non-fiscal resource budgets which is explained later in this chapter.
- 7.2** The additional resource funding is associated with the following expenditure programmes:
- **Police Community Support Officers (PCSOs)** – We have allocated an additional £5m in 2013-14 and 2014-15 to support the delivery of an additional 500 Police Community Support Officers;
 - **Concessionary Fares** – We have allocated an additional £0.7m in 2014-15 for free bus travel for pensioners and disabled people and their carers; and
 - The pledge to **increase funding for schools** is met through an additional £22.4m for the Revenue Support Grant in 2014-15. In total this will mean an additional £80m per annum for schools by 2014-15, compared to the 2011-12 local government settlement.
- 7.3** There are transfers into the **Revenue Support Grant** from 2012-13 totalling £11.1m in respect of the Strategy for Older People Grant and the First Steps Package. These will bring baselines for 2012-13 onwards into line with the 2011-12 final local government settlement. Further details will be provided when the Provisional Local Government Finance Report is published on 18 October 2011. This will set out the amount of Revenue Support Grant the Welsh Government proposes to distribute to county and county borough councils in 2012-13 and beyond along with the basis of distribution.
- 7.4** There has been a re-profiling of funding within the Transport budgets. Due to the direct delivery nature of these budgets which include, for example, Road Construction and Concessionary Fares, changes to reflect revised delivery and demand profiles have been necessary. These budget revisions do not reflect the potential impact of the prioritisation of the National Transport Plan which is due to conclude in November 2011, as explained below.
- 7.5** In terms of revisions to resource budgets, there are no material changes other than Transport's non-fiscal resource DEL budget which reduces by £61.5m from 2012-13 onwards. This budget provides for the depreciation and impairment of the trunk road network. Although there can be a significant degree of variability in charges against this budget, in light of previous outturn performance this

budget has been held at 2011-12 levels of £108.7m. We will continue to review trends in the trunk road valuation.

- 7.6** Capital budgets for the MEG remain constrained, with reductions from 2011-12 levels in line with previously published plans. The only changes are to the Transport budgets due to the re-profiling of major rail projects, and the re-profiling of road scheme construction costs.
- 7.7** Some structural changes to the Local Government and Communities MEG have been made as part of this Draft Budget to align budgets with the Departmental business plan, and the bringing together of budgets which focus on local government and public services.

Strategic Priorities

- 7.8** Local Government and Communities contribute to a number of aims in the Programme for Government, in particular through our cross-cutting focus on strengthening public service delivery, on tackling poverty and promoting safety, and on improving the transport infrastructure which enables access to employment and underpins the quality of life for people in Wales.
- 7.9** Our Departmental programmes support reforms to ensure effective, efficient and accessible public services that meet people's needs. We are tackling anti-social behaviour, crime (including the fear of crime), substance misuse and working to reduce the incidence and impact of fires and other emergencies. We will seek to improve people's lives by working to reduce poverty, reduce the likelihood that people will become poor, and to help people and communities out of persistent poverty.

Five for a Fairer Future

- 7.10** We are determined to make our communities stronger and safer. We have committed to fund an additional 500 PCSOs. This will represent a significant expansion in numbers which will make a real difference to our communities. PCSOs are not a replacement for warranted police officers, they are there to complement and support existing police resources. These new officers will build upon the links between police and communities, providing visibility and reassurance and engaging with local people. They will be able to tackle the anti-social behaviour that still blights some of our communities. And they will develop the relationships that already exist between policing and other flagship Welsh Government priorities, such as Communities First.

Programme for Government

- 7.11** The Government will continue to support our most deprived areas through the next phase of the **Communities First Programme**. As highlighted in the "Communities First - the Future" Consultation Document (issued in July 2011), from April 2012 Communities First will focus on supporting the Government's **Anti-Poverty** agenda. It will support the most disadvantaged people in our most deprived areas with the aim of alleviating persistent poverty. It will work alongside other programmes to narrow the education, skills, economic and

health gaps between the most deprived and the more affluent areas of Wales, and to help individuals into employment.

- 7.12** The Government will support action to improve **public service delivery** by strengthening local democracy and continuing to ensure funding settlements for **local government** which reflect local needs. The publication of funding settlements for the next three years will enable authorities to protect vital public services and plan for the future. There will be funding incentives for service improvement, and practical support will be provided to authorities that are not meeting expected standards. Planning and partnership arrangements will be simplified.
- 7.13** The Government has agreed a common footprint for public services, building on the Local Health Board and police boundaries. Standardising collaboration on common boundaries will enable and support joint working across local government, health and police services reducing complexity and providing a clear framework for collaborative working. This is particularly important with the move to implement the Simpson review and the other major reforms underway in education and social services.
- 7.14** A new Public Service Leadership Group will drive forward reform and a refreshed Partnership Council will provide strong governance for collaborative action to maximise efficiency and effectiveness locally, regionally and nationally.
- 7.15** The Government is committed to developing a world-class transport system to provide safe, affordable and sustainable road, rail, and air transport for all. We have recently concluded negotiations with local authorities and the Confederation of Passenger Transport on free bus travel: this includes an agreement to extend the scheme to seriously injured war veterans.
- 7.16** We are undertaking a prioritisation exercise in relation to the **National Transport Plan (NTP)**. The NTP was launched in March 2010 and aims to deliver solutions to identified transport issues across Wales. The Plan also sets out the principles that guide the day-to-day management of the transport system, including the criteria for network intervention projects. The prioritisation work will enable schemes to be re-scheduled to ensure that transport funding is used effectively and that investment decisions reflect the Government's overarching priorities.

Impact Assessments

- 7.17** In determining budget allocations, careful consideration has been given to the impact of changes on equalities. As part of last year's Budget process, we undertook a significant amount of work to assess the equality impact of the plans we published. The underlying assumptions of this year's allocations are unaltered from last year's plans. For example, the protection already given to local authority social care budgets takes account of this, as well as reflecting more generally the need to maintain services for the most vulnerable in society. Increases in allocations for priorities such as the **free bus travel for**

pensioners and disabled people and their carers in 2014-15 also underline our commitment to the equalities agenda. While funding is being re-profiled within the transport budgets, and there are structural changes to local government and public services budgets, there are no potential impacts in terms of equalities. Finally, the next phase of the Communities First programme will be subject to an Equality Impact Assessment at the appropriate time.

Table 7.1 – Local Government and Communities Resource Allocations

DEL	£000s									
	2011-12		2012-13			2013-14			2014-15	
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans	Draft Budget New Plans	Indicative Plans
Local Government Funding	4,209,918	4,228,997	11,117	4,240,114	4,280,255	16,117	4,296,372	4,318,772	4,296,372	4,318,772
Supporting Communities and People	58,662	53,227	-	53,227	52,064	-	52,064	52,064	52,064	52,064
Safer Communities	43,841	44,026	-	44,026	44,176	-	44,176	44,176	44,176	44,176
Improving Services, Collaboration and Democracy	37,552	42,096	-200	41,896	41,179	-200	40,979	40,979	40,979	40,979
Local Taxation Policy	10,744	-	-	-	-	-	-	-	-	-
Care and Social Services Inspectorate	15,757	15,190	-	15,190	14,461	-	14,461	14,461	14,461	14,461
Healthcare Inspectorate Wales	2,824	2,722	-	2,722	2,591	-	2,591	2,591	2,591	2,591
Estyn	13,437	12,968	-	12,968	12,364	-	12,364	12,364	12,364	12,364
Inspection, Regulation and Performance Frameworks	400	-	-	-	-	-	-	-	-	-
Local and Regional Collaboration	1,560	-	-	-	-	-	-	-	-	-
Efficiency and Innovation	3,197	-	-	-	-	-	-	-	-	-
Improve Domestic Connectivity (Regional and National)	234,063	261,286	-33,522	227,764	257,716	-30,650	227,066	227,066	227,066	227,066
Improve International Connectivity	114,487	145,031	-31,194	113,837	145,008	-31,194	113,814	113,814	113,814	113,814
Improve Integrated Transport (Local)	84,657	84,775	358	85,133	91,469	-2,514	88,955	89,696	88,955	89,696
Improve Road Safety and Transport's Impact on the Environment	3,056	3,056	2,939	5,995	2,056	2,939	4,995	4,995	4,995	4,995
Total DEL	4,834,155	4,893,374	-50,502	4,842,872	4,943,339	-45,502	4,897,837	4,920,978	4,897,837	4,920,978
AME										
Local Government Funding	13,583	13,583	7,134	20,717	13,583	7,134	20,717	18,288	20,717	18,288
Improve Domestic Connectivity (Regional and National)	24,138	-	43,597	43,597	40,703	-35,730	4,973	34,952	4,973	34,952
Total Managed Expenditure (TME)	4,871,876	4,906,957	229	4,907,186	4,997,625	-74,098	4,923,527	4,974,218	4,923,527	4,974,218

Table 7.2 – Local Government and Communities Capital Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans	Draft Budget New Plans	Indicative Plans
Local Government Funding	20,000	20,000	-	20,000	20,000	-	20,000	20,000	20,000	20,000
Supporting Communities and People	17,280	14,774	-	14,774	10,950	-	10,950	10,950	10,950	10,950
Safer Communities	9,156	8,529	-	8,529	7,711	-	7,711	7,711	7,711	7,711
Estyn	339	315	-	315	281	-	281	281	281	281
Improve Domestic Connectivity (Regional and National)	83,674	73,670	11,082	84,752	55,850	-1,234	54,616	55,850	54,616	54,616
Improve International Connectivity	59,088	56,029	-3,342	52,687	83,836	-1,322	82,514	83,836	82,514	82,514
Improve Integrated Transport (Local)	80,713	77,402	-4,801	72,601	43,741	5,495	49,236	43,741	49,236	49,236
Improve Road Safety and Transport's Impact on the Environment	10,922	10,922	-2,939	7,983	10,922	-2,939	7,983	10,922	7,983	7,983
Total DEL	281,172	261,641	0	261,641	233,291	0	233,291	233,291	233,291	233,291
Total Managed Expenditure (TME)	281,172	261,641	0	261,641	233,291	0	233,291	233,291	233,291	233,291

8. Business, Enterprise, Technology and Science

Summary of Budget Changes

- 8.1** Compared to indicative plans for 2012-13 published in the Final Budget 2011-12 (as restated based on the new structure in the First Supplementary Budget 2011-12), the total MEG allocation for Business, Enterprise, Technology and Science has increased by £1m in 2012-13 and £1m in 2013-14. The indicative plan for 2014-15, which is published for the first time, is £263.8m (the same as in 2013-14).
- 8.2** The additional resource funding is for:
- **National Science Academy** – As part of the changes to Ministerial portfolios, a transfer of £1m resource budget, initially made in 2011-12 will become recurrent.
- 8.3** The draft budget for 2012-13 for BETS contains only minor changes in comparison to the Department's indicative budget allocations in the previous Welsh Government Budget. These adjustments clarify the allocation of resources for delivery in specific areas.
- 8.4** The Department has realigned the resource budget of £2.7m for innovation schemes that were located within the 'Sectors and Business' SPA to the 'Encouraging Innovation' SPA. The Department has also realigned the resource budget of £0.3m for strategic programme support from 'Sectors and Business' SPA to the 'Strategy and Corporate Programmes' SPA to reflect the broader nature of this support for the Department's activities.

Strategic Priorities

- 8.5** The Department's main aim is to strengthen the conditions that will enable business to create sustainable economic growth and jobs. Our role as the Welsh Government will be to focus on improving the conditions for economic growth, by addressing key issues such as skills and infrastructure. The benefits of this will be felt incrementally and progressively in the longer-term; while the main influences on the Welsh economy in the short-term are the state of the global economy and the monetary and fiscal policy set by the UK Government.
- 8.6** The Minister for Business, Enterprise, Technology and Science is in the process of reviewing the portfolio's spending plans to ensure that they demonstrate high levels of efficiency and effectiveness, that they are focused on the commitments made in the Programme for Government, and that they meet the needs of businesses in Wales. The Minister has recently announced the initial selection of five preferred locations for Enterprise Zones in Wales. In each location we will deploy a selective approach to the policy interventions.

8.7 The proposals in the Draft Budget reflect current expenditure plans in the Department for BETS and therefore may be subject to change in the short to medium term.

8.8 There is a broad consensus on the direction Wales should take including broad support for economic renewal policy. Our goal is to build on this to implement and further integrate our economic, education, skills and planning policies across all relevant Welsh Government departments and other delivery bodies.

Programme for Government

8.9 The whole Government approach to delivery is embedded in the new Programme for Government. The Department for BETS will lead on delivering 32 new Programme for Government commitments and contribute to 15 others. It has a major role in the delivery of the Chapters of the Programme with the following priorities:

- create the conditions for sustainable economic growth and job creation; and
- promote an equal, vibrant and diverse rural economy and society leading to a better quality of life for people living in rural communities.

8.10 BETS will also contribute to key commitments in other Chapters of the Programme including:

- creating accessible, quality citizen-centred services for all, not choice for the few, facilitated by Digital Wales;
- seeking to establish a Wales Business Crime Unit to tackle business crime; and
- providing a better foundation for life through vibrant places, culture, sport and media through support for major events.

Funding of Key Programmes

Sectors and Business

8.11 We will invest £89.4m¹³ in 2012-13 to create an environment to help develop thriving companies. Targeted support will be available to key sectors/industries and a range of activities, to encourage investment, entrepreneurship and innovation, will be in place.

8.12 Integrated sector teams, drawing on external expertise of Sector Panels, are delivering support for businesses. The key sectors announced in 2010 are:

- advanced materials and manufacturing;

¹³ This figure consists of the 'Legacy SIF' and 'Sectors' Actions (resource and capital budgets).

- creative industries;
- energy and environment;
- financial and professional services;
- information and communications technologies; and
- life sciences.

8.13 In the case of Advanced Materials and manufacturing, a real time high-level Strategic Route Map for the sector supported by a series of detailed Implementation Plans will aim to reflect the dynamic approach to strategy development espoused by the Manufacturing Forum and endorsed by the Sector Panel.

8.14 In September 2011, the Minister for BETS announced the addition of three new priority sectors. These will build on the current six priority sectors that we are supporting to help Welsh businesses grow and create the jobs needed for the future development of our economy:

- construction;
- tourism; and
- food and farming.

8.15 We will provide £14.4m support for 'Entrepreneurship and Business Information', covering youth entrepreneurship, start-up support to encourage self employment and the creation of high potential starts and responsible business practices.

8.16 Continued investment remains a priority and Finance Wales will provide investment for businesses in Wales. Support includes core funding and the provision of capital to support the JEREMIE fund which will continue to make investments during 2012-13.

8.17 Encouraging businesses to invest in innovation and make the most of links with academia is to be funded at £6.1m through the Business Innovation, A4B and Research, Development and Innovation programmes. These programmes facilitate knowledge exchange between businesses and academia and encourage commercialisation of Intellectual Property.

8.18 The Government will align £3m within the 'Regional Funding' Action for Programme for Government commitments.

Tourism and Marketing

8.19 £18.1m funding for 'Tourism' and 'Marketing' actions will focus on increasing visitor demand and conversion and developing the visitor experience and facilitating relevant marketing campaigns. Growth in visitor spend requires a

focus on visitors/markets that will deliver both value and volume. The priority for Tourism is to work with public and private sector partners to build a sustainable visitor economy. Administering the Tourism Investment Support Scheme and the UK harmonised grading schemes effectively will support improved product quality and higher levels of competitiveness in the tourism sector. Key marketing activity will be development of the Welsh brand policy and strategic campaigns to promote the Welsh brand.

Major Events

8.20 £3.9m funding for 'Major Events' will support work with national, UK and international sports federations to ensure more major events are hosted in Wales in the future, ensuring that the whole of Wales reaps the benefits of this ambition. The budget will also support work with Cardiff City Council to explore the feasibility of bidding to host the Commonwealth Games in 2026.

Infrastructure

8.21 We will allocate £31.1m (excluding non-fiscal resource DEL) support for 'Property Related Infrastructure' and 'ICT Infrastructure' and the Next Generation Broadband Wales project (NGBW). In respect of 'Property Related Infrastructure', the current Property policy area covers management of the existing property portfolio, land reclamation programme and property offers to business.

Rural Affairs

8.22 The Government will provide £90.6m support (excluding non-fiscal resource DEL) for rural businesses and communities to promote the sustainability of the farming, fisheries and agri-food industries and their associated supply chains in a way that enhances the socio economic, environmental and cultural cohesion of rural Wales and the wellbeing of its people. Making progress toward these outcomes involves working with key partner organisations as well as with other devolved administrations in the UK and EU. All aspects of Fisheries policy and strategy, legislation, fisheries management, enforcement and administration of the European Fisheries Fund will be supported as well as developing and marketing the Welsh food and drink industry.

Strategy and Corporate Programmes

8.23 £5.3m supports the Health Challenge Programme, National Loans Fund repayments, corporate marketing and strategy support activity. This budget line also supports the economic analysis which underpins many spending decisions.

Welsh European Funding Office (WEFO)

8.24 WEFO will continue to manage, monitor, and report on the implementation of the EU Structural Fund programmes in Wales and help ensure the alignment of EU Structural Fund programmes and projects with Welsh Government policies and EU policies and strategies.

Science

8.25 The Chief Scientific Adviser for Wales is currently developing a new strategy for Wales. This will inform the development of the National Science Academy programme that has transferred to BETS.

Impact Assessments

- 8.26** An equality impact assessment was undertaken when the indicative allocations were laid in the Final Budget of February 2011 and this remains relevant as there have been minor changes only for this Draft Budget. BETS is currently focussing equality impact assessment at planning and implementation phase across the various areas of the Department. Each assessment will include an action plan which will identify how the Department will attend to areas of disproportionate impact across the span of its work.
- 8.27** In terms of sustainable development, the Department for BETS is working to encourage a low carbon, low waste and resource efficient economy, working closely with businesses, collaborating with key partners and preparing sector strategies as the targeted means to delivery.
- 8.28** The Department uses Creating Sustainable Development Together and the Supporting Sustainable Development Integration Tool. This is to embed from the outset social, economic and environmental objectives into all activities, programmes, business planning and projects to address the Environment Strategy and all other policies, strategies and requirements.
- 8.29** The Department is also working towards increasing broadband accessibility, ensuring that property assets are aligned to help deliver sustainable outcomes and embedding sustainable procurement practices to maximise the community benefits from our work.

Table 8.1 – Business, Enterprise, Technology and Science Resource Allocations

DEL	£000s									
	2011-12		2012-13			2013-14			2014-15	
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans	Changes	Draft Budget New Plans
Sectors and Business	48,871	46,768	-2,942	43,826	46,798	-2,942	43,856	43,856	-2,942	43,856
Encouraging Innovation	3,162	2,129	3,656	5,785	2,144	3,656	5,800	5,800	3,656	5,800
Regional Funding	2,005	2,005	-	2,005	2,005	-	2,005	2,005	-	2,005
Finance Wales	5,102	4,802	-	4,802	4,102	-	4,102	4,102	-	4,102
Major Events	3,930	3,870	-	3,870	3,897	-	3,897	3,897	-	3,897
Marketing	2,840	2,796	-	2,796	2,815	-	2,815	2,815	-	2,815
Infrastructure	21,470	22,415	-	22,415	23,571	-	23,571	23,571	-	23,571
Strategy and Corporate Programmes	4,677	4,594	286	4,880	4,632	286	4,918	4,918	286	4,918
WEFO	1,522	1,522	-	1,522	1,522	-	1,522	1,522	-	1,522
Rural Affairs	79,320	78,246	-	78,246	79,316	-	79,316	79,316	-	79,316
Tourism	12,747	12,723	-	12,723	12,626	-	12,626	12,626	-	12,626
Total DEL	185,646	181,870	1,000	182,870	183,428	1,000	184,428	184,428	1,000	184,428
AME										
Infrastructure	41,402	41,402	-	41,402	41,402	-	41,402	41,402	-	41,402
Total Managed Expenditure (TME)	227,048	223,272	1,000	224,272	224,830	1,000	225,830	225,830	1,000	225,830

Table 8.2 – Business, Enterprise, Technology and Science Capital Allocations

DEL	£000s									
	2011-12		2012-13			2013-14			2014-15	
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans
Sectors and Business	69,129	59,992	-	59,992	43,711	-	43,711	43,711	-	43,711
Encouraging Innovation	433	357	-	357	300	-	300	300	-	300
Regional Funding	995	995	-	995	995	-	995	995	-	995
Finance Wales	1,500	1,500	-	1,500	1,500	-	1,500	1,500	-	1,500
Infrastructure	6,291	10,031	-	10,031	18,456	-	18,456	18,456	-	18,456
Strategy and Corporate Programmes	449	417	-	417	372	-	372	372	-	372
Rural Affairs	13,001	12,569	-	12,569	11,723	-	11,723	11,723	-	11,723
Tourism	2,790	2,595	-	2,595	2,313	-	2,313	2,313	-	2,313
Total DEL	94,588	88,456	0	88,456	79,370	0	79,370	79,370	0	79,370
Total Managed Expenditure (TME)	94,588	88,456	0	88,456	79,370	0	79,370	79,370	0	79,370

9. Education and Skills

Summary of Budget Changes

- 9.1** Compared to indicative plans for 2012-13 published in the Final Budget 2011-12 (as restated based on the new structure in the First Supplementary Budget 2011-12), the total MEG allocation for Education and Skills has increased by £20.6m in 2012-13 and £27.2m in 2013-14. The indicative plan for 2014-15, which is published for the first time, is £1.826bn (£7.6m higher than in 2013-14).
- 9.2** The additional resource funding is associated with the following expenditure programmes:
- **Jobs Growth Wales** – We have committed an additional £25m each year to support the delivery of the Jobs Growth Wales scheme. The cost of this commitment will be funded through Welsh Government and European Structural Funds and will help create 4,000 jobs for young people aged 16 to 24 within the first year of delivery;
 - **Increase Schools Funding** – We have allocated an additional £4.6m in 2014-15 to the Education and Skills budgets which is in addition to £22.4m allocated to the Local Government and Communities MEG;
 - **Adapt** – We have allocated an additional £5m in each year to continue the Adapt programme which assists displaced public sector workers to return to work or start their own business;
 - **Universal Benefits** – We have allocated an additional £135k in 2014-15 for Free Primary School Breakfasts and School Milk for children under seven; and
 - **Student Finance** - From the academic year 2012-13 part-time Higher Education students will benefit from access to Student Loans, the costs of which are reflected in increases over the following 3 years of £4.3m, rising to £10.9m, and £13.8m respectively.
- 9.3** The structure of the Education and Skills MEG has been revised as part of this budget to align budgets to the Departmental business plan and provide more meaningful financial information. Annex B provides a reconciliation between the revised and former structures.
- 9.4** As part of the changes to Ministerial portfolios, a transfer of £1m to support the National Science Academy, initially made in 2011-12 will become recurrent; this transfer will be made to the Business, Enterprise, Technology and Science MEG. In addition, a recurrent transfer of £210k has been made to the Central Services and Administration MEG in relation to the transfer of responsibility for the SEN Tribunal for Wales.

- 9.5** In line with the Welsh Government's focus on raising educational standards, specifically on literacy and numeracy, in 2011-12 we are making budget transfers to create a specific 'Literacy and Numeracy' budget. These changes have also enabled £7m of funding for 'Literacy and Numeracy' to be directed to Schools via the School Effectiveness Grant. In addition we have transferred £1.1m to the 'Employability of the workforce' budget. A transfer of £2.2m from the 'Access Opportunities' budget to the 'Literacy and Numeracy' budget follows the recent changes to Ministerial portfolios. These will be reflected in the next Supplementary Budget and as such are not included within the published baseline for 2011-12.
- 9.6** There has been re-prioritisation of funding within the Education and Skills budgets with a focus on frontline services. Further savings of £3.4m have been identified against the 14-19 Learning budget in 2012-13 which will be achieved partially through moving to regional working and will not impact upon the delivery of the Learning and Skills (Wales) Measure. There is a reduction planned within the indicative budget for careers services of £5m from 2013-14 which corresponds with plans to review the scope and provision of services.

Strategic Priorities

- 9.7** The main principle underpinning the activities of the Department, which is reflected in the Programme for Government, is that education is essential to help people achieve their full potential, obtain personal fulfilment, and to build a just, inclusive and fair society. By working towards this outcome, the programme and projects that the budget for 2012-13 funds, such as the Jobs Growth Fund and national numeracy plans, will help contribute to the wider cross-cutting Welsh Government outcomes. Outcomes such as people living productive lives in vibrant and inclusive communities will be in part delivered by our focus on literacy, numeracy and narrowing the gap across all age ranges. Our continued support for individuals and business in skills, through programmes such as ReAct, Adapt and Pathways to Apprenticeships, will contribute to the wider Welsh Government outcome of building a resilient economy.
- 9.8** Budgets for Education and Skills have been restructured to align each SPA, and Action-level budget with key strategic priorities reflecting the commitments made within the Programme for Government.
- 9.9** The first such priority is to **raise the standards of education and training provision, attainment and infrastructure** across Wales. Specifically there is a focus on improving literacy and numeracy, and reducing variability in delivery – at local authority, school and individual teacher level. The significance of this is represented through increasing budgets for the School Effectiveness Grant by £7.6m in 2012-13 from 2011-12 grant levels with further increases of some £10m over the following two years to 2014-15. This has been achieved by a fundamental review of the Department's budgets to enable a refocus of expenditure on frontline services. This is in addition to the planned increases over the period. Similarly, funding for literacy and numeracy will also see

increases with a rise in budget of £4m by 2014-15 from 2011-12 planned expenditure levels.

- 9.10** It is also vital that we build delivery capacity by strengthening the quality and consistency of delivery and leadership within schools. The Department will implement new professional standards, strengthened requirements for teacher training in literacy and numeracy, and a new National Professional Qualification for Headships. We are committed to the development and introduction of a Masters level qualification in Teaching and Learning, and reform of performance management regulations to focus Continuing Professional Development on school and local priorities. Funding for these changes will come from the existing budgets for Teaching and Leadership which will be refocused.
- 9.11** Strengthened accountability is essential to monitor and challenge improvements in standards. The Schools Standards Unit will continue to drive through improvements in the whole system and promote areas of efficiency identified within the Structure of Education Services in Wales Report. Through the development of Regional Consortia we will move towards stronger and more effective school improvement services.
- 9.12** The budget for future years provides for increases in funding for post 16 education of £16m by 2014-15 from 2011-12 levels. This will be matched by a requirement to demonstrate value to learners through improvements in the quality and experience of post 16 education provision by reform in governance and strategic funding. Similarly, we will seek improvements in the quality of Higher Education provision and experience for learners, with transformation of the sector to fewer, stronger universities with strengthened governance and an increased focus on supporting the **For Our Future** agenda.
- 9.13** Through collaboration and our programme for transformation we will continue to seek to ensure that education structures at all levels are efficient and effective and offer a responsive service, supported by a fair, robust funding system that is learner focussed. This is inclusive of ICT where we will develop our plans for an All Wales Virtual Learning Environment.
- 9.14** Our second priority is to **deliver a suitably skilled workforce with high quality opportunities for all learners**. Additional funding of £25m funded through Welsh Government and European Structural Funds, will enable the delivery of Jobs Growth Wales. Through this programme, and increasing apprenticeship recruitment for young people, we will maximise opportunities for youth engagement and employability. Through re-prioritisation of existing budgets the Skills Growth Wales programme will be extended to 2015. The impact of this investment will be to create additional, sustainable jobs for young people and adults through investment in employer workforce and management skills, seeking to create, drive and respond to business growth opportunities. We will seek to achieve an improved response to skills priorities through programmes such as ReAct and Adapt that will deliver improved employability of the workforce. Central to this is the continuation of the additional £5m of funding made available during 2011-12.

- 9.15** To provide information on the best avenues and opportunities for education, skills and work, we will continue to implement an action plan on the way forward in managing the future remit and structure of the Careers Wales service.
- 9.16** The third priority is to support individuals, families, communities and businesses in **improving economic and social wellbeing and reducing inequality through education and training**. Poverty continues to be a barrier preventing too many from realising their education potential. Education and training play a vital role in promoting a fair, just and inclusive society. To support individuals and families it is our aim to remove barriers to post-16 learning and maintain levels of financial support for students from low income households.
- 9.17** It is important that children and young people have the support they need to access a full range of learning and employment opportunities. Key to children maximising their potential is the principle that children are safe, with improved levels of physical and mental health, which continues to be supported by policies such as free primary school breakfasts and free milk for the under 7's. This Draft Budget includes planned increases of over £4m over the next three years from 2011-12 levels. Similarly there are planned increases of £1m over the same period for grants to support the education of Traveller Children, and Minority Ethnic Achievement.
- 9.18** Our fourth priority is **to see the Welsh language thrive in Wales**. The Welsh Government is fully committed to a thriving bilingual Wales where its people have the opportunity to use the language of their choice both in education, work and the wider community.
- 9.19** The Welsh Language (Wales) Measure 2011 will bring in significant changes, with the creation of a Welsh Language Commissioner, Welsh Language Tribunal, a new system of Welsh Language Standards and new rights for the people of Wales.
- 9.20** The Welsh Government is preparing a new Welsh Language Strategy, and this will provide the policy framework for future decisions on a range of interventions, supported by grants and projects.
- 9.21** In total a budget of £26.4m per year will support 'Welsh Learning' and the establishment of the Welsh Language Commissioner from 1st April 2012.
- 9.22** There is a clear commitment to key strategic priorities and our determination to focus funding on frontline services has been extended with £2m released from **Delivery Support** to be directed to delivering improvements in numeracy, literacy and reducing the impact of poverty and disadvantage on educational achievement.
- 9.23** **Capital budgets** remain constrained with reductions from 2011-12 levels in line with previously published plans. There will be continued focus on meeting our existing commitments to deliver all transitional capital projects. The Welsh Government remains committed to delivering the 21st Century Schools programme that will provide 21st century learning environments for children and

young people in Wales. To ensure that the education system is sustainable and that we utilise our resources better and more effectively, we will continue to work closely with our partners in Local Government, Diocesan Directors of the Voluntary Aided sector and Colleges-Wales.

Impact Assessments

- 9.24** In determining budget allocations, careful consideration has been given to the impact of the changes on equalities. The Department has in place a Single Equalities Action Plan which is regularly monitored to provide assurance that its policies and programmes address inequality.
- 9.25** The impact of funding changes arising from this Budget have been assessed on their impact to organisations, learners and learning outcomes. The Department is committed to tackling social inequalities. This is demonstrated through our plans to improve skills to enable greater employment opportunities, particularly for young people; to provide support which enables participation in Further and Higher Education; and delivering improved standards to ensure that everyone can reach their potential. Reductions, where necessary, have been focussed to ensure a greater proportion of funding reaches frontline services. They reflect the need to deliver our commitments to learners whilst improving efficiency and collaboration.
- 9.26** The Draft Budget reflects our commitment to the delivery of the Education and Skills priorities presented within the Programme for Government; achievement of our plans to improve school standards and outcomes for learners; and our commitment to take forward the recommendations contained within the Structure of Education in Wales Report.

Table 9.1 – Education and Skills Resource Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans		
Education and training Standards	1,137,490	1,142,317	3,159	1,145,476	1,158,560	8,159	1,166,719	1,171,319		
Skilled Workforce	70,385	64,839	17,600	82,439	64,439	12,600	77,039	77,039		
Economic and Social Wellbeing and Reducing Inequality	390,758	388,931	1,831	390,762	393,174	8,431	401,605	404,640		
Welsh Language	26,255	26,355	-	26,355	26,455	-	26,455	26,455		
Delivery Support	5,313	5,148	-2,000	3,148	5,006	-2000	3,006	3,006		
Total DEL	1,630,201	1,627,590	20,590	1,648,180	1,647,634	27,190	1,674,824	1,682,459		
AME										
Economic and Social Wellbeing and Reducing Inequality	-115,649	-132,021	32,128	-99,893	-150,601	42,146	-108,455	-125,974		
Total Managed Expenditure (TME)	1,514,552	1,495,569	52,718	1,548,287	1,497,033	69,336	1,566,369	1,556,485		

Table 9.2 – Education and Skills Capital Allocations

DEL	£000s									
	2011-12		2012-13			2013-14			2014-15	
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans	Draft Budget New Plans	Indicative Plans
Education and Training Standards	169,923	161,243	-	161,243	143,734	-	143,734	143,734	143,734	143,734
Welsh Language	50	100	-	100	100	-	100	100	100	100
Total DEL	169,973	161,343	0	161,343	143,834	0	143,834	143,834	143,834	143,834
AME										
Economic and Social Wellbeing and Reducing Inequality	240,951	254,333	-3,915	250,418	262,610	7,130	269,740	262,610	269,740	279,284
Total Managed Expenditure (TME)	410,924	415,676	-3,915	411,761	406,444	7,130	413,574	406,444	413,574	423,118

10. Environment and Sustainable Development

Summary of Budget Changes

- 10.1** Compared to indicative plans for 2012-13 published in the Final Budget 2011-12 (as restated based on the new structure in the First Supplementary Budget 2011-12), the total MEG allocation for Environment and Sustainable Development has increased by £17.5m in 2012-13 and £17.7m in 2013-14. The indicative plan for 2014-15, which is published for the first time, is £323.4m (£3.4m higher than in 2013-14).
- 10.2** The additional resource funding is associated with the following expenditure programmes:
- **Waste Management** – We have allocated an additional £0.5m in 2012-13 rising to £5.6m in 2014-15 to support the treatment of municipal food waste in order to continue the progress in diversion of biodegradable waste from landfill sites in accordance with the waste strategy and to meet our EU obligations; and
 - **Animal Health** – We have allocated an additional £17.2m in 2012-13, £16.6m in 2013-14 and £15.8m in 2014-15. This is in respect of transfers from DEFRA for the funding of the Animal Health Veterinary Laboratories Agency activities in Wales who are the main delivery agent for implementing Welsh Government's animal health and welfare policy.
- 10.3** There are no other significant changes to the budget from last year's Final Budget. Major changes were made then to the allocations in the light of the UK settlement and individual budgets will be continued at those levels through to 2014-15. Our interventions will continue to focus on protecting the most vulnerable in our society, promoting sustainable development and ensuring our international obligations are met.

Strategic Priorities

Programme for Government

- 10.4** The Environment and Sustainable Development Department aims to make the best possible use of our nation's resources, in the wider public interest, to become a "one planet" nation. This places sustainable development at the heart of government as its central organising principle. The plans we outline in the draft budget will support this through measures to increase the efficiency with which resources, including energy, are used; by improving and integrating the way in which we manage and regulate our use of land, sea, air and water, and by working with others to deliver the commitment to sustainable development as the central organising principle of Government.
- 10.5** This Department has a wide ranging remit. It leads for the Welsh Government on the overarching commitments to promoting sustainable development and

addressing climate change. It contributes through its investment programmes and planning responsibilities to sustain a strong economy; a healthy and more equal society; a diverse and resilient environment; and to the development of Wales as an energy efficient, low carbon, low waste society. The Department takes the lead on policy and regulation on water, waste, energy and energy efficiency, animal and plant health, biodiversity and access to the countryside, marine planning, land use planning, environmental evidence, pollution control and local environmental quality. It sponsors the Countryside Council for Wales, the Environment Agency in Wales and the Forestry Commission in Wales.

- 10.6** The spending plans announced last year will be rolled forward from 2013-14 to 2014-15 with the exception of the 2 main additions to the budget. We will continue to deliver, with the overall reduction in our budgets our priorities outlined within the Programme for Government.

Impact Assessments

- 10.7** Last year careful consideration was given to the impact of any change on equalities, and as this budget reflects the decision not to make any significant change to any budget, there will be no additional effect on equality issues.

Table 10.1 – Environment and Sustainable Development Resource Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans	Draft Budget New Plans	
Climate Change and Sustainability	117,485	115,475	410	115,885	119,908	1,210	121,118	125,418		
Environment	80,768	81,017	-130	80,887	77,778	-130	77,648	77,648		
Planning	7,772	7,403	-	7,403	7,090	-	7,090	7,090		
Protecting and Improving Animal Health and Welfare	41,038	22,260	17,194	39,454	22,260	16,635	38,895	38,041		
Evidence Base	404	354	-	354	304	-	304	304		
Forestry	21,600	21,200	-	21,200	20,700	-	20,700	20,700		
Total DEL	269,067	247,709	17,474	265,183	248,040	17,715	265,755	269,201		
Total Managed Expenditure (TME)	269,067	247,709	17,474	265,183	248,040	17,715	265,755	269,201		

Table 10.2 – Environment and Sustainable Development Capital Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans		
Climate Change and Sustainability	56,209	57,196	-	57,196	50,555	-	50,555	50,555		
Environment	4,600	4,600	-	4,600	3,850	-	3,850	3,850		
Evidence Base	38	38	-	38	38	-	38	38		
Forestry	-205	-205	-	-205	-205	-	-205	-205		
Total DEL	60,642	61,629	0	61,629	54,238	0	54,238	54,238		
Total Managed Expenditure (TME)	60,642	61,629	0	61,629	54,238	0	54,238	54,238		

11. Housing, Regeneration and Heritage

Summary of Budget Changes

- 11.1** Compared to indicative plans for 2012-13 published in the Final Budget 2011-12 (as restated based on the new structure in the First Supplementary Budget 2011-12), the total MEG allocation for Housing, Regeneration and Heritage has increased by £0.4m in 2012-13 and £0.6m in 2013-14. The indicative plan for 2014-15, which is published for the first time, is £542.2m (£46k higher than in 2013-14).
- 11.2** The additional resource funding is associated with the following expenditure programme:
- **Cadw** – Following the transfer in the Final Budget 2011-12 from the Central Services and Administration MEG we have allocated an additional £0.4m in 2012-13 rising to £0.6m in 2014-15 in respect of Cadw's running costs. The additional funding is being allocated to Cadw in recognition of its role in delivering frontline services which benefit wider tourism, education and sustainable development.
- 11.3** In order to support existing commitments in respect of Cardiff Bay Harbour Authority, funding of £0.3m in 2012-13 and £0.1m in 2013-14 has been transferred from the 'Implementation of Strategic Regeneration Areas' Action to 'Manage Delivery of Legacy Regeneration' Action. This budget has then been rolled forward flat into 2014-15.

Strategic Priorities

Programme for Government

- 11.4** This Department has a wide ranging remit, with responsibility for developing and delivering policies on housing, regeneration, the arts, culture, sport and active recreation, museums, archives and libraries, and the historic environment.
- 11.5** The Department has a number of main aims reflected across the Programme for Government and this Draft Budget shows how we will deliver in 2012-13 and beyond. We will ensure that people have high-quality, warm and secure homes to live in. The impact of our interventions in this area are likely to be felt over the longer-term as we make changes to planning legislation and expand our stock of social housing. In the shorter term, however, economic influences such as UK fiscal and monetary policy will have a profound impact on our overall success.
- 11.6** We will continue to regenerate key settlements and communities and revive our seaside towns; and we will support the culture and heritage of Wales to provide a better foundation for life through vibrant places, culture, sport and media.

Housing

- 11.7** Our national housing strategy **Improving Lives and Communities – Homes in Wales**, which was published last year, set out our strategic priorities for housing: increasing the supply of housing; improving its quality; and improving housing-related services – particularly for those who are vulnerable or homeless.
- 11.8** Ensuring people have a home that meets their needs – warm, affordable, secure, in good condition and with non detrimental impact on the environment – is a key priority for the Welsh Government. A home is a vital part of people’s lives. It affects health and well-being, quality of life, and the whole life chances of individuals and families. That is why we are continuing to protect the Major Repairs Allowance, a budget which funds major repairs for local authority housing, and dowry payments for former local authority housing that has transferred to new stock transfer landlords. Both of these funding streams help to achieve the Welsh Housing Quality Standard (WHQS), the broad objective of which is to ensure that the social housing stock in Wales is fit for the 21st Century.
- 11.9** We are also continuing to invest over £130m a year in delivering housing related support to vulnerable people through the Supporting People Programme. This is a priority if we are going to combat the impact of the welfare reforms and economic downturn. The programme is supporting 50,000 people per year and provides good value for each Welsh pound we spend. We are also committed to preventing homelessness, one of the extreme examples of deprivation.
- 11.10** We are seeking to address the supply-side issues to meet demand and increase the numbers of affordable homes which will also assist in addressing homelessness. We are further exploring new innovative ways of increasing supply with such products as “First Rent” – houses with an intermediate rent which require a lower level of social housing grant to develop; and the recently launched Welsh Housing Partnership – a partnership with housing associations who are investing equity.
- 11.11** Enabling people to live independently in their own homes for as long as possible is also a priority for the Welsh Government and that is why we have protected our investment in the Rapid Response Adaptations Programme. This programme also helps to reduce the demand on the NHS and social services by enabling people to leave hospital or residential care as soon as they are able to.

Regeneration

- 11.12** The Welsh Government’s regeneration programme comprises an integrated series of actions and targeted investment which aims to reverse the decline of, and deliver sustainable renewal in, disadvantaged areas in Wales.
- 11.13** Our ‘Regeneration Areas’ budgets support a series of focused, area-based interventions in parts of Wales where we believe we can work with local agencies to tackle acute needs, in particular multiple forms of deprivation. We

work with partners across the public, private and voluntary sectors to develop and deliver co-ordinated and holistic action plans to address local needs and opportunities, using our funding to lever in additional investment. We currently have seven Regeneration Areas (Heads of the Valleys, Western Valleys, Mon a Menai, North Wales Coast, Aberystwyth, Swansea and Barry). Investment from our Regeneration Areas is used as match funding for European-funded projects; the largest of these projects is part of the Valleys Regional Park, a partnership which we host on behalf of over 40 organisations.

- 11.14** We also provide funding in two other priority areas - Newport Unlimited, the only Urban Regeneration Company in Wales and for the Cardiff Harbour Authority.
- 11.15** As our capital budget reduces, we are working closely with partners to ensure that we identify the strategic investments which will make a real difference, and that maximise other funding opportunities, in order to maintain the momentum of change in our Regeneration Areas.

Heritage

- 11.16** Providing a better foundation for life through vibrant places, culture, sport and media is a key priority for the Welsh Government. We will continue to provide financial support for delivery by the Arts Council for Wales, Amgueddfa Cymru – National Museum Wales, the National Library of Wales, Sport Wales and Cadw.
- 11.17** We recognise the vital importance of the arts to Wales and the contribution it can make to the quality of people's lives. That is why we are continuing to afford arts funding a level of protection in this Draft Budget. We will also continue to provide financial support to the National Botanic Garden of Wales.
- 11.18** Our support for Amgueddfa Cymru – National Museum Wales and the National Library of Wales will enable us to retain our policy of free entry to our national museum sites. We will also continue to provide financial support and strategic leadership to local museums, archives and libraries via CyMAL, recognising the significant contribution these services make to local communities in terms of access to information and cultural heritage, and their role in supporting tourism in Wales.
- 11.19** Cadw is the Welsh Government's historic environment service. Cadw is charged with conserving our heritage, which includes World Heritage Sites, listed buildings and scheduled monuments. Cadw also works to sustain the distinctive character of our towns and landscape and helps people understand and care about their place and history. We recognise the importance in economic and social terms of this contribution and are committed to their ongoing programme of work. In addition, we are committed to the delivery of the £19m Heritage Tourism Project which will improve the fabric and visitor experience at many of our monuments.
- 11.20** We also recognise the huge benefits that sport and physical activity can bring on a range of different levels, including the improved health and well-being of

individuals. In support of this, we are committed to retaining our free swimming commitment and have provided additional funding of £46k in 2014-15 to maintain provision.

Impact Assessments

11.21 Comprehensive Impact Assessments were conducted on Housing, Regeneration and Heritage programmes and policies when the spending plans for 2011-12 to 2013-14 were set in last year's Budget. The underlying assumptions underpinning these spending plans remain relevant to 2014-15. However, screening has been undertaken on relevant changes to this Draft Budget and full Equality Impact Assessments are not required.

Table 11.1 – Housing, Regeneration and Heritage Resource Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans		
Housing	154,765	151,147	-	151,147	151,792	-	151,792	151,792		
Regeneration	14,489	14,336	-	14,336	14,397	-	14,397	14,397		
Support and sustain a strong arts sector via the Arts Council and others	35,397	34,802	-	34,802	35,643	-	35,643	35,643		
Museums, Archives and Libraries	38,191	37,436	-	37,436	37,445	-	37,445	37,445		
Delivery of effective sports and physical activity programmes	25,437	24,923	-	24,923	24,853	-	24,853	24,899		
Media and Publishing	4,031	3,980	-	3,980	3,926	-	3,926	3,926		
Conserve, protect, sustain and promote access to the historic environment	11,712	11,305	353	11,658	10,920	621	11,541	11,541		
Total DEL	284,022	277,929	353	278,282	278,976	621	279,597	279,643		
AME										
Museums, Archives and Libraries	2,265	2,490	-	2,490	2,740	-	2,740	2,740		
Housing	-72,000	-61,000	-	-61,000	-55,000	-	-55,000	-55,000		
Total Managed Expenditure (TME)	214,287	219,419	353	219,772	226,716	621	227,337	227,383		

Table 11.2 – Housing, Regeneration and Heritage Capital Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans		
Housing	249,392	231,970	-	231,970	206,782	-	206,782	206,782		
Regeneration	55,343	51,477	-	51,477	45,888	-	45,888	45,888		
Support and sustain a strong arts sector via the Arts Council and others	460	455	-	455	450	-	450	450		
Museums, Archives and Libraries	5,673	4,973	-	4,973	4,043	-	4,043	4,043		
Delivery of effective sports and physical activity programmes	345	345	-	345	345	-	345	345		
Media and Publishing	25	25	-	25	25	-	25	25		
Conserve, protect, sustain and promote access to the historic environment	5,500	5,313	-	5,313	5,031	-	5,031	5,031		
Total DEL	316,738	294,558	0	294,558	262,564	0	262,564	262,564		
Total Managed Expenditure (TME)	316,738	294,558	0	294,558	262,564	0	262,564	262,564		

12. Central Services and Administration

Summary of Budget Changes

- 12.1** Compared to indicative plans for 2012-13 published in the Final Budget 2011-12 (as restated based on the new structure in the First Supplementary Budget 2011-12), the total MEG allocation for Central Services and Administration has increased by £0.443m in 2012-13 and £0.443m in 2013-14. The indicative plan for 2014-15, which is published for the first time, is £332.2m (the same as in 2013-14).
- 12.2** The additional resource funding is associated with the following expenditure programmes:
- We have allocated an additional £0.4m in each of the next three years due to the transfer in of funding from DEFRA (for Animal Health), and the transfer of responsibilities from other Ministerial portfolios, offset in part by a transfer out relating to Health Commission Wales running costs.
- 12.3** In each of the next three years the staff costs budget will increase by £1.2m compared with our previously published plans. This increase results from the continued re-prioritisation of budgets away from contracted out services and more towards internal service provision. Despite this increase the staff costs budget still reduces by £10m between 2011-12 and 2012-13 and by a further £10m between 2012-13 and 2013-14.
- 12.4** The other significant transfer within the MEG results from the closure of the Location Strategy following the completion of the new Welsh Government offices in Aberystwyth and Llandudno Junction. Part of the 'Location Strategy' budget transfers to 'General Administration', to fund the on-going costs of the new offices, whilst the remainder transfers to 'Enabling Government' where it will be used to support business improvement activity, and in particular activity related to improving the efficiency of our administrative estate.
- 12.5** As the capital budget reduces year on year, we plan to retain ICT assets in service longer resulting in a £0.4m reduction to this budget. We will use the remainder of the capital budget to focus on improving our administrative accommodation and concentrate our workforce into fewer buildings in order to create resource savings in the longer term.

Strategic Priorities

- 12.6** The focus of the Central Services and Administration MEG is to deliver an effective, accountable, devolved Government. The budget covers a broad range of functions, including: running costs for the Welsh Government, other central service costs, and pan-Government information services and programmes. It also includes a number of budget lines to support the delivery

of outcomes which are the direct responsibility of either the First Minister or the Minister for Finance and Leader of the House.

- 12.7** Within the context of a declining budget, our key priority is to ensure our resources are aligned to best deliver the Welsh Government's objectives. Through a combination of initiatives we are seeking to reduce costs in a coherent and balanced way to ensure the continued delivery of services to Ministers and the people of Wales.
- 12.8** Although these initiatives are at different stages of development they are focused around reducing staff costs, reducing non-pay administrative costs (Managing with Less) and the rationalisation of our administrative office estate.
- 12.9** The reductions already achieved through the voluntary exit scheme and other actions mean we can face this challenge with confidence, although we will need to continue to control staff costs closely and to take opportunities to reduce other administration costs where possible.

Efficiency and Savings

- 12.10** The most significant and advanced of these is the delivery cost savings by reducing the overall size of the workforce. We have already reduced our workforce by nearly 1,000 full time equivalent staff between March 2010 and July 2011 through a combination of voluntary severance and the implementation of internal controls including a freeze on filling vacant posts, stopping new appointments, curbing overtime and reducing the amount we travel.
- 12.11** Going forward, we will extend these measures to continue to drive further savings from within the Welsh Government to enable us to deliver more for less. The significant savings already achieved will stand the Welsh Government in good stead for living within smaller budgets in future years but if budgets continue to be flat lined in cash terms, inflationary pressures will require further action at some point.
- 12.12** Within its administrative budget lines the Central Services and Administration MEG helps fund a number of key interventions which contribute towards the following Welsh Government priorities:
- development of a national secondment scheme across the Welsh public sector;
 - establishment of a strategic Centre of Leadership and Excellence to improve leadership and management practice;
 - pressing the UK Government for a fairer funding deal for Wales; and
 - development of a 10 year Wales wide National Infrastructure Plan to prioritise capital schemes which are of national importance.

Funding of Key Programmes

12.13 The Central Services and Administration MEG includes a block of programme money which supports the following Welsh Government priorities:

- Seeking a fair society free from discrimination, harassment and victimisation with cohesive and inclusive communities including:
 - reduced inequality in socio-economic outcomes;
 - public services that support equality;
 - more inclusive and cohesive communities; and
 - more diversity among decision-makers and boards, reflecting the communities which they serve.
- Continuing to support Wales as a Fair Trade Country; and
- Ensuring Wales continues to play its part on the world stage, for example with the Wales for Africa programme.

Impact Assessments

12.14 By far the most significant change which affects the Central Services and Administration budget is the reduction in the size of our workforce. This voluntary exits programme underwent an equality screening exercise to identify any key trends or issues early on. It also allowed the diversity of applications to be compared against published workforce representation data from the 2009-10 employer equality report. The diversity of the scheme did reflect that of the organisation.

12.15 Aside from this no new impact assessments have been undertaken for this budget as the changes, as set out in the Draft Budget, relate to the transfer of responsibilities for budget headings and not the re-allocation of resources to new priorities.

Table 12.1 – Central Services and Administration Resource Allocations

DEL	£000s									
	2011-12	2012-13			2013-14			2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans	Draft Budget New Plans	Indicative Plans
Delegated Running Costs	214,326	203,155	1,185	204,340	192,904	1,195	194,099	194,099	194,099	194,099
Central Running Costs	91,176	92,419	-1,042	91,377	89,135	-1,052	88,083	88,083	88,083	88,083
Information and Support Services	11,524	11,167	210	11,377	10,825	210	11,035	11,035	11,035	11,035
Central Programmes	14,804	14,271	90	14,361	13,592	90	13,682	13,682	13,682	13,682
Total DEL	331,830	321,012	443	321,455	306,456	443	306,899	306,899	306,899	306,899
AME										
Central Running Costs	-1,100	-800	-1,037	-1,837	-400	-966	-1,366	-848	-1,366	-848
Total Managed Expenditure (TME)	330,730	320,212	-594	319,618	306,056	-523	305,533	306,051	305,533	306,051

Table 12.2 – Central Services and Administrations Capital Allocations

DEL	£000s							
	2011-12	2012-13		2013-14		2014-15		
	Baseline	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans Supplementary Budget June 2011	Changes	Draft Budget New Plans	Indicative Plans
Central Running Costs	11,982	11,145	-	11,145	9,935	-	9,935	9,935
Central Programmes	18,738	17,319	-	17,319	15,378	-	15,378	15,378
Total DEL	30,720	28,464	0	28,464	25,313	0	25,313	25,313
Total Managed Expenditure (TME)	30,720	28,464	0	28,464	25,313	0	25,313	25,313

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

This document supports the Draft Budget Proposals, which set out the resources that the Welsh Government is proposing to use in 2012-13 and the cash it is seeking authority to draw from the Welsh Consolidated Fund. The tables within this report show budgets on an administrative basis, whereas the figures in the Draft Annual Budget Proposals are on a resource basis.

The Welsh Government's administrative budget contains a number of items which are scored outside the accounts of the Welsh Government and therefore do not score as part of the Resources Required by Welsh Ministers. This Annex reconciles the administrative and resource budgets of each Main Expenditure Group.

Health, Social Services and Children

	£000s		
	2012-13	2013-14	2014-15
DEL			
Resource	6,046,623	6,079,280	6,079,668
Capital	240,603	214,478	214,478
AME			
Resource	181,780	80,514	199,392
Capital	-	-	-
Total Managed Expenditure	6,469,006	6,374,272	6,493,538
Reconciliation to Resources			
Resource Consumption of WGSBs and NHS bodies	317,159	200,261	319,139
Supported Borrowing	4,174	3,602	3,602
National Insurance Fund Receipts (and collection costs)	887,856	887,859	887,859
Resources requested	5,259,814	5,282,550	5,282,938

Local Government and Communities

	£000s		
	2012-13	2013-14	2014-15
DEL			
Resource	4,842,872	4,897,837	4,920,978
Capital	261,641	233,291	233,291
AME			
Resource	64,314	25,690	53,240
Capital	-	-	-
Total Managed Expenditure	5,168,827	5,156,818	5,207,509
Reconciliation to Resources			
Resource Consumption of WGSBs and NHS bodies	400	400	400
Supported Borrowing	12,001	10,336	10,336
National Non Domestic Rates payable (and collection costs)	949,172	949,172	949,172
PFI	7,353	7,566	7,786
Resources requested	4,199,901	4,189,344	4,239,815

Business, Enterprise, Technology and Science

	£000s		
	2012-13	2013-14	2014-15
DEL			
Resource	182,870	184,428	184,428
Capital	88,456	79,370	79,370
AME			
Resource	41,402	41,402	41,402
Capital	-	-	-
Total Managed Expenditure	312,728	305,200	305,200
Reconciliation to Resources			
Direct Charges on the Welsh Consolidated Fund	1,695	1,686	1,677
Resources requested	311,033	303,514	303,523

Education and Skills

	£000s		
	2012-13	2013-14	2014-15
DEL			
Resource	1,648,180	1,674,824	1,682,459
Capital	161,343	143,834	143,834
AME			
Resource	99,893	108,455	125,974
Capital	250,418	269,740	279,284
Total Managed Expenditure	1,960,048	1,979,943	1,979,603
Reconciliation to Resources			
Resource Consumption of WGSBs and NHS Bodies	213	213	213
Supported Borrowing	39,038	33,781	33,781
Resources requested	1,920,797	1,945,949	1,945,609

Environment and Sustainable Development

	£000s		
	2012-13	2013-14	2014-15
DEL			
Resource	265,183	265,755	269,201
Capital	61,629	54,238	54,238
AME			
Resource	-	-	-
Capital	-	-	-
Total Managed Expenditure	326,812	319,993	323,439
Reconciliation to Resources			
Resource Consumption of WGSBs and NHS Bodies	3,090	3,090	3,090
Supported Borrowing	10,341	9,741	9,741
Resources requested	313,381	307,162	310,608

Housing, Regeneration and Heritage

	£000s		
	2012-13	2013-14	2014-15
DEL			
Resource	278,282	279,597	279,643
Capital	294,558	262,564	262,564
AME			
Resource	58,510	52,260	52,260
Capital	-	-	-
Total Managed Expenditure	514,330	489,901	489,947
Reconciliation to Resources			
Resource Consumption of WGSBs and NHS Bodies	5,758	6,008	6,008
Supported Borrowing	41,745	31,340	31,340
Resources requested	466,827	452,553	452,599

Central Services and Administration

	£000s		
	2012-13	2013-14	2014-15
DEL			
Resource	321,455	306,899	306,899
Capital	28,464	25,313	25,313
AME			
Resource	1,837	1,366	848
Capital	-	-	-
Total Managed Expenditure	348,082	330,846	331,364
Reconciliation to Resources			
Direct Charges on the Welsh Consolidated Fund	97	92	92
Resources requested	347,985	330,754	331,272

Annex B – Reconciliation of Budget Structure for Education and Skills Main Expenditure Group

RESOURCE BUDGET - Departmental Expenditure Limit		£000's				COMMENTS
SPA	Actions	2011-12 Baseline Restated	2012-13 Baseline Restated	2013-14 Baseline Restated	2014-15 Baseline Restated	
	Literacy and numeracy	9,353	11,353	13,353	13,353	Formerly Basic Skills
	Curriculum	121,562	127,562	131,462	131,462	Curriculum and Assessment (incl. Foundation Phase) plus £20.62m for 14-19 Learning previously core element of Children and Young People's Strategy
	Teaching and leadership	20,218	19,548	18,815	18,815	Formerly Learning Improvement and Professional Development
	Qualifications	15,304	15,304	15,304	15,304	Formerly Qualifications and Learning
Educational Standards	Post-16 education	542,376	551,345	558,476	558,476	Formerly Lifelong Learning and Providers, funding for Post 16 Education excepting Careers Wales (£38m) and Transformation (£3.943m) transferred to new Actions below
	Higher Education	394,479	380,424	380,284	380,284	Unchanged
	Education Structures	3,943	3,943	3,943	3,943	Transformation funding which previously formed a part of Lifelong Learning and Providers
	Education Standards	22,600	25,300	29,500	29,500	Formerly School Leadership and Effectiveness
	ICT and IMS	7,655	7,538	7,423	7,423	Formerly core of Knowledge Management
	Total Education and Training Standards	1,137,490	1,142,317	1,158,560	1,158,560	
Skilled Workforce	Skills in the workplace	25,952	21,406	22,006	22,006	Formerly core of Business and Skills plus £0.539m from Student Finance and Funding
	Employability of the workforce	6,433	7,433	7,433	7,433	Formerly part of Business and Skills
	Educational and careers choice	38,000	36,000	35,000	35,000	Careers Wales funding which previously formed part of Lifelong Learning and Providers
	Total Skilled Workforce	70,385	64,839	64,439	64,439	
Economic and Social Wellbeing and Reducing Inequality	Access opportunities	7,229	7,253	7,253	7,253	Formerly part of Children and Young People's Strategy, excludes £20.62m 14-19 Learning included in Curriculum above.
	Wellbeing of children and young people	60,590	62,840	65,090	65,090	Formerly core of Support for Learners with remainder in Pupil Engagement below
	Post-16 learner support	311,281	306,680	308,073	308,073	Formerly core of Student Finance and Funding less £0.539m to Skills in the workplace
	Pupil engagement	11,658	12,158	12,758	12,758	Formerly part of Support for Learners
	Total Economic and Social Wellbeing and Reducing Inequality	390,758	388,931	393,174	393,174	
Welsh Language	Welsh learning	12,377	12,377	12,377	12,377	Formerly Welsh Language Development
	Welsh Language Board	13,878	13,978	14,078	14,078	Unchanged
	Total Welsh Language	26,255	26,355	26,455	26,455	
Delivery Support	Delivery Support	5,313	5,148	5,006	5,006	Formerly Strategic Projects of £2.699m plus remainder of Knowledge Management of £2.614m in 2011-12.
	Total Delivery Support	5,313	5,148	5,006	5,006	
	Total Resource - Education and Skills	1,630,201	1,627,590	1,647,634	1,647,634	

CAPITAL BUDGET - Departmental Expenditure Limit						£000's
SPA	Actions	2011-12 Baseline Restated	2012-13 Baseline Restated	2013-14 Baseline Restated	2014-15 Baseline Restated	
Educational Standards	Estate and IT provision	169,923	161,243	143,734	143,734	
	Total Raising Standards	169,923	161,243	143,734	143,734	
Welsh Language	Welsh Language Board	50	100	100	100	
	Total Welsh Language	50	100	100	100	
	Total Capital DEL - Education and Skills	169,973	161,343	143,834	143,834	
CAPITAL BUDGET - Annually Managed Expenditure						£000's
SPA	Actions	2011-12 Baseline Restated	2012-13 Baseline Restated	2013-14 Baseline Restated	2014-15 Baseline Restated	
Economic and Social Wellbeing and Reducing Inequality	Post-16 Learner Support	240,951	254,333	262,610	262,610	
	Post 16 Learner Support	-115,649	-132,021	-150,601	-150,601	
	Total Business Improvement and Resource Investment	125,302	122,312	112,009	112,009	
	Total AME - Education and Skills	125,302	122,312	112,009	112,009	

Education and Skills - Summary						£000's
		2011-12 Baseline Restated	2012-13 Baseline Restated	2013-14 Baseline Restated	2014-15 Baseline Restated	
	Resource DEL	1,630,201	1,627,590	1,647,634	1,647,634	
	Capital DEL	169,973	161,343	143,834	143,834	
	Total DEL	1,800,174	1,788,933	1,791,468	1,791,468	
	Annually Managed Expenditure - Capital	240,951	254,333	262,610	262,610	
	Annually Managed Expenditure - Resource	-115,649	-132,021	-150,601	-150,601	
	Total Annually Managed Expenditure	125,302	122,312	112,009	112,009	
	Total Education and Skills	1,925,476	1,911,245	1,903,477	1,903,477	

Annex C – Assessing the Equality Impacts

C1. Introduction

C1.1 Equality, inclusion and social justice are at the heart of the Welsh Government. This is evidenced by the Welsh Government being the first Government in the UK to publish its Specific Duties under the Equality Act 2010 (the Act). These have outcome focused engagement, evidence and equality impact assessment at their core. This Welsh Government is committed to ensuring that equality, inclusion and human rights are mainstreamed into policy making and delivery. In order to do this, we must better understand the impacts on the people of Wales, with a particular focus on those with protected characteristics under the Equality Act 2010 in relation to age, disability, gender reassignment, race, religion or belief, pregnancy and maternity, sex, sexual orientation, and marriage and civil partnership.

C2. Welsh Government Budget and Equality Impact Assessment for 2011-12

C2.1 In February 2011, the Equality Impact Assessment (EIA) of the Draft Budget 2011-12 was published alongside the Final Budget 2011-12¹⁴. Departments undertook an EIA of their own budget allocation decisions, which resulted in a number of adjustments. Importantly, an EIA was carried out on the strategic decisions that Cabinet made and resulted in increases to funding for social services and housing for vulnerable people.

C2.2 This was the first time that the Welsh Government (or any other administration) had carried out an EIA on its Draft Budget and so there was no blueprint on which to base the work. A process was developed based on the Welsh Government's Inclusive Policy Making (IPM) tool¹⁵ and undertaken by all Departments.

C3. The Draft Budget 2012-13

C3.1 To meet our legal obligations, we need to demonstrate that we are considering the potential impacts of our spending plans on people with protected characteristics. As part of last year's Budget which was a three year budget, the Welsh Government undertook significant work to assess the equality impact of the plans we published. This year's allocations are largely unaltered

¹⁴ Full details of the Welsh Government Budget and Equality Impact Assessment for 2011-12 can be found on the Welsh Government internet site at:
<http://wales.gov.uk/about/civilservice/directorates/spfp/financedepartmentreports/110201equalityimpacts/?lang=en>

¹⁵ Further information and guidance, including a toolkit for using Inclusive Policy Making can be found on the Welsh Government internet site at:
www.wales.gov.uk/topics/equality/inclusivepolicy/?lang=en

The Equality and Human Rights Commission has produced guidance on the Public Sector Equality Duties and Financial decisions and a brief note for decision makers on Equality Impact Assessment:
www.equalityhumanrights.com/wales/equality-impact-assessments

from those in last year's Budget; therefore the Welsh Government has not repeated the detailed work undertaken last year. For this reason, this document and the Equality Impact Assessment for the Budget 2011-12 should be considered together.

C3.2 However, where spending plans have changed from those published in last year's Budget they have been equality impact assessed and, in particular, this includes additional allocations on:

- our **Five for a Fairer Future** commitments;
- continuing to deliver our suite of universal benefits; and
- ensuring financial sustainability in the NHS.

C3.3 In order to be confident that the equality impact has been assessed in these areas and others, Welsh Government Departments undertook an initial screening to consider whether there may be a potential impact in terms of equality. Following the initial screening, if it was apparent that proposed changes would have a significant impact on people with one or more of the protected characteristics then a full EIA was required to pay due regard to, and better understand the potential impact of, the proposed budget allocations. It was made clear that, those Departments where potential equality impact assessments would be undertaken must:

- engage with and take account of the views of relevant stakeholders; and
- ensure that they were based on sound evidence.

C4. Legal Obligations

C4.1 The Welsh Ministers have used their power under the Act to impose specific equality duties on certain Welsh authorities, including the Welsh Government itself. The specific duties are designed to help authorities comply with the general equality duty, and are set out in the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. Our IPM process has been revised in accordance with those specific duties to ensure that all new policies, and existing policies that are revised and reviewed, consider the impact on all of the people with protected characteristics.

C4.2 The Welsh Government also has a duty under section 77 of the Government of Wales Act 2006 to have arrangements to ensure that its functions are exercised with due regard to the principle that there should be equality of opportunity for all people.

C5. Welsh Specific Equality Duties

- C5.1** The Welsh Government's Single Equality Scheme will cease to exist on 31st March. The scheme went beyond the statutory requirements to cover disability, gender and race to include also age, religion and belief, sexual orientation and transgender.
- C5.2** The Equality Act 2010 introduced a new GB-wide general public sector equality duty that came into force in April 2011. The Act made provision for the Welsh Ministers to make regulations that impose specific public sector equality duties on relevant Welsh public authorities to help them meet the general duty.
- C5.3** The Welsh Government has passed legislation which brought the Welsh Specific Duties into law. The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 were laid before the National Assembly for Wales on 8 March and debated in Plenary on 29 March. The regulations were approved by the National Assembly for Wales and came into force on 6 April 2011 (the first administration within the UK to do so). The Welsh Specific Equality Duties are intended to help public bodies in Wales perform their general duty better.
- C5.4** The focus of the Welsh Specific Duties is on outcome focused equality objectives. If these are to be meaningful, credible evidence needs to be gathered and analysed to identify where action needs to be focused. The Welsh Government proposes that Welsh public bodies gather evidence, equality impact assess and engage with people, and ultimately develop objectives that will make a difference to people's lives.
- C5.5** These objectives will need to be published by April 2012. From these objectives, citizens will be left in no doubt what public bodies in Wales are going to be doing to work towards eliminating discrimination and promoting equality and good relations.

C6. Distributional impact summary of the Welsh Government Budget

- C6.1** There is a wide body of research on the impact of public expenditure on individuals according to their income level. From this we know in general terms which groups are likely to benefit the most from the decisions we make designed to mitigate the adverse impacts of the fiscal consolidation currently being undertaken by the UK coalition Government.
- C6.2** This research shows that those at the bottom of the income distribution, on average, benefit most from public expenditure on services. This is mainly due to the progressive nature of spending on health and education. When the effect of taxation and welfare benefits is taken into account it makes the overall picture even more progressive as those at the bottom end of the income distribution pay relatively less in taxation and gain more in welfare benefits than those at the higher ends of the income distribution¹⁶. Therefore,

¹⁶ More detailed discussion on measuring the distributional impact of public expenditure is available in The IFS Green Budget: February 2011.

the impact of the tax and benefit changes are very significant for those on low incomes in Wales.

C6.3 While the Welsh Government has been highly constrained by the overall fiscal consolidation undertaken by the UK coalition Government, we have been able to help mitigate some of the adverse impacts of lower public spending on disadvantaged groups through our spending decisions. A summary of the implications of our decisions is included. Also summarised is the evidence of the impact of the tax and benefit decisions taken by the UK coalition Government.

C7. Summary of the impact on spending decisions in devolved areas

C7.1 Our decision to increase health spending over the budget period has important distributional implications and is a key measure to help mitigate the adverse impact of the tighter budgetary environment that we find ourselves in. Socio-demographic variation in health risk is longstanding and well documented with many adverse health conditions more prominent in individuals with low incomes. There is also evidence that individuals from lower income groups visit general practitioners (GPs) more often. Our decision to increase the accessibility of GPs will ensure that those who need access to health services the most will get the support they need. In addition, doubling the number of children that will benefit from Flying Start will help children in our most disadvantaged communities get the health support they need early in life.

C7.2 Decisions to increase health spending also have important equality impacts. We know that self reported ill health is higher for individuals from ethnic minority groups for certain conditions¹⁷, is generally higher for women than men and tends to increase with age. In addition, it is clear that increases in health spending will be particularly beneficial for disabled people as there is much evidence that shows that disabled people (including people with learning difficulties, mental health problems, physical impairment and sensory impairment) have a greater need for health and social care services than the population as a whole.

C7.3 We will also be improving the health of the people of Wales by the commitment to keep prescriptions free. As mentioned above the incidence of ill health is highest amongst those on low incomes and for a number of those with protected characteristics. Free prescriptions therefore benefit those most in need by ensuring that nobody is deterred from taking regular medication that would help them live healthier lives, because of the cost of paying for regular prescriptions. Ensuring that everyone can receive the medication they need is also an important component to help people return to work.

C7.4 In addition to the benefits from health spending, one of the main reasons why individuals from the bottom end of the income distribution gain proportionately

¹⁷ There is evidence that some minority ethnic groups, either due to genetics or cultural practices, are more at risk of certain health conditions such as diabetes, stroke, heart disease and mental health problems, than the general population.

more from public spending is due to the benefits from state education. Differences in the rate of participation exist at primary, secondary and higher levels. At primary and secondary levels, education is, of course, compulsory but individuals can opt to withdraw from the public sector and educate children privately. The proportion of households that purchase private education increases with income.

- C7.5** Our decision to increase frontline spending on schools will benefit all those in state education. However, in addition to the lower private education participation rates for children from low income households, the formula to allocate education resources to local authorities in Wales includes the number of children that receive free school meals with more resources allocated to areas with a high number of children entitled to free school meals. Evidence shows that eligibility for free school meals is a useful proxy measure for the number of pupils from disadvantaged backgrounds, meaning that our increase in frontline spending on schools will benefit those most disadvantaged in Wales.
- C7.6** Education spending also has some important equality impacts. We know that the eligibility for free school meals is higher for individuals from ethnic minority groups than for the school population as a whole. There are also well established differences in attainment between male and female pupils and there is evidence that shows increases in school resources can lead to improved attainment. There is clearly potential for the additional resources announced in the Budget to help close the attainment gap between genders.
- C7.7** In addition to the increase in frontline spending on schools, we will also keep our policy of free breakfasts and milk for the under sevens. Evidence shows that a healthy breakfast is linked to better health, concentration and behavior in our schools. Our commitment to keep this important policy will benefit all, but will be particularly beneficial for children from disadvantaged households as we know individuals from lower social groups are less likely to consume a healthy breakfast. Evaluation evidence shows that the policy has led to an improvement in the quality of breakfasts consumed. There was a rise in the consumption of health food items such as fruit, vegetables and wholemeal bread all of which are items that individuals from low income households are less likely to consume.
- C7.8** We have also made the commitment to support our higher education students so they will not have to pay the increase in university tuition fees. This support will be particularly important for students from low income households as the evidence shows financial constraints can be a factor in participation decisions. We already know that since the introduction of maintenance grants here in Wales participation in full and part-time study grew more strongly amongst students from lower socio-economic groups.
- C7.9** Again, our decision to support students in higher education has some important equality impacts. The proportion of Welsh domiciled enrolments to higher education from the ethnic minority population as a whole is greater than their overall proportion within the population so our support available to

students to continue into higher education will clearly benefit students from ethnic minority groups.

C7.10 It is not just young people moving into higher education who will benefit from our budget decisions made here. We are also allocating additional funding to create a young people's jobs and training fund and extend apprenticeship opportunities for young people. With the increase in youth unemployment seen across the UK this additional funding will be crucial in tackling this issue here in Wales.

C7.11 We also know that it has not just been young people that need support in a difficult labour market. Our policies and programmes to support people that have been made redundant – such as the ReAct programme – have helped to mitigate the impact of one of the worst recessions on record. With an uncertain economic recovery, it is important that we build on this support to ensure that those made redundant receive the help they need to return to work.

C7.12 The evidence shows that during the recession the majority of those losing their jobs were males¹⁸. Therefore, our support to help those people made redundant find work is likely to have been particularly beneficial to males. However, with rising female unemployment and with around two thirds of all public sector workers in Wales being female, our support available to help people back into employment will also be crucial for our female workforce.

C8. Public Sector Workforce in Wales

C8.1 Launched on 1st April 2011, Adapt is supported by a First Point of Contact for public sector employers so that they can immediately access support and advice which will help them reduce the impact of job losses. The service is also tailored to the requirements of individuals facing redundancy (both voluntary and compulsory); with the aim of helping to keep talent and skills within the Welsh economy as well as ensure individuals manage the transition from public sector employment into a range of new careers and ways of life as easily as possible. For those who qualify, vocational training grants of £1,500 are available.

C8.2 Since the launch, Adapt has experienced a gradual increase in activity. The efforts employers in the Welsh public services are making to avoid redundancies account for the gradual build of usage, coupled with the time that due process takes to arrive at a redundancy situation. This is specifically in order to allow the opportunities for redeployment within sector, or the option of retirement, to be considered, redundancy being truly the very last resort. Latest data is:

¹⁸ Between the three months to June 2008 and the three months to September 2009 the male unemployment rate in Wales rose by 4.7 percentage points to 10.1 per cent - a larger increase than that for Women (2.5 percentage points to 7.4 per cent).

Calls to the First Point of Contact (Launch to August 2011)	
Employers	45
Individuals	108 (69.5% being women)
General enquiries	61
Successful applications for Adapt grants (Launch to September 2011)	
Vocational training grants	126 (57% being to women)
Employer wage subsidies	12 (33% of applicants being women)

C8.3 In addition, the service has received a number of enquiries from individuals and employers directly to the Adapt/ReAct team and these may not be reflected above.

C8.4 Adapt is a product of a new Welsh approach to bringing employers and trade unions together in partnership under the Welsh Government Workforce Partnership Council, Chaired by First Minister, to address some of the big challenges ahead. This includes, as a long term goal, how to move to a more unified Welsh public service with a unique brand or identity. This work will look at the enablers for this ambition, including sharing an approach to employee welfare, promoting higher levels of employee engagement, examining how terms and conditions of service that have evolved separately over many decades might be harmonised and adopting a modern Corporate Social Responsibility approach to public service employment.

C9. Impact of the Tax and Benefit changes

C9.1 The tax and benefit system is non-devolved so we are constrained by the decisions made by the UK coalition Government. Those decisions are of great significance for the people of Wales as Wales has a higher proportion of the population that receive welfare benefits than across the UK as a whole. As a result, cuts in benefits will be felt with greater force here in Wales.

C9.2 The most comprehensive analysis of the impact of the tax and benefit changes announced by the UK coalition Government has been published by the Institute for Fiscal Studies (IFS)¹⁹. The IFS is one of Britain's leading independent research organisations specialising in public finance, tax and welfare policy. The IFS frequently produces independent analysis on the impact of tax and benefit policy changes.

C9.3 The IFS finds the UK coalition Government's policies are regressive (i.e. they will take more proportionately from lower income groups than from higher income groups) for the bottom nine tenths of the income distribution. In contrast, the distributional impact of the previous Government's deficit cutting policies that have been retained by the UK coalition Government are

¹⁹ Supporting the Budget 2010 and Spending Review documentation HM Treasury published a distributional analysis of the changes to taxes, tax credits and welfare benefits. This initial analysis was criticised by the IFS as it did not include a number of major welfare reform measures to be introduced and was only undertaken for 2012-13.

progressive (i.e. changes will take more proportionately more from higher income groups) mainly because they raise taxes for higher earners²⁰.

- C9.4** The impact of the UK coalition Government policies are likely to be more severe in Wales as incomes are lower and Wales has a higher proportion of the population claiming welfare benefits. Indeed, additional analysis from the IFS shows that on average households in Wales are expected to lose 4.1 per cent of their income as a result of the changes announced by 2014-15. This compares to a UK average of 3.8 per cent. Only households in Northern Ireland are expected to lose more than those in Wales²¹.
- C9.5** The tax and benefit changes implemented in 2011-12 are found to reduce incomes across the income distribution. The VAT increase in particular is expected to have an adverse impact on those on low incomes as they spend a greater proportion of their income than those higher up the income distribution. Taken together, the IFS estimated that the tax and benefit changes being implemented this year amount to a total average net 'takeaway' (reduction in household income) of an average of almost £700 per year per household²². One of the main reasons for this loss in income is the decision to up-rate benefits by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). For many low income households dependent on welfare benefits the change to up-rate their payments by CPI rather than RPI will result in a real-terms cut in their benefit payments²³.
- C9.6** The implications of high inflation have been discussed in the latest inflation report from the Bank of England. They note that economic growth is likely to remain sluggish in the near term, reflecting the continuing squeeze on households' real incomes. This also has important distributional implications. Since the recession, average earnings have been growing at a rate below the average rate of inflation meaning that most of the working population have seen real-terms reductions in their earnings. The impact of the relatively high inflation is likely to impact on households differentially with many low income households particularly adversely affected. Analysis of spending patterns shows that low income households spend a higher proportion of their income on fuel and food than those higher up the earnings distribution²⁴. Both of these items have experienced large increases driving up overall inflation above the Bank of England's target of 2 percent. On average, lower income households are found to have a higher inflation rate than higher income households meaning that they are facing a larger fall in real earnings.

²⁰ Further analysis is available from IFS (2010) Distributional Analysis of tax and benefit changes. <http://www.ifs.org.uk/publications/5313>

²¹ IFS (2010) The Impact of Tax and Benefit Reforms to be introduced between 2010-11 and 2014-15 in Northern Ireland. <http://www.ifs.org.uk/publications/5369>

²² IFS (2011) The impact of the tax and benefit changes to be implemented in April 2011. <http://www.ifs.org.uk/publications/5451>

²³ Historically the CPI is lower than the RPI as the CPI is a sub-set of the broader measure of inflation the RPI. This means that welfare payments increase at a slower rate than previously and at a rate below the inflation rate individuals actually pay (the RPI).

²⁴ IFS (2011) The spending patterns and inflation experience of low-income households over the past decade <http://www.ifs.org.uk/publications/5606>

- C9.7** The tax and benefit changes clearly have a differential impact across income groups. They also have a differential impact across household types as there are specific measures that will impact in certain households. The IFS concludes that families with children are "the biggest losers". This is because they are a group that is principally affected by the cuts to tax credits and the rise in National Insurance rates²⁵. As a result, the changes made by the UK Coalition Government will have a negative impact on child poverty, although the overall effect they model is small.²⁶
- C9.8** In comparison to other households, pensioner households lose by relatively small amounts as a result of the tax and benefit changes. Like all households, pensioners lose as a result of the rise in VAT and the up-rating of disability benefits by CPI rather than RPI. However, pensioner households are expected to gain from the increase in the Basic State Pension and the changes to the Pension Credit Guarantee²⁷.
- C9.9** Some initial analysis of the impact on the tax and benefit changes by gender highlights that generally there is little differential impact. The tax and benefit changes to be introduced by 2014-15 will cause a larger loss for single adult females than a single adult male. This is largely driven by the particularly large loss for lone parents from these reforms, over 90% of whom are female²⁸.

C10. Assessing the budgetary changes to Health, Social Services and Children

- C10.1** A full equality impact assessment was conducted on Health, Social Services and Children's policies to ensure that they 'pay due regard' to age, disability, gender reassignment, race, religion or belief, pregnancy and maternity, sex, and sexual orientation, when the spending plans for 2011-12 to 2013-14 were set in last year's Budget. The underlying assumptions underpinning these spending plans are largely unchanged, and remain relevant for 2014-15.
- C10.2** Separate consideration has been given to the equality impact of the additional allocations which have been included in this Draft Budget.
- C10.3 Recurrent Orthopaedics Funding** - This funding will be used to develop sustainable solutions to delivering orthopaedic waiting times targets. This will ensure timely treatment of patients waiting for assessment and treatment for relevant conditions regardless of gender, race, disability, age, sexual orientation, gender re-assignment and religion or belief, and therefore there is no significant impact on equality arising from this funding.

²⁵ IFS (2010) Distributional Analysis of tax and benefit changes <http://www.ifs.org.uk/publications/5313>

²⁶ HMT concluded that the reforms would not have a negative impact on child poverty. The discrepancy between the HMT analysis and the IFS is accounted for by fact that IFS models Local Housing Allowance reforms, whereas HMT did not.

²⁷ IFS (2011) Average losses for pensioner households from tax and benefit changes to be introduced between January 2011 and April 2014 <http://www.ifs.org.uk/publications/5440>

²⁸ IFS (2011) The impact of tax and benefit reforms by sex: some simple analysis <http://www.ifs.org.uk/publications/5610>

- C10.4 NHS recurrent support** - This funding will be used to place the NHS on a sustainable financial footing. NHS organisations are required to ensure they have due regard to gender, race, disability, age, sexual orientation, gender re-assignment and religion or belief when developing their efficiency plans, and they will be reminded of this requirement when the 2012-13 resource allocation is issued in the autumn.
- C10.5 Flying Start** - This funding will increase the number of children benefiting from increased investment in early years. It is specifically targeted at children from disadvantaged families living in poverty. It is an extension to an existing policy which has already been considered with regard to gender, race, disability, age, sexual orientation, gender re-assignment and religion or belief.
- C10.6 Free prescriptions** - This funding is to continue ensuring that people on low incomes are not deterred from taking regular medication that would help them to live healthier lives. The policy of free prescriptions is universal to all Welsh residents, regardless of gender, race, disability, age, sexual orientation, gender re-assignment and religion or belief. Some people with protected characteristics are over-represented amongst those with low incomes and should benefit from free prescriptions.

Updates from 2011-12 report:

- C10.7 Support Education and Training of the NHS Workforce** – Although there is a reduction in funding it is not anticipated that this will have a disproportionate impact on the Equality duties. Nevertheless, this is a matter that will be kept under review and the Equality impact will be reassessed when the outcome of the Bursary Review is known and workforce plans have been received. The bursary review was completed in July 2011.
- C10.8 Promote Health Improvement and Healthy Working** – The issues tackled by this action area, such as smoking, unhealthy eating, lack of physical activity, poor pregnancy outcomes and unhealthy working environments, are associated with social disadvantage. Funded activities are designed specifically to address inequalities. Reducing budgets could have a disproportionate effect on disadvantaged groups and we recognise this. There is a reduction of £0.696m in 2011-12. In taking forward this work officials will therefore seek to ensure that the impact on disadvantaged groups will not be disproportionate but will keep under review the need for a full equality impact assessment.

C11. Assessing the budgetary changes to Local Government and Communities

- C11.1** In determining budget allocations, careful consideration has been given to the impact of changes on equalities. As part of last year's Budget process,

we undertook a significant amount of work to assess the equality impact of the plans we published.

- C11.2** The underlying assumptions of this year's allocations are unaltered from last year's plans. For example, the protection already given to local authority social care budgets takes account of this as well as reflecting more generally the need to maintain services to the most vulnerable in society.
- C11.3** Increases in allocations for priorities such as the Free Bus Travel for Pensioners and Disabled People and their Carers in 2014-15 also underline our commitment to the equalities agenda.
- C11.4** While funding is being reprioritised within the transport budgets and there are structural changes to local government and public services budgets, there are no potential impacts in terms of equalities.
- C11.5** The next phase of the Communities First programme will be subject to an Equality Impact Assessment at the appropriate time.

Updates from 2011-12 report:

- C11.6 Post Office Diversification Fund** - will come to an end in March 2012, with a final round closing on 29 April 2011. Both the October 2010 and April 2011 rounds will be held as capital only. We will be commissioning an independent evaluation of the Fund in 2011 which will take into account any positive benefits of the scheme for protected groups and will inform the future funding of post offices in Wales.
- C11.7** A draft report on the independent evaluation of the Post Office Diversification Fund will be published in autumn 2011
- C12. Assessing the budgetary changes to Business, Economy, Technology and Science**
 - C12.1** An equality impact assessment process was undertaken when the indicative allocations were laid in last year's Budget and this remains relevant as there have been minor changes only for this Draft Budget.
 - C12.2** Business, Economy, Technology and Science (BETS) is currently focussing equality impact assessment at planning and implementation phase across the various areas of the Department. Each assessment will include an action plan which will identify how the Department will attend to areas of disproportionate impact across the span of its work.

C13. Assessing the budgetary changes to Education and Skills

C13.1 Whilst the overall change to the draft budget is an increase, the Department for Education and Skills (DfES) will be reducing some budgets to enable reprioritisation.

C13.2 The initial assessment of the budget reductions applied within the Draft Budget are that they do not cause disproportionate impact to the specific groups on the basis of age, disability, gender and gender reassignment, race, religion or belief or non-belief and sexual orientation. However, there will need to be continued review to assess impact of final budgets on equalities, and following this through the further allocation to specific programmes, and external bodies.

Updates from 2011-12 report:

C13.3 HEFCW - The reductions applied are in respect of Higher Education (HE) at a strategic level. It is expected that much of the reduction will be achieved through improved efficiency within the administration of HE and as such the reductions should not result in significant impacts on learners. However allocations to specific Higher Education Institutions (HEIs) are made by the Higher Education Funding Council for Wales (HEFCW). HEFCW routinely undertakes Equality Impact Assessments on major changes to its strategies and funding regimes. At present, as well as absorbing the budget changes for 2011-12, it is facing significant alterations to its role and priorities in light of *For our Future* and the changes to student finance tuition fees, announced by the Minister in November 2010. This may delay its scope to submit an accurate Equality Impact Assessment until Autumn 2011.

C13.4 EIA's have been undertaken by HEFCW on a number of specific areas including:

- HEFCW Corporate Strategy 2010-11 – 2012-13;
- guidance on regional strategies;
- changes to the funding method in 2011-12, (including quality research);
- guidance on the use of the Accreditation of Prior Experiential Learning;
- Foundation Degree Policy;
- Learning and Teaching and Widening Access Strategy guidance;
- ITT Strategy guidance;
- management of full-time student numbers from 2011-12;
- Innovation and Engagement Strategy guidance;

- guidance on the Costs of Study; and
- Coleg Cymraeg Cenedlaethol grant arrangements.

C14. Assessing the budgetary changes to Housing, Regeneration and Heritage

- C14.1** Comprehensive impact assessments were conducted on Housing, Regeneration and Heritage programmes and policies when the spending plans for 2011-12 to 2013-14 were set in last year's Budget.
- C14.2** The underlying assumptions underpinning these spending plans remain relevant to 2014-15 However, screening has been undertaken and full EIAs are not required.

Updates from 2011-12 report:

- C14.3 Housing** – As part of the 2011-12 budget, the Housing Division committed to produce a full Equality Impact Assessment (EIA) to consider changes to this budget. In completion of this EIA, extensive discussions took place with stakeholders and partner organisations including analysis and evaluation of evidence. The EIA covered the Supporting People Programme, Care and Repair Cymru, Renewal Areas and Social Housing Grants and was completed during an IPM Panel meeting on 6 April 2011. As a result of the success of this panel, the Welsh Government and external panel members agreed to keep the panel active and to meet regularly to undertake further Housing EIA's as required.
- C14.4 Heritage** – A screening assessment on **Libraries Inspire** was completed. CyMAL have sent information out for consultation to a list of equalities groups and organisations as part of its communication plan.
- C14.5 Equalities Blueprint** - Practical guidance for the sector that brings together, in one place, information on and interpretation of relevant clauses of the recently ratified UN Convention on the Rights of Persons with Disabilities, relevant provisions of the Equality Bill (once passed) and areas for development flagged in Quantifying Diversity. The aim is a human rights perspective on museums, archives and libraries – with the emphasis on what that means in practice. The blueprint will be the subject of a full impact assessment before the work commences.

Access Summary Template

- C14.6** “The Division is currently considering the evidence available relating to various aspects of work, with a view to undertaking a screening assessment and completing a full Equality Impact Assessment if required. The Library Strategy assessment will go forward during spring/summer 2011. An

assessment on the Access Summary Template will be carried out during 2011-12”.

- C14.7** Consultants were appointed through an open tender process and the. A steering group has been established including representatives from the museum, archive and library sector, and from disability groups. The draft template will be developed by January 2012.

Access to Cadw sites (Budget Reductions)

- C14.8** This policy area is going through the IPM process and the information gathering stage has been completed; this information including equality evidence and research was gathered to determine the relevance that free admission to Cadw sites may have to equality and human rights.

- C14.9** The screening process highlighted potential impacts on Disability, Race and Age and will progress to a detailed assessment.

C15. Assessing the budgetary changes to Environment and Sustainable Development

- C15.1** There are no significant changes to the 2012-13 budget from last year’s final budget. Major changes were made then to the allocations in the light of the UK settlement and these individual budgets will be continued at those levels through to 2014-15. Our interventions will continue to focus on protecting those most vulnerable in our society, promoting sustainable development and ensuring our international obligations are met. As such no further EIAs will be required.

C16. The Central Departments

- C16.1 Equality, Diversity and Inclusion Division** – There are no changes to the budget and no change to the EIA previously published.

- C16.2** Funding has been made available in 2011-12, through the Advancing Equality Fund for the launch and development of an all Wales Women’s Network and events to celebrate equality and diversity, linked to one of more of the protected characteristics found in the Equality Act 2010 and for events to celebrate International Women’s Day 2012.

- C16.3 Digital Inclusion** – There are no changes to the budget and no change to the EIA previously published.

Annex D – Glossary

Action	<p>Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions. Tables showing budgets at Action level are available at:</p> <p>www.wales.gov.uk/budget</p>
Ambits	<p>Descriptions of the specific purposes for which Welsh Ministers are authorised by the National Assembly for Wales to spend resources. Ambit Descriptions and resource limits are contained within the Annual Budget Motion. Ambits correspond to MEGs.</p>
Annually Managed Expenditure (AME)	<p>Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and Pre-Budget Report processes. AME typically consists of programmes which are large, volatile or demand-led; for example the issue of student loans.</p>
Budget Motion	<p>The means by which the National Assembly for Wales authorises Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.</p>
Capital	<p>Expenditure that in the main results in a physical asset, for example a new building. The Welsh Government DEL and AME budgets have separate capital and resource limits.</p>
Departmental Expenditure Limit (DEL)	<p>The multi-year budget limit for the Welsh Government set by the HM Treasury. DEL is planned and controlled on a three year basis in Spending Reviews.</p>
Depreciation	<p>The drop in value of an asset due to wear and tear, age and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a non-fiscal resource DEL item.</p>
Direct Charges on the Welsh Consolidated Fund	<p>Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct Charges include the remuneration of the Presiding Officer and Auditor General.</p>

Fiscal Resource DEL (previously known as near-cash)	Accruals measures of transactions that normally turn into cash flows soon, for example, pay, current procurement, resource grants and subsidies.
Main Expenditure Group (MEG)	The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently 7 MEGs: Health, Social Services and Children; Local Government and Communities; Business, Enterprise, Technology and Science; Education and Skills; Environment and Sustainable Development; Housing, Regeneration and Heritage; and Central Services and Administration.
Non-Fiscal Resource DEL (previously known as non-cash)	Accruals measures included in budgets to ensure they reflect the full economic cost of activities even though there is not a direct link to cash flows in the relevant period - for example, depreciation and provisions. Non-fiscal resource DEL cannot be used to fund fiscal resource DEL spending.
Receipts	Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the budget as negative figures.
Resource budgeting	The Welsh Government's budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budget includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.
Resource (previously known as revenue)	Current expenditure, for example, funding for the pay of public sector workers and to purchase consumable goods and services.
Spending Programme Area (SPA)	Within each MEG, budgets are allocated to Spending Programme Areas according to the kind of services they will deliver.
Spending Review	Every two or three years HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming three years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula.

Total Managed Expenditure (TME) The total Departmental Expenditure Limit plus Annually Managed Expenditure.

Welsh Consolidated Fund The account into which the money voted by the UK Parliament for use by the Welsh Government, the Assembly Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.

WGSB Welsh Government Sponsored Body.



Llywodraeth Cymru
Welsh Government

Your Money -

A Budget for Growth and Jobs

October 2011

www.cymru.gov.uk

The Draft Budget for 2012-13 sets out the Welsh Government's spending plans for the next three years. Proposals are aligned to our Programme for Government which sets out what we are trying to achieve, the key actions we will take to deliver improvements and how we will monitor progress.

Despite the tough financial climate, we have maximised the resources available to support the priorities that matter to the people of Wales – jobs and growth, education, health, and stronger communities.

This Draft Budget presents spending plans for the three years covering 2012-13 to 2014-15. It is designed to encourage economic growth and support employment, whilst ensuring equality, inclusion and social justice for the whole of Wales and protecting the most vulnerable.

The Budget includes a range of measures to support employment, and to help Welsh businesses compete and grow. It confirms a more strategic approach to capital investment, which is vital to modern public services but also essential to supporting the economy. We will develop a National Infrastructure Plan and take opportunities to boost investment in Welsh infrastructure through a range of innovative approaches.

We will continue to improve procurement across the Welsh public sector to secure effective and good value products and services. Supporting the Welsh economy through the creative use of contracts to deliver new local employment and training opportunities will benefit our communities.

We will allocate over £129 million over the three years in support of our 'Five for a Fairer Future' pledges.

Allocations include:

- funding to deliver our new Jobs Growth Wales scheme. This £75 million scheme will support young people and businesses, with tailored training and employment opportunities;
- increased frontline spending for schools, with an extra £27million in 2014-15;
- additional funding to deliver 500 new Police Community Support Officers; and
- £55 million over three years to double the number of children benefitting from the Flying Start Programme.

Over the next three years we will increase our investment in the health service by £288 million to sustain and modernise high quality services.

The Welsh Government has a strong record in managing our resources, but the cuts imposed by the UK Government go too far, too fast. That's why a fairer funding package for Wales that gives us the ability to borrow to fund capital projects is such a key priority. We will continue to play a constructive role in inter-governmental talks to review Welsh finances and work closely with the Commission for Devolution in Wales to consider devolution of further fiscal powers.

Jane Hutt

*Minister for Finance and Leader
of the House*



**Welsh Government budget 2012/13
Submission to Finance Committee
September 2011**



Introduction

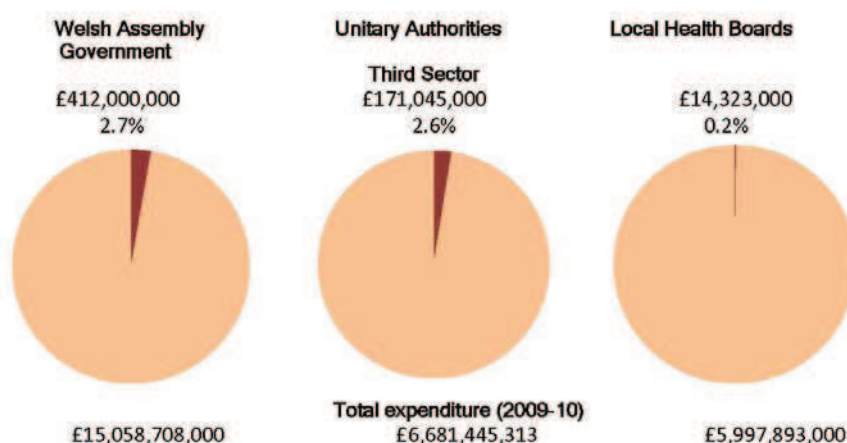
1. Wales Council for Voluntary Action represents, campaigns for, supports and develops voluntary organisations, community action and volunteering in Wales. It represents the sector at UK and national level; and together with a range of national specialist agencies, county voluntary councils, volunteer centres and other development agencies, it provides a support structure for the third sector in Wales. It has 3,000 members, and is in touch with many more organisations through a wide range of national and local networks.
2. WCVA has prepared this paper in consultation with the umbrella bodies and networks in membership of the Third Sector Partnership Council.

Summary of main points

3. This paper sets out issues that we hope will assist the Finance Committee in their scrutiny of the Welsh Government budget for 2012/13 and beyond. In particular it highlights the following:
 - It should be a priority to maintain support for third sector organisations who are able to maximise resources available in the community, lever other funding into their community, and support the massive contribution made by volunteers.
 - Public sector funding for the third sector is a very small part of overall expenditure, and reductions will have a negligible impact on the savings that need to be made.
 - Nevertheless, third sector organisations are acutely aware of the funding situation and are always exploring ways of reducing costs.
 - Reductions in funding for the third sector may have a multiplier effect by losing additional funding and resources levered in on the basis of public sector funding.
 - Reducing funding for preventative work, early intervention and building community capacity and resources will lead to greater demands for more expensive statutory services.
 - Building on the sector's ability to deliver services in new ways that involve 'co-production' with citizens and communities - working in partnership with service providers to address their own needs - should be a priority for the continuing public service reform programme.
 - The assessment of how budget decisions impact upon the third sector should include the outcomes and added value that the sector produces from government funding, and not simply the cost.
 - Clarity is required about the circumstances in which procurement or grant-funding are used to fund third sector services, with a presumption that collaborative arrangements with the third sector are used unless there is a legal requirement for procurement.

The funding context

4. Many third sector organisations neither seek nor receive public funding. They are small groups and self finance their own activities. Public sector funding is, however, of major importance to many organisations and to the people and communities with whom they work. For some organisations it provides the revenue platform for a wide range of activities and services that are an essential component of the wider public services on which people and communities depend. Other organisations (for example, village halls and community centres) may access capital grants that underpin their ability to generate their own revenue.
5. Over the last decade WCVA's third sector almanac has assembled an increasing accurate understanding of how the third sector is funded in Wales. The most recent figures available indicate that around 32% of the sector's funding in Wales is from the Welsh Government and UK Government, and around 13% is from local government and local health boards.
6. Whilst this is vital for the organisations concerned, it represents a tiny element of the total budgets of the public sector funders - see below.



7. The Welsh Government only spent 2.7% of its total budget on the sector in 2009-10. Local government spends only 2.6%. Funding from health bodies has failed to keep pace with inflation over the same period, and only 0.2% of total health spend in Wales is invested in the third sector. In each case this represents a lower percentage than previously funding levels.
8. In the current year, the sector has faced real cuts. Organisations working in Wales with funding from the Home Office and other non-devolved departments have experienced disproportionate cuts that have impacted on some of the most vulnerable people in Wales. Whilst organisations funded by the Welsh Government have not to date suffered the major cuts faced by organisations in Wales funded by the UK Government, they are nevertheless seeing their income drop in real terms over the next three years.

9. Against the background of cuts, the sector faces increasing demand for services. Previous recessions have demonstrated, perhaps unsurprisingly, that the human costs of growing financial hardship are increases in family breakdown, drug and alcohol problems, mental ill-health, domestic abuse and homelessness. There is strong evidence that the increases in demand for services helping people overcome these issues will be exacerbated by the UK welfare reform changes. Third sector organisations are at the frontline of responding to these pressures, and will be responding to greater demand without increased resources, and many with reducing income.
10. The continuing pressures on public expenditure are well recognised by the third sector and it is understood there will be reductions. There are good reasons, however, to protect funding for the third sector in the current economic climate. It employs 51,000 people, and involves over 1.1 million volunteers who not only provide real benefits for people and local communities, but also develop their own skills and abilities through their volunteering, and through their engagement in their communities. Mobilising community effort and self-help has always been important, and becomes increasingly so in the current environment.
11. Local enterprise and community involvement are equally important in contributing to community and economic regeneration, helping to create employment, raise skill levels and tackle poverty-related problems.
12. The third sector is an effective mechanism for the achievement of wide reaching public policy goals. It follows, therefore, that the third sector and government should work in partnership to understand more fully the social return on investment that the third sector can deliver, and to maximize the contribution the sector can make to Welsh public life and civil society in a changed economic landscape.
13. The sector recognises the pressures that there will be on the budget, but short term cuts in support for the sector could store up problems in the future. Priority therefore should be given to spend that:
 - Addresses the immediate service needs of people in Wales
 - Protects the integrity of the sector to enable it to continue to address the current and unanticipated needs in the long-term
 - Offers the best value for the Welsh pound by leveraging in resources (financial and human) from other sources
 - Fosters self-help and initiative, and individual and community responses to needs

Efficiencies

14. Given the small scale of public sector funding for the third sector as part of total government spend, cost savings by third sector organisations will have a marginal impact on the wider public expenditure saving that needs to be made. Reduced funding will, however, have a significant effect on the ability of third sector organisations to mobilise and lever in additional resources, which they could normally secure. Therefore the negative impact on people and communities will be proportionately greater; leading to a greater burden on public expenditure in the longer-term.

15. Nevertheless, there are a number of ways in which different third sector organisations are responding to the current public expenditure situation. For example:
- Community Housing Cymru and Care and Repair Cymru have created a group structure, sharing back-office services and a single group chief executive
 - There have been mergers between two Women's Aid Groups and Llamau
 - A group of third sector substance misuse providers have created, with support from the Welsh Government, a new joint company which has bid successfully for national contracts, and has the potential to develop shared services and support
 - St David's Foundation Hospice Care and Usk House Day Hospice have merged and will be able to enhance their services across a wider geographical area
 - AWETU and Cardiff and the Vale Coalition of Disabled People are merging and will share office space
 - The Crossroads schemes in Ceredigion, Pembrokeshire and Powys have formed a single organisation, Crossroads Mid and West Wales, unifying their administrations and operational management, and creating a more sustainable entity
 - The CIC (Conwy Intermediate Care) Start Project brings together statutory and third sector bodies to complement Intermediate Care services in Conwy
7. The third sector infrastructure recognises the importance of collaboration and merger, and encourages its members to consider joint working so that they are in a position to respond to a changing environment and make informed decisions about whether collaborating or merging is in the best interests of their service users. WCVA and CVCs provide support for those organisations who want to explore joint working as part of the commitments in the Partnership Agreement with Welsh Government. A number of national umbrella organisations also provide support and guidance for their members on this subject.

Reducing and avoiding costs, and adding value

16. The bigger challenge is to ensure continued support for third sector organisations whose work:
- Focuses on prevention or early intervention, avoiding or reducing much greater public expense over a relatively short period of time
 - Draws in additional resources (financial and human) to provide more value for people and communities
 - Builds capacity in communities to take their own action and enable people to support each other and promote mental well-being
 - Is indispensable in that no other agency or group of agencies could credibly provide the service offered
 - Provides more efficient and effective ways of meeting objectives
17. Uniquely, the third sector almost always adds direct cash value to any funding it receives from the public sector, drawing in funding from additional sources as well as adding direct value in kind through volunteer effort. It also generates other added benefits, through engagement with citizens and services users, opportunities for participation and links with wider sources of community support. The benefits of supporting the sector are illustrated in the points that follow.

18. Research carried out by WCVA on behalf of the Welsh Government mapped the health, social care and wellbeing services provided by third sector organisations in Wales. This found that the sector provided an estimated total service budget of £292 million; of this, just under 50% was provided by the Welsh Assembly Government, local authorities and the NHS. For every £1, the sector secured over an extra £1 from other sources. The same research showed that at least 120,000 people were involved in providing these health and social care services. There were over 30,000 employees, 5,000 trainees, and 85,000 volunteers. Volunteers, in fact, provided the equivalent of nearly 30,000 full time posts.
19. Care and Repair Cymru has identified that each £1 it spends to enable older and disabled people remain in their own homes saves public services £8 by avoiding the costs of residential care and more expensive support.
20. The Matrix research into housing-related support - commissioned by the Welsh Government - showed that for every £1 spent, £1.68 was saved across other policy areas such as community safety and health. Housing-related support in Wales is provided primarily by third sector organisations. One organisation that provides accommodation for seven adults who require an intensive level of support saved the local authority £0.5million in its first year by bringing clients who were based out of county back to their home area.
21. Research elsewhere in the UK into the Partnerships for Older People Projects pilot programme demonstrates that prevention can be both effective and deliver value for money: for every £1 spent on preventive services, there was an average £1.73 benefit to the health and social care economy, even in the short term.
22. Each £1,000 provided by Environment Wales to community projects levers in a further £2,000 in cash or kind from other sources and recruits seven volunteers. In 2009-10, 160 grants totalling £610,335 enabled 6,641 volunteers to undertake 171,440 hours of action for the environment and levered in £1,305,146 in additional funding.
23. For the past three years, initially Brecknock & Radnor Crossroads and then Crossroads Mid & West Wales, has been delivering a pilot project in Powys, aimed at supporting people living with cancer and their carers. During the period of the project to 31 August 2010, 119 patients and their carers have benefited; 59 patients had a terminal diagnosis and 47 (80%) were able to die at home. The estimated savings to the NHS during this period exceeds £250,000, generated by a service that costs £50,000 pa.

Public service innovation

24. The preceding examples illustrate the benefits of working in partnership with third sector organisations in public service design and delivery. It is increasingly important to develop innovation and new models of service delivery in the light of both the future demographic pressures and needs, and the public expenditure situation.
25. There is a growing recognition that government and public sector funding alone, regardless of its level of resources, is unable to meet the aspirations of citizens, for a safe, sustainable healthy and happy life. Services, however well resourced or

carefully delivered will not succeed unless they engage the individuals and communities who use them.

26. There are ways of developing future public services which create a bigger 'cake' and which deploy not just public sector staff and budgets, but also users, families, neighbours, local third sector organisations and the wider community in a 'total service' which goes beyond traditional service provision and releases new resources, skills and energies. It means commissioned services and self-organised support complementing each other rather than operating in isolation. This needs a new equation that measures the *total value* of a service and benefits for the citizen (taking account *all* resources deployed - employed staff time, user input, volunteer time, community support groups) against the public sector investment. The prize is to use our public funding in ways that lever in additional resources - to achieve better value for the citizen.
27. This could mean a new approach based on co-design and co-delivery of public services, where activities and services are designed and delivered by a wide range of actors - bringing together the independent third sector and the public sector with the citizen and the community at the centre. It means investing in community capacity and initiative in order to provide mutual support that complements, and reduces demands on, other services. The approach can involve:
 - Citizen-directed support
 - Service user led services
 - Community led services
 - Mixed volunteer and staffed services
 - Integrated services.
28. This is already happening in Wales, delivering enhanced services at reduced cost. Examples include:
 - Out-of-hours transport from hospital and support for older people who are clinically able to return to home, helping to avoid re-admissions. The saving on the cost of re-admissions more than covered the cost of the service in 2009.
 - Involving volunteers in longer term support and relationships with young people leaving care and, in turn, care leavers volunteering themselves through Millennium Volunteers
 - Involving volunteers in enhancing the experience of patients in hospitals in an organised, union-approved way.
 - Integrating statutory and third sector services into a seamless Intermediate Care Service.
 - Direct payment schemes which increase user satisfaction, independence and control, and also produce both savings and an enhanced service.
 - Community alliances bringing together people needing care and support with local groups to build formal and informal networks and structures to meet their needs.

Collaboration between the public and third sectors

29. Achieving a joined-up approach to public service delivery requires further progress in collaboration between the public and third sectors.

30. In the design and delivery of public services, there is a long-standing commitment to partnership with the third sector, promoted by successive governments and evidenced in local arrangements with local government and local health boards.
31. But there are also tensions that undermine the commitment. The third sector is already a significant public service provider. The new Welsh Government has indicated that it does not want the market and the private sector determining or delivering public services. In reality, however, both the Welsh Government and local authorities are promoting competitive procurement of services where there is no legal requirement to do so (and replacing, in some cases, long-standing grant funding arrangements). The consequence is that the third sector and private sector can end up competing for contracts where cost overrides quality and take no account of added value/community engagement support.
32. We do need to revitalize the relationship between the public and third sectors in a way that values third sector and volunteering as a positive force based upon shared values and partnership and collaboration, not just between elements of public sector but between public and third sector as well. We would like government to reverse the trend to procurement where this is not a legal requirement with greater use of grants and service level agreements, organised in ways that ensure value for money and best value. Where there is a legal requirement, we must ensure that service specifications do take account of (and assess and score) the added value of community engagement and involvement.

Focus on delivery

33. The focus on delivery is welcomed. Many third sector organisations are well placed to deliver effectively and rapidly. Sometimes arrangements for delivery are over-complicated by bureaucratic, over-complex and ultimately ineffective procurement processes. As suggested above, where government is confident about the ability of certain organisations to deliver specific services, a collaborative rather than competitive approach may be far better suited to achieving effective delivery.
34. It is important, however, that the focus on delivery does not unintentionally adversely affect support for specialist and generalist umbrella bodies. There are a range of significant organisations core funded by the Welsh Government that act as support and intermediary bodies, supporting local organisations on the ground to interpret Government policy and work to put policy into action. This is a role that is recognised by Government officials as something they have neither the skills, capacity nor networks to undertake.
35. Such organisations therefore may not deliver directly, but they do know from their membership, and more widely, that their support and expertise is welcomed and necessary for the actual delivery of actions towards producing the desired outcomes. Whilst such organisations can to some extent reframe their functions to reflect the new paradigm, they are concerned that the focus on delivery and outcomes has the potential to marginalise their crucial work. As such, at a time of financial constraint those in the third sector that undertake such functions may be regarded as a lower priority for funding. On the contrary, their functions are of greater importance in a period of funding pressures, helping organisations to adapt and maximize the additionality that they bring to their services and activities.

Individual budget areas

Business, enterprise and technology

36. The third sector in Wales has an annual income of £1.6 billion. There are 51,000 paid posts in the sector - 2.5% of the Wales workforce. The sector employs more people than farming, agriculture and fisheries; in one county, collectively the third sector is the second largest employer.
37. The small scale of most organisations also means that their economic impact is very local. Their money (and that of their staff) is spent and recycled in the local community.
38. For these reasons future plans for business and enterprise support could place greater emphasis on growing the economic contribution of the third sector, including through targeted business advice and access to finance for start-up and expansion.

Central Services and Administration

39. Third sector organisations and the programmes they deliver make a real difference to marginalised, vulnerable and discriminated groups lives and opportunities. Therefore the third sector has crucial role in supporting the Welsh Government in making Wales a fair and equal nation. This is demonstrated in its recognised role in the Equality Act public sector duties through empowering and supporting marginalised and discriminated groups to being involved in the design and delivery of services in Wales.
40. We hope that future spending plans will continue the Welsh Government's commitment to supporting the equalities organisations in the third sector through the Advancing Equality Fund and the Inclusion Grant. This is especially essential to organisations when funding is being lost through reductions in other sources. We also hope the Welsh Government continues to recognise the value that network and umbrella organisations have in supporting the voice of marginalised groups to be heard at national and local levels.
41. Digitalisation of public services will disproportionately affect those who are digitally excluded, most of which are already disadvantaged and vulnerable. The third sector has a key role in supporting people to become digitally included, as identified in the *Delivering Digital Inclusion: A Strategic Framework for Wales*. We hope that the Welsh Government recognises the capacity building that is needed within the sector to support this agenda.

Education and skills

42. The voluntary youth work sector in Wales is estimated to involve more than 250,000 young people and at least 30,000 adult volunteers. It plays an exceptionally important role in supporting the development, well-being, self-esteem, employment skills and life skills of young people. Direct funding from the Welsh Government to the voluntary sector is small, especially compared to the funding available for local authority provision. Because of this historical imbalance and low level of financial support, the voluntary youth sector is facing severe difficulty in trying to absorb the planned reductions whilst maintaining services to young people in accordance with the National Youth Service Strategy for Wales. The youth sector needs core

funding to ensure that it can develop opportunities for young people and support its volunteers.

43. Financial pressures on the youth sector may be made worse because local authority funding for voluntary youth organisations is likely to be reduced at a time when the work of youth and other voluntary organisations is crucial to the health, wellbeing, and education of the population of Wales and to our ability to maintain essential services and economic stability. The removal of hypothecation by the Welsh Government for funding for local authority youth services is likely to increase the downward pressure on resourcing for voluntary organisations.
44. The sector also has a crucial role to play in engaging with, and creating employment opportunities for disaffected and unemployed individuals. This approach produces a triple benefit: helping individuals, enabling third sector organisations to grow capacity and benefitting society in supporting the growth of socially useful and socially responsible work in the economy. This helps to minimise the welfare bill and maximise people's entry into work, which generates income for the state, its citizens and public services.
45. The sector has an extensive track record in running projects focused on the hardest to reach groups through a proven cost effective model for dealing with the multiple barriers individuals face. It currently delivers a range of engagement and employment related projects that include a £34 million investment project that is aiming to improve the employability of over 20,000 people and over £24 million in 5,000 job creation and employment schemes that have replicated real conditions of work for a fixed period of time and provided confidence and skills that have resulted in over 50% of the participants have gained sustainable employment.
46. The sector continues to innovate in this area and is currently working with Welsh Government and BIG in piloting a range of opportunities aimed specifically at the 16-24 year olds including those that are Not in Education, Employment or Training (NEET) and at risk of becoming NEET. These include:
 - Over 300 localised employment opportunities for 16/17 year olds
 - Over 900 Internship opportunities
47. The sector is continually piloting new, localised, approaches to tackling unemployment and economic inactivity and supporting employability projects that are linked to regeneration and reducing child poverty. The sector would hope to widen and deepen its partnership with Welsh Government to advance this objective in the future.
48. We hope that future spending plans will build on and extend these successes.

Environment and sustainability

49. The third sector is recognised in The Climate Change Strategy as a key stakeholder in delivering carbon reductions, raising awareness of climate change issues, changing behavior and enabling our communities to be resilient to the impacts of climate change. The challenge of climate change requires action at all levels with increasing recognition that individual and community action will precede the political action which will ultimately be needed. Both campaigning and grass-roots action are likely to be driven by the third sector.

50. Environmental organisations range from very small groups working to get people involved in local action on environmental improvements, such as river clean-ups, to major organisations providing significant services in areas such as recycling. They involve thousands of people of all ages as volunteers and contribute to the economy through social enterprise. They bring much wider benefits - promoting health and wellbeing, improving skills, building confidence, developing strong communities and social capital. They also contribute to increasing opportunities for generation of income for communities through renewable energy generation.
51. We hope that future spending plans will continue the Welsh Government's commitment to supporting the third sector to undertake climate change activity and environmental improvement through Environment Wales and behaviour change programmes.
52. In addition to environmental organisations, there are many more organisations within the sector who could contribute to the sustainable development agenda. Community organisations and organisations who work to advance social justice could, with support, incorporate an environmental and/or carbon reduction element to their activities and vice versa. We hope that future spending plans will include consideration for grants to support this type of activity.
53. A Survey of Funding of Municipal Waste Management Kerbside Collection in Wales undertaken by RPS Planning in Development in 2007 indicated that community recycling organisations collected recyclates at a cost per individual collection of £0.24, significantly less than private contractors (£0.59) and local authorities (£0.72). The same study estimated that the headline figures of the costs of kerbside recycling collection services in Wales could be reduced by £21.2m *per collection* by using community recycling organisations as the most cost effective providers. We hope that future spending plans will take account of these benefits, and seek to ensure a greater role for community recycling organisations

Health and social services

54. The third sector is recognised as a partner in the planning and delivery of both health and social services. There are a large number of organisations involved - encompassing advocacy; advice services; benevolent health services; family welfare; physical disabilities; learning disabilities; counselling; carers; addictions; older people; mental health; general health and wellbeing; specific health conditions; emergency relief and self help. This is a considerable force in providing health and social care, with a delivery arm across different client groups and our communities. The large number of organisations does not in general mean that there is duplication - each organisation has come into being in response to unmet need and to take action to improve conditions and lives.
55. Work is in hand to rationalise Welsh Government funding for the sector through its Grant Schemes for Voluntary Organisations operating on an all-Wales basis in the Health and Social Care Sector (Physical and/or sensory disabilities, learning disabilities, carers, older persons and mental health sectors). WCVA has welcomed being invited to be involved in the grant assessment panel. However this particular grant, in 2011/12, was subject to a five percent reduction which is at odds with the general protection of social care funding. We are concerned that this may signal a

trend in future spending practices and are concerned that future spending plans do not single out third sector schemes for further reductions.

56. In terms of accountability, Local Health Boards have been identifying which third sector services are funded and reviewing this. Both the Welsh Government and Local Government also need to be able to provide definitive listings of what is funded, and transparency as to how this allocation of resources compares to their overall funding to ensure that the sector is treated equitably.
57. This need for transparency and accountability becomes even greater with the move to the commissioning and procurement of social services at regional 'LHB footprint' level, in order to ensure that service delivery at the local community level where the third sector brings added value is both enabled and supported.
58. In terms of health care, the restructuring of the NHS aims, through the enhancement of the quality, performance and accessibility to NHS services, to improve the levels of health and wellbeing in Wales. There is a focus on developing more effective early intervention and long-term community based support; improved partnership working; citizen engagement in the planning and improvement of service delivery and the sharing and better uptake of best practice. The third sector has become increasingly frustrated in terms of any movement in resources to community-based support. We hope that future spending plans will demonstrate that essential on-the-ground services to the most vulnerable will be at least maintained, given the pressure to make savings, including efficiency savings, across the board.
59. Mental health organisations have concerns that what is happening at the local level is in stark contrast to the national steer of early intervention and prevention. At the local level funding is being cut, resulting in limited access to mental health services through statutory referral only. This is not an efficient use of resources and would actually cause the need for more expensive, intensive health service interventions as availability of low level support services is reduced. This worrying change in local support service provision also has to be seen in the context of the impacts of changes in benefits, which will, of course, have a similar impact on other client groups.
60. In terms of children's services, the third sector has raised concerns about the negative impact of the transition of funding arrangements for particularly Cymorth developing into Families First, and the Children and Families Organisation Grant Scheme for all-Wales Third Sector Organisations (CFOG). This has created a period of considerable uncertainty for many organisations. A bidding round has just been announced for CFOG funding for a two year period, 2012-14. There is an opportunity for the Welsh Government to commit to longer term funding here, in accordance with the Welsh Government's *Code of Practice for Funding the Third Sector (January 2009)*, which includes:
 - **Security of funding** - longer term commitments, subject to performance, to support a sustainable approach to funding: up to 5-7 years for strategic core funding and commitment for the life of any specific projects which are funded, providing firm year one funding and clear baselines for subsequent years.
61. This request for more strategic longer-term funding is applicable across all third sector health and social care funding. It seems that some LHBs are opening up to more than annual funding and a request has been made to the Director General

Health and Social Services and Chief Executive NHS Wales for a more positive complementary or single system of funding across the NHS and local government for the third sector.

Housing, Regeneration and Heritage

62. The *Supporting People* programme has played a vital role in enabling people to live independent lives. Wales has taken a different approach to other parts of the UK, where services have suffered as a result of removing ring-fencing and its status as a separate grant. In the light of socio-economic and demographic pressures, maintaining and extending funding should be a priority. Organisations working in this area welcomed the protection of funding for social care, but have highlighted that the services funded under this SPA are working with similarly vulnerable citizens, often in partnership with social services and social care and often preventing them needing more intensive and intrusive medical intervention.
63. The Welsh Government's recent review of *Supporting People* highlighted the uneven distribution of services across Wales. Funding to address this should be considered within WG budgets for at least the coming five year period.
64. The funding for *Tackling Homelessness* supports services that work with homeless people which are not funded through *Supporting People*. In particular these are around outreach work with people sleeping rough and assisting homeless people with advice and support such as Bond Schemes. This is an area that requires additional investment, and there is scope for the Welsh Government to work with organisations working with rough sleepers to ensure we better meet the needs of this massively excluded client group.
65. The role of the third sector in relation to the Heritage portfolio is extensive, and supports massive participation in sport, arts and heritage activities. We hope that future plans will include investment in relevant bodies that underpin and support activity in these areas, to maintain their important contribution to the Welsh Government's heritage priorities. There is also scope to ensure that the funding to Welsh Government Sponsored Bodies, such as the Arts Council of Wales and Sport Wales, is conditional upon those bodies placing a greater emphasis on supporting community and volunteer-led activity.

Local Government and Communities

66. The supplementary budget shows that although the Local Government and Communities MEG revenue budget reduces by 0.5% over the next three years, its funding for the third sector reduces in cash terms by nearly 10%. Allowing for inflation, the reduction is close to 20%.
67. This reduction is in addition to a cut in funding for youth volunteering of 23% in the current year. This has taken place at a time when youth unemployment and the numbers of young people not in education, employment or training are increasing.
68. For all of the reasons outlined in this paper, it should be a priority to maintain or increase support for the third sector in general, and in volunteering and young people, rather than reducing it.

69. The outcome of the current consultation on future arrangements for Communities First will clearly shape the budget for the programme. Maintaining support is a priority. But of equal importance is ensuring that the new arrangements maximize resources available in the community from community hubs, able to lever other funding into their community, and from the massive contribution of volunteers.
70. Continued and increased support for the sector's well established role in financial inclusion is also a priority. This includes credit unions, providing access to low cost loans and savings accounts based on a 'common bond' linked to where a person lives or works; and help for people to manage their money and their relationship with financial institutions.
71. It also provides an extremely cost-effective way of maximising income for people experiencing financial hardship. For example, the Citizen's Advice Bureau in Rhondda Cynon Taff undertook a two-year benefits maximisation programme funded by the local authority. An outlay of £25,000 in the first year of the project showed a return of new benefits claimed of £506,000 - equivalent to over £20 for every £1 invested in the project activity. Following on from this work, resources were identified to fund an outreach project. This CAB work has secured £750,000 in its first 18 month and remains on course to secure £1 million over two years, in return for the original investment of £50,000 over the same period.

Summary

72. The Finance Committee is invited to consider the following issues drawn from this analysis:
- It should be a priority to maintain support for third sector organisations who are able to maximise resources available in the community, lever other funding into their community, and support the massive contribution made by volunteers.
 - Public sector funding for the third sector is a very small part of overall expenditure, and reductions will have a negligible impact on the savings that need to be made.
 - Nevertheless third sector organisations are acutely aware of the funding situation and are always exploring ways of reducing costs.
 - Reductions in funding for the third sector may have a multiplier effect by losing additional funding and resources levered in on the basis of public sector funding.
 - Reducing funding for preventative work, early intervention and building community capacity and resources will lead to greater demands for more expensive statutory services.
 - Building on the sector's ability to deliver services in new ways that involve 'co-production' with citizens and communities - working in partnership with service providers to address their own needs - should be a priority for the continuing public service reform programme.

- The assessment of how budget decisions impact upon the third sector should include the outcomes and added value that the sector produces from government funding, and not simply the cost.
- Clarity is required about the circumstances in which procurement or grant-funding are used to fund third sector services, with a presumption that collaborative arrangements with the third sector are used unless there is a legal requirement for procurement.

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Follow up paper for Finance Committee

October 2011



Further to WCVA's evidence session with the Finance Committee on 12 October 2011 this paper provides some supplementary information as requested by the Committee. We have also enclosed in full our most recent 'State of the Sector' survey which provides a range of information about the impact of the recession on the sector in Wales including demand for services.

Grants and contracts – a third sector perspective

Over the past few years, there has been a significant shift from grants to contract income for third sector organisations in Wales: grants now make up less than a fifth of all income, while a third of all income comes from contracts and trading.

Data gathered by WCVA's Research Team during 2006 and 2009¹ identified the following trends in the income of the Welsh third sector:

- Grant income has fallen from £428m in 2006 to £291m in 2009
- Income from contracts has increased considerably, from £167m in 2006 to £378m in 2009

Of the £4.3bn spent each year by the Welsh public sector on external goods, works and services, around 50% is spent on suppliers based in Wales.² There is a drive to increase this, as it is estimated that every 1% increase in this expenditure in Wales means the creation of an additional 2,000 jobs.

Around 45% of the third sector's income in Wales comes from Local Government, Local Health Boards and Welsh Government. Whilst this is vital for the recipient organisations, it represents a tiny element of the total budgets of the public sector bodies:

- Welsh Government spends 2.8% of its budget on the third sector
- Local Government contributes 3%
- funding from health bodies to the third sector represents only 0.3% of total health spending³

As procurement is used more and more in Wales, some third sector organisations have seen grant funding being replaced by contract income from competitive tendering. Others have seen the loss of funding and opportunities to larger private companies with tendering capacity and experience.

¹ WCVA Funding surveys

² *Buying Smarter in Tougher Times*, Welsh Government, Feb 2011

³ *Third sector statistical resource 2011*, WCVA

While procurement may be appropriate or legally necessary for certain categories of goods and services, its lengthy, bureaucratic and prescriptive nature may mean that it cannot achieve the best outcomes in all cases.

Because of the rules regarding competitive tendering, there is a danger that the unnecessary over-use of procurement could exclude third sector organisations from engaging in public service design and delivery, and damage local service provision and community activity. Moreover, a relationship between public bodies and third sector organisations which is entirely contractual - one purchasing services from the other - could reduce social capital and threaten the distinctive, complementary relationship between the two sectors that exists in Wales.

A more mixed funding economy - which includes grant aid - will support the sustainability of local third sector organisations, and help to nurture vibrant and vital community resources.

Third sector involvement in the Work Programme

There is evidence that the anticipated contract opportunities flowing from the Work Programme are not materialising to the scale anticipated. In their respective bids to the DWP, Working Links proposed to sub-contract only 5.3% of their total contract value to the voluntary sector, and Rehab Jobfit proposed 13%.

Michelle Matheron,
Senior Policy Officer
October 2011

The Third Sector in Wales: State of the Sector Survey, May 2011 Results



Wales Council for Voluntary Action

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Executive Summary

In response to the recession, WCVA initiated a series of on-line surveys of third sector organisations in Wales in February 2009. Further surveys have been conducted in July 2009, December 2009-Jan 2010, June 2010, September 2010, December 2010 and May 2011. There were between 480 to 750 responses to all surveys from a variety of organisations from all parts of the sector, all parts of Wales and representing both large and small organisations.

The survey findings

The surveys have provided evidence of the effect of the recession and subsequent recovery on the third sector in Wales. Whilst the data is not able to provide a comprehensive picture, the responses received are illustrative of the situations of many organisations in Wales.

The June 2011 survey has shown that

- The general outlook for the sector has improved, with 44 per cent of organisations feeling that their situation would deteriorate over the next twelve months. This is a decrease of 3 per cent from the January 2011 figure of 47 per cent, and 5 per cent from the October 2010 figure of 49 per cent.
- 46 per cent of organisations predict that their financial situation will get worse over the next twelve months. This is a slight decrease from 48 per cent in January 2011, and a 6 per cent decrease from 52 per cent in October 2010.
- Looking back at the financial performance of organisations over the second quarter of 2011, 35 per cent of organisations reported that their financial situation had worsened. In October 2010 and January 2011, the figures were 28 per cent and 32 per cent respectively, indicating a decline of recent financial health.
- Since the survey began in December 2008 a minimum of 726 posts have been reported to have been made redundant in Wales. The number of organisations reporting redundancies (50) and the quantity of redundancies in this survey (146) has increased considerably since the last survey, where 20 organisations reported 50 redundancies.
- This increase in redundancies was predicted in our last survey, where posts reported at risk increased from 295 in October 2010 to 471 in the January 2011 survey. In this survey, a total of 69 organisations have reported 156 posts are at risk. This is a large decrease from January 2011, and hopefully means that fewer redundancies will be made in the near future.
- A third of volunteer involving organisations report an increase in the number of volunteers and expect this trend to continue.

In conclusion, many organisations continue to experience difficulties, reporting a loss of funding and contracts, trouble securing new funding, and increased demand for services. Few groups have the confidence that their situation will improve in the next 12 months. The third sector is being squeezed at both ends, suffering increasing costs and decreasing income. Not only are utility and fuel costs rising, but the costs of legislative and regulatory requirements are also increasing. More complicated funding and monitoring requirements are increasing costs of administering funds for third sector organisations.

Future action

The survey will be repeated in autumn 2011 to monitor the ongoing effects of the recovery, inflation and cuts in public expenditure.

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Introduction

Following on from the survey of third sector organisations conducted in February 2009, further surveys have been conducted in July 2009, December 2009-Jan 2010, June 2010, September 2010, January 2011 and May 2011. Each survey gives us a snapshot of how the third sector in Wales is coping during these turbulent economic times. Information about how the third sector in Wales was affected by previous recessions is not available. The WCVA Recession and recovery surveys aim to provide new Welsh research and insight that can help fill some of these knowledge gaps.

The June 2011 survey has reflected the cautious optimism that organisations expressed in the previous survey, with general and financial outlooks improving. While the past few months have been difficult, with redundancies almost trebling from January 2011 and finances under strain, the latest survey has shown that organisations are predicting a brighter future. Major restructuring and mass-redundancies are declining; redundancies are more likely to be single posts as of when absolutely necessary. Painful action taken to shield organisations from funding cuts and declining income revenues appear principally to have already been implemented, and are showing signs of effective progress.

The June 2011 survey was carried out after the start of the new financial year and the conclusion of grant and finance applications, so organisations could access their health with increased clarity and confidence. It has also become increasingly clear that the Welsh Assembly Government has cushioned the Welsh Third Sector from the public spending cuts. Welsh Third Sector organisations show more confidence than their counterparts in England, and Wales is becoming more aware that Conservative-Liberal Democrat policy in Westminster has a limited weight. Two of the most controversial political policies debated in the mainstream media; increases in tuition fees and reform of the NHS, do not affect Wales and devolved policy.

The aim of our reports is to provide an evidence base for public policy makers and to enable comparisons between the sector in Wales and other parts of the UK and between the third, business and public sectors in Wales. Current UK research may not give an accurate picture of Welsh third sector organisations, and the views of leaders of large UK organisations may not be representative of the many small local and regional groups across Wales. Within the Welsh third sector, there is a further diversity of size, purpose, location and structure. The WCVA hopes to gather information through surveys every four months to gain an understanding of the impact of the recession and the effect of any interventions.

This report will review the first half of 2011, and look forward to the third and fourth quarters. WCVA will try to predict trends, challenges, and opportunities that the Welsh Third Sector should be aware of over the coming year.

The Economic situation in Wales

Welsh statistics for the second quarter of 2011 show an improving economy¹.

The unemployment rate fell to 7.9 per cent in April 2011 (from 8.7 per cent in January 2011). This is still higher than the UK rate, which is 7.7 per cent. The April 2011 ILO unemployment figure was 115,000 (down from 126,000 from January 2011), and there was a fall in the number of people in Wales claiming out of work benefits, down to 292,700 (from 296,900 in January 2011).

Manufacturing jobs in Wales rose by 11,000 (7.8 per cent) over the year to March 2011, whilst manufacturing jobs in the UK as a whole fell by 1.1 per cent. Manufacturing remains one of the few sectors to be resilient to the economic downturn in Wales. Manufacturing is also essential to any economic recovery in Wales, given its importance in the private sector.

The housing market in Wales has continued to struggle, with minimal growth. Average house prices in Wales rose by 0.6 per cent in the first quarter of 2011. This is worse than the UK average where house prices rose by 1.0 per cent². As with the previous quarter, there are also strong regional disparities within Wales. North Wales experienced the strongest house price rises over 2010; average prices in Wrexham rose by 4 per cent year on year. South East Wales was the weakest performing area; Blaenau Gwent, Caerphilly, Merthyr Tydfil, Monmouthshire, Newport and Torfaen all reported weak housing markets.

In the previous survey report, WCVA highlighted that pensions may be an important issue for the Third Sector in 2011. *“If Unions try to stop pension changes, then there may be public service disruption due to strikes. In addition, decisions made on Public Sector pensions, such as possible higher employer contributions, may influence changes to pension payments for Third Sector organisations.”*

Public Sector Unions have threatened mass strikes in the UK over cuts to Public Sector pensions. While this is the only issue recently that they can legally call for strike action for, Unions have highlighted that there is also huge anger over mass redundancies, privatisation and reform. Public Sector pension reforms may be a catalyst for wider unrest and disruption to the UK and Welsh economies.

Interest rates are the same in the whole of the UK and remain unchanged at 0.5 per cent. While the economy remains in a weak condition and inflation is not too concerning, the Bank of England is unlikely to increase rates. However, more Bank of England members voted to change interest rates than at the previous vote.

Looking forward, though, there are concerns regarding the effects of benefit changes and organisations supporting people experiencing poverty are reporting increases in the number of people supported compared with a year ago³. A recent report predicts that 62,000 current Incapacity Benefit claimants may be moved to Job Seekers Allowance and in time, 30,000 of these will be removed from the benefits system altogether. The loss of

¹ June Economic Statistics, June 2011, Statistics Wales, accessed at <http://wales.gov.uk/docs/statistics/2011/110617sb512011en.pdf>

² Quarterly House Price Index, 31st December 2010, Nationwide, accessed at http://www.nationwide.co.uk/hpi/historical/Q4_2010.pdf

³ Wales on line, 13th July 2011, accessed at <http://www.walesonline.co.uk/news/wales-news/2011/07/13/charities-to-examine-impact-of-cuts-as-they-warn-of-age-of-austerity-in-wales-91466-29042914/>

income for these people, combined with the lack of new employment for those now expected to seek work is a depressing thought⁴.

This reminds us that any Welsh recovery is fragile, so any future growth is likely to be cautious, rather than miraculous.

⁴ Tackling Worklessness in Wales, C Beatty & S Fothergill, Centre for Regional Economic and Social Research, Sheffield Hallam University, July 2011

The survey

A full description of the survey and an analysis of the survey respondents are provided in Appendix 1.

The survey was a bilingual, on-line survey, carried out between 16th May and 13th June 2011, to which 6,785 organisations with an email address on WCVA's database of organisations which work in Wales were invited to respond. The survey was also accessible from the WCVA website, and it was promoted in WCVA newsletters. After three weeks, organisations which had not responded were reminded by email.

There were 545 visits to the on-line questionnaire, of which 57 contained no useful data and 6 were duplicates of other entries. These multiple entries were resolved to one response per organisation. This gave 482 valid responses.

Responses came from organisations with a range of incomes which work at a local, regional or national (all Wales) level. Their postal addresses were distributed throughout Wales. About 32 per cent of respondents were registered charities, with about 14 per cent being Companies limited by guarantee. Just 4 per cent were unincorporated associations or informal groups. Twenty four (5 per cent) of the valid responses were provided through the medium of Welsh.

Results from the survey

General attitude to the future

The June 2011 results show that 45 per cent of respondents felt that in general, the next twelve months would get worse. This is a slight decrease from October 2010 (49 per cent) and January 2011 (47 per cent). The number of organisations who feel that it would improve remained increased to 16 per cent. Thirty nine per cent of respondents thought that there would be no change in the general situation, which is no change from January 2011.

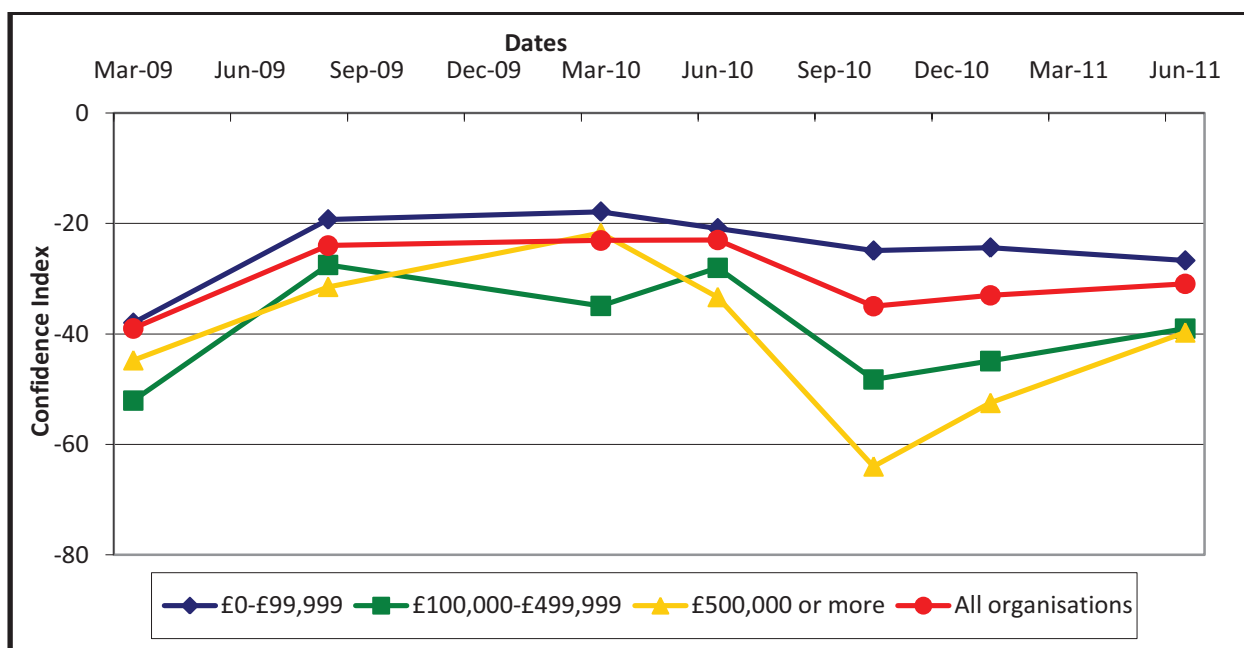
The confidence index⁵ shows that confidence overall in the general future of organisations increased by 2 points again from -33 points in January 2011, to -31 points in June 2011 (Table 1). Confidence in income bands £250,000- £999,000 increased considerably. Other organisations either remained stable, or declined slightly in their confidence.

Table 1: The Confidence Index of organisations in regards to their general future over the next 12 months by income band, March 2009, August 2009, March 2010, June 2010, October 2010 and January 2011.

Income band	Confidence						
	Mar-09	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
1. Less than £10,000	-27	-13	-12	-9	-25	-25	-25
2. £10,000 - £99,999	-36	-24	-26	-35	-25	-23	-28
3. £100,000 - £249,999	-61	-41	-33	-36	-46	-36	-42
4. £250,000 - £499,999	-51	-41	-38	-18	-54	-60	-32
5. £500,000 - £999,999	-63	-58	-17	-45	-75	-48	-17
6. £1,000,000 or more	-37	-24	-18	-25	-60	-55	-54
All organisations	-39	-24	-23	-23	-35	-33	-31

⁵ The confidence index = percent of respondents feeling things will improve - percent of respondents feeling things will get worse over the next 12 months. A number greater than zero indicates a greater proportion of respondents feel things will get better, a number less than zero indicates that a greater proportion of respondents feel that things will get worse.

Figure 1: The Confidence Index of organisations in regards to their general future over the next 12 months by paired income bands, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.

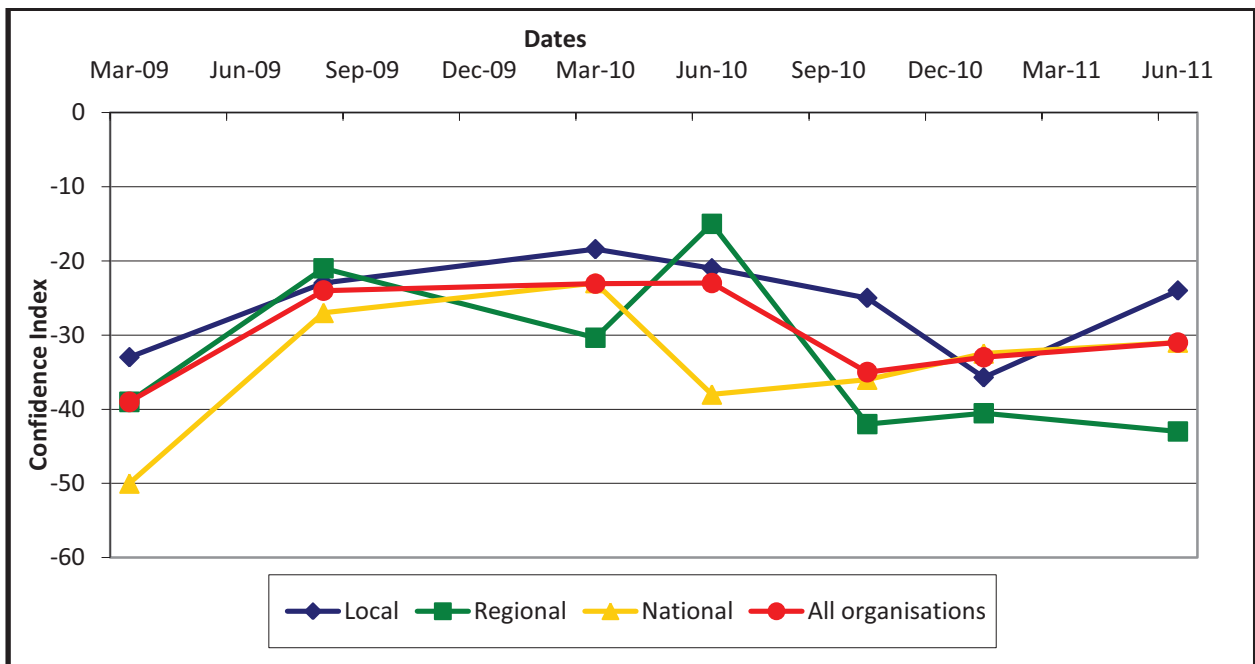


In addition, analysis of local, regional and national organisations shows that organisations overall have increased in confidence slightly to -31 points from -33 in January 2011. Local organisations have regained on the Confidence Index in a surge of optimism, now with -24 points (Table 2 and Figure 2). The conclusion of grant applications may have been better than expected, with the start of a new financial year bringing secured income streams. Regional organisations have decreased in confidence slightly and are the most negative with -43 points, while national organisations remain stable at -31 points.

Table 2: The Confidence Index of organisations in regards to their general future over the next 12 months by organisation coverage, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.

Area served	Confidence						
	Mar-09	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
Local	-33	-23	-18	-21	-25	-36	-24
Regional	-39	-21	-30	-15	-42	-41	-43
National	-50	-27	-23	-38	-36	-32	-31
All organisations	-39	-24	-23	-23	-35	-33	-31

Figure 2: The Confidence Index of organisations in regards to their general future over the next 12 months by organisation coverage, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.



Comparison of NCVO and WCVA data from February 2008 to January 2011

The Confidence Index shown by NCVO surveys began a year earlier than that of WCVA, which unfortunately reduces data for analysis. However, from early 2009, it is possible to discern that national voluntary organisations were more confident than Welsh voluntary organisations. Confidence shown by the NCVO surveys declined rapidly from 2009, to an all-time low of -50 points in January 2011. Surveyed again in May 2011, this trend has reversed, to -21 points. Confidence in Welsh voluntary organisations surveyed by WCVA has been much more stable, but has declined since June 2010. The most recent surveys represent a switch, as the confidence reported by NCVO is now less pessimistic than that reported by WCVA.

Table 3: Confidence Index of the general future over the next 12 months. A comparison of NCVO and WCVA data from February 2008 to January 2011.

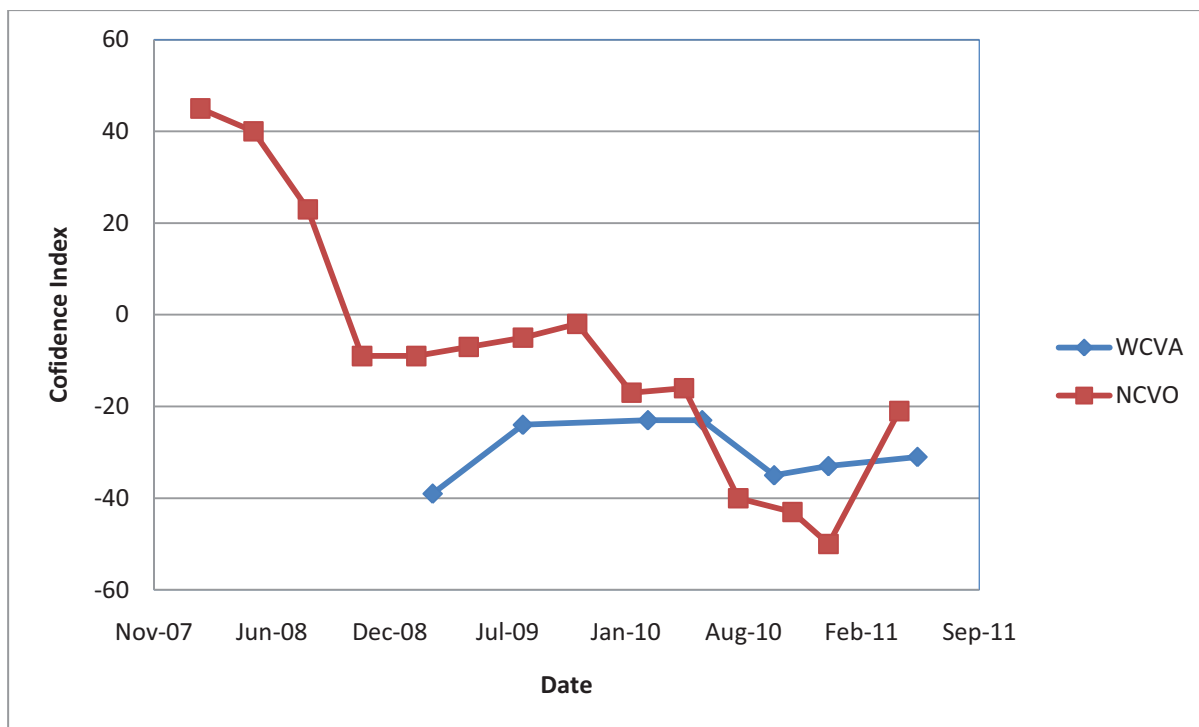
	WCVA	NCVO
Feb-08		45
May-08		40
Aug-08		23
Nov-08		-9
Feb-09		-9
Mar-09	-39	
May-09		-7
Aug-09	-24	-5
Nov-09		-2
Feb-10		-17
Mar-10	-23	
May-10		-16
Jun-10	-23	
Aug-10		-40
Oct-10	-35	
Nov-10		-43
Jan-11	-33	-50
May-11		-21
June-11	-31	

Organisations' concerns for the future

The limited availability of funds continues to take its toll on the third sector. Membership organisations and those dependent on voluntary income are suffering due to the restricted disposable income and insecure circumstances of service users. The comment below is a common theme among organisations providing sport and leisure facilities, conferencing and catering services, and services in deprived communities.

“The main effects are the members ... of our organisation are so strapped for money due to unemployment and being in college that they cannot pay subscriptions to support the club finances. Although in the past receiving help financially for certain outgoing expenses to balance the books has been achieved I think that this year it will not be so easy due to the current economic downturn and its effects on the third sector.”

Figure 3: Confidence Index of the general future over the next 12 months. A comparison of NCVO and WCVA data from February 2008 to January 2011.



Contracts and funding

Third sector organisations that are in receipt of contracts and funding from statutory bodies and other organisations raised concerns with regard to a reduction in the total funds available, changes being made to criteria, and delays in decision making. Organisations have been frustrated by the lack of consultation and engagement; kept waiting for decisions to be made that affect their ability to operate. Such actions are having a direct impact on the ability of organisations to deliver services and plan for the future. Uncertainty and redundancies have affected staff morale, and additionally impact the sector, due to the loss of expertise.

“Late decisions in funding are affecting our ability to make long-term plans for the future of our organisation.”

“Late decisions are a nightmare and we have to juggle and hope for the best never knowing what will happen ... We can’t plan our service we just try our best with the resources we have.”

“Our biggest difficulty was due to excessive time delays by WAG and WEFO ... By having to wait over 10 months for decisions, we had to make redundancies and this affected us hugely.”

“It has been very difficult to engage with commissioners about ongoing funding and negotiation around extending service agreements.”

“The lack of consultation about any reviews or changes does not help build a full and comprehensive picture on which to make decisions.”

Some cuts are affecting building work that is currently being carried out, or needs to be.

“Building projects that are still going ahead are subject to reductions in the original budget - this leads to developers wishing to reduce accessibility and consulting us on which aspects of inclusive design can be abandoned!”

Several respondents commented on the need for longer term funding, to allow third sector organisations to plan and deliver projects effectively.

“Projects such as ours need longer term secured funding to allow us to continue and develop its services that provide support and crisis intervention. Any potential changes need to be in full dialogue with those that provide these grass roots services to allow timeframes to be drawn up and limit the impacts on our service users.”

“Charities need to have 3 year contracts for funding as per the WAG funding policy.”

Proposed changes to statutory funding are resulting in negativity within the third sector, including an increasing trend for third sector organisations having to compete for funding against the public sector. Some statutory bodies have also implemented a ‘retendering’ process for contracts that have already been awarded. The amount of work that goes into funding applications is also having an effect on organisations, staff workload and morale, and their ability to deliver services.

“The proposed transfer of Supporting People Revenue Grant funding from the Welsh Assembly Government to local authorities could impact on the future of our service in relation to local strategies and local strategic relevancy of service.”

“Too many funding streams that were available to voluntary orgs only, some years ago, are now being gobbled up by local authorities for example, what changed to allow this to happen?”

“Current SLA has been included as match funding by Local Council, forcing us to tender for a 'revised' SLA under EU rules. Any council work has to go to tender and this includes our former SLA.”

“The amount of work that has to go into funding bids on top of running the service is impossible. We work at other jobs to keep us going financially in order to keep our service going!”

“[We are] keen to become more sustainable by working with a wider range of local authorities and sectors. However, we are still reliant on funding streams and have increasingly found the following: Trying to get funding is more time consuming and chance of failure is higher.”

Sustainability

Some respondents commented that self-sustainability has become a key priority, which will result in organisations becoming more ‘businesslike’, with contingency plans in place to address funding cuts. However, this is often reliant on an initial grant or funding, which has not necessarily been secured at the time of completing the survey.

“As an organisation we have ... reflected and planned how we can move forward sustainably - hence our move from Pembrokeshire into Swansea, where we have carried out lots of project work over the years. And the potential for future synergy is far greater. With the move we also have a fundraising plan in place and will resume applying for grants.”

“We have had a Business Review carried out by a consultancy agency, and a business plan produced. The outcome is that we are able to become sustainable with initial start up grants for staff funding and large capital funding to alter our facilities. Applications have been submitted and we are awaiting the outcome. The proposed future developments mean that we have to alter our staff structure and become business focused.”

“One of the objectives of the Centre is to be self sustainable, and with the decrease in funding etc it has a knock on effect to service providers such as ourselves.”

Regional variations

Organisations operating at regional and national levels were in a position to comment on variations experienced when dealing with different local authorities.

“Local Authorities slow making funding decisions this year. It will mean we may not have a presence in 5 out of the 22 counties.”

“Some local authorities have taken a collaborative approach to addressing their financial issues in negotiation with us and other provider organisations whilst others have taken a more draconian approach of retendering services or imposing arbitrary cuts to funding. In at least one instance a highly successful and well regarded low level preventative service has been terminated in order to save a relatively small amount of money as it is not a statutory service. Whilst saving money in the short term actions such as this will inevitably increase long term costs as service users needs escalate to more critical levels in the absence of low level preventative input.”

Small organisations

There is concern that smaller organisations are losing out to larger, national and sometimes multinational organisations in an effort to make cost savings. Smaller organisations struggle with the requirements of complex tendering processes and are not receiving support, resulting in negativity. Additionally, smaller organisations are sceptical that this will even result in savings as larger organisations are going beyond their remit and do not have the necessary expertise.

“Money needs to be spent supporting smaller organisation in the tendering process and larger ones come in and do not have the local knowledge and end up costing more money than what is currently provided. Money invested in supporting the third sector now would benefit all in the future.”

Soft target

There is a general feeling that the initial expectation of the third sector being a ‘soft target’ for cuts is taking place. As well as increasing negativity towards the public sector, this is

having a real impact on income; as such organisations cannot afford to give pay rises in line with inflation.

“As both central and local government look for cost savings...soft targets like social inclusion will bear the brunt of funding cuts so that more and more work that was previously done by civil servants will not be done unless the voluntary sector does it.”

Concern for communities

Organisations working in areas of Wales suffering high levels of deprivation are concerned about how the communities will cope in the future if funding comes to an end.

“In many areas of S. Wales the world is kept ticking along by volunteers. We’ve had a decade of getting better, but if the sector does not get special attention ... the Valley communities will slump back to slums in 5 years.”

“We are a Communities First partnership and with the uncertainty of the funding to continue after March 2012 the people and groups we support are concerned with what help will be available to them if this funding is stopped. Also we have seen a rise in repossessions of homes within our ward and more people are concerned that no one will be here to give them advice and be able to help with telephone calls and form filling.”

Improvements

Some organisations have made strategic changes in order to lessen the impact of the recession, while others no longer seem to be experiencing negative effects of the recession.

“We have made the strategic decision to move away from grants etc. and focus on provision of paid services. Whilst we are also affected by cutbacks in local authority budgets, by offering high quality services, and working closely with our clients we have seen our revenues actually grow.”

“We have joined forces with 3 child minders. In return for use of our insured premises, toys & equipment, they pay us a nominal weekly rent. They have the skills and qualifications to ensure our not-for-profit Toddlers group is able to continue.”

“We have earned income through commissions which has always been our saving grace! These come from the good relationships we have built over the years, from previous work undertaken and our good reputation.”

“We aren't seeing an economic downturn any more. We had a downturn in 2009-10 following the bank collapse in late 2008, but our financial situation has recovered to where we would have expected to be at this stage.”

Organisations' financial situation over the past three months

The respondents were asked whether the financial situation had improved or worsened over the previous three months. Overall, it had got worse for 35 per cent of organisations in June 2011 (32 per cent in January 2011), not changed for 54 per cent of the organisations (58 per cent in January 2011), and improved for 11 per cent of organisations (also 11 per cent in January 2011).

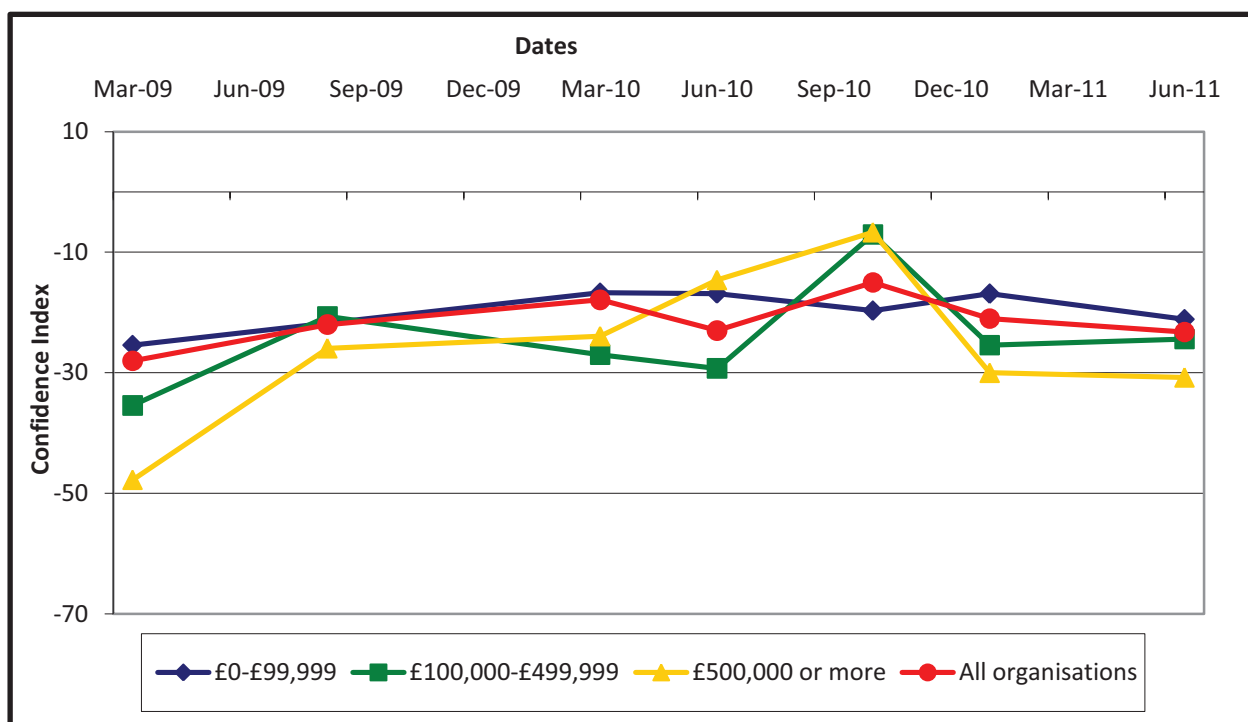
Looking over the past 6 surveys, confidence had steadily climbed since the shock of the recession in early 2009, before slipping in June 2010 as the Welsh Third Sector began to see economic damage filter through to its income streams (Table 4, Figure 4). In October 2010, past performance increased again to a peak of -15 points. In the January 2011 survey however, the index for the past three months decreased by 6 points to reach -21 points.

In June 2011, the index for the past three months shows that performance slipped slightly by 2 points, so confidence is now on -23 points.

Table 4: The Confidence Index of organisations in regards to their financial situation over the past three months, by income band, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.

Income band	Confidence						
	Mar-09	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
1. Less than £10,000	-19	-17	-16	-12	-23	-18	-19
2. £10,000 - £99,999	-26	-26	-17	-23	-16	-15	-23
3. £100,000 - £249,999	-32	-20	-38	-32	-4	-25	-23
4. £250,000 - £499,999	-34	-15	-5	-26	-14	-26	-28
5. £500,000 - £999,999	-79	-62	-22	-25	-35	-29	-17
6. £1,000,000 or more	-35	-26	-25	-7	4	-31	-40
All organisations	-28	-22	-18	-23	-15	-21	-23

Figure 4: The Confidence Index of organisations in regards to their financial situation over the past three months by paired income bands, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.

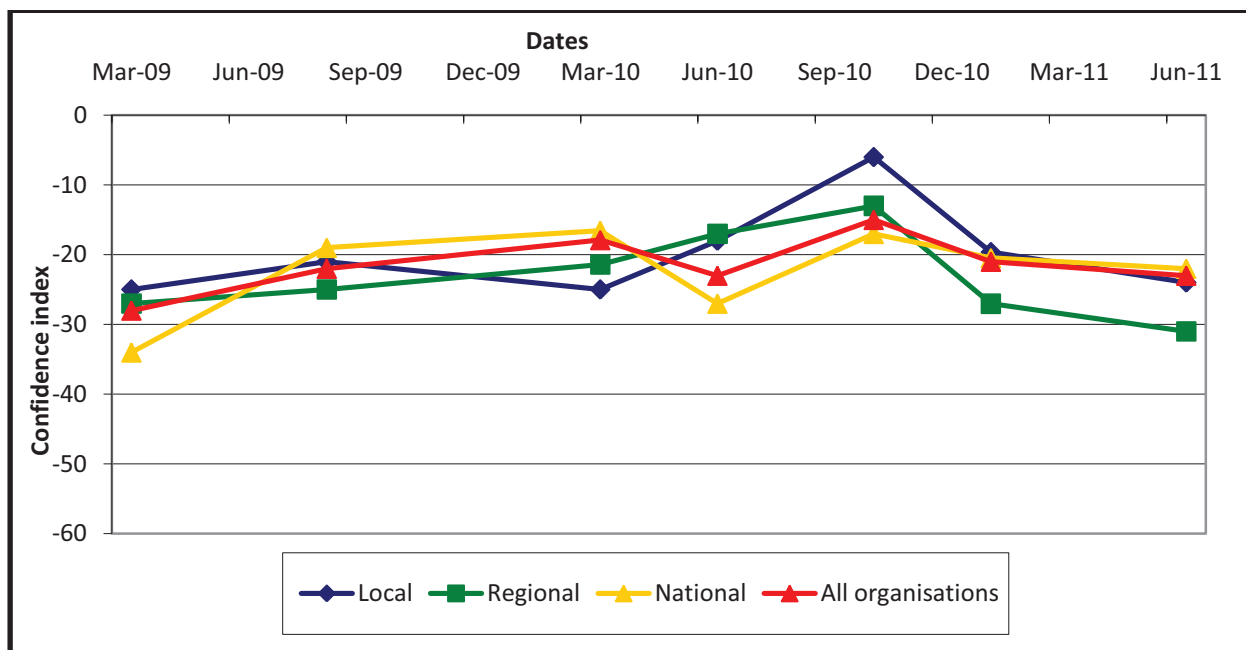


The index for past financial performance (Table 5, Figure 5) shows that organisations have regressed in confidence over the past 3 months, with regional organisations losing confidence points again to reach -31 points. Local organisations have also lost 4 points to record -24 points, and national organisations have lost 2 confidence points to reach -22 points in June 2011.

Table 5: The Confidence Index of organisations in regards to their financial situation over the past three months, by organisation coverage, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.

Area served	Confidence						
	Mar-09	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
Local	-25	-21	-25	-18	-6	-20	-24
Regional	-27	-25	-21	-17	-13	-27	-31
National	-34	-19	-17	-27	-17	-20	-22
All organisations	-28	-22	-18	-23	-15	-21	-23

Figure 5: The Confidence Index of organisations in regards to their financial situation over the past three months by organisation coverage, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.



Organisations' financial concerns

Contracts and funding

Losses of contracts and funding cuts from Local Authorities, Health Boards and other statutory bodies are continuing to result in reduced income for many respondents. Alongside funding cuts, some organisations are not even receiving rises in line with inflation for continuing contracts. Late decision-making continues to leave organisations in an uncertain position, affecting their ability to deliver services and staff morale. The termination of match funding and 'in kind' match funding by some Social Services is having a massive impact on some health and social care organisations and services. Another has seen one Service Level Agreement end, another cut by 25%, and is waiting for a decision on a third.

"Reduction in Supporting People Revenue Grant administered by the Welsh Assembly."

"Although we have had a small increase in our revenue funding from Arts Council of Wales one of our local authorities has cut £2k from their annual support."

"Torfaen C.B.C have been unable to give us the level of support which they previously gave us."

"We have in the past...received very minor amounts from Flintshire County Council from their funding from WAG for the Strategy for Older People. That will no longer happen."

"Funding reduced from WCVA but some help was available to the group."

"Loss of contract income. No inflationary indexing."

“Core funding has not risen to keep pace with inflation and rising costs.”

Some organisations have been left in a position where they do not know if they will have funding they have been granted taken away from them again.

“We were granted 3 years funding by DFID in April 2010 but we are still waiting to hear whether this funding has been taken away from us. We were originally told that we would hear by the end of April but now we have been told that DFID’s review of their policy on grants in the UK has been delayed and they won’t give a date when they will have made up their mind. We only have enough money in the bank to last to 31st May so bankruptcy is becoming more and more likely.”

Others have been informed that funding will be cut and they will be expected to provide the same services for less money; and then told they will receive the initial amount. While this may be considered good news, it leaves organisations and staff in an uncertain position, with little faith in support for the third sector from statutory bodies.

“We were initially notified that the funding we used to receive under the mental health grants scheme which has now passed to LSB would be cut by 4% and despite this we would be expected to deliver the same services. This has now changed and we have been notified that we will receive the same amount of funding as the last financial year. The threat of losing funding for the mental health services delivered from this funding is worrying and leaves us feeling unsettled. There appears to be little understanding of the nature of the third sector and the work we do.”

Some organisations have missed out on grants they previously relied on, primarily due to less total funds being available.

“Reduced funding grants from Communities First Trust Fund.”

“Arts Council of Wales grant ... cut.”

“We used to have a “Penny Grant” (approx. £100 per annum) from the local town council, but that no longer exists.”

“Funding from [statutory body] reduced by £25k this ... year.”

Funding process

Some organisations have become increasingly frustrated with more complicated funding processes, changing criteria and the lack of support for the third sector, and especially small organisations.

“The process with some funding bodies is almost impossible for smaller groups to cope with. Funders are not encouraging third sector groups at all.”

“We were fined for late submission of annual accounts. Something we are not happy about given the circumstances.”

“WAG Communities First changed their criteria which made us ineligible.”

Earned income

Some organisations have experienced a reduction in services on which they relied for a regular income.

“Projects that were using the building and paying rental have closed and so our income has reduced.”

“Customers from local authority have reduced their rental requirement in response to their own budget being cut. Individual users of the facilities have less disposable income. Clients (and staff with children) who use our childcare have been adversely affected by the cuts in childcare tax credit.”

Voluntary income

Membership organisations have experienced a drop in income due to reduced disposable income of their members, as a result of the recession. This primarily affects arts, sports and leisure organisations, but also affects community groups in deprived areas.

“Now our members are less well off we will not be able to give as we have in the past. This means we can do less for our community.”

“Membership levels fallen due to recessionary pressures.”

“Our funding comes from parents paying per playgroup session. As the recession has hit parents, some cannot afford as many sessions, so we get less income.”

“Incomes and expenditure of members has worsened significantly and this has resulted in a massive increase in transportation costs. The club now has to provide at least one mini bus a week at an average cost of about £130 each and this will reduce our end of season balance by approx £2500. This will then have the knock-on effect of reducing the disposable income we have for improvements to ground and facilities, resulting in them taking significantly longer to achieve.”

Groups that relied on voluntary income and sponsorship have lost funding, as private businesses make their own cost savings and individuals have less disposable income.

“Some big sponsorship has been lost this year, while venue costs have increased.”

“The total cost of running the facility comes from fund-raising events organised by and within the community. The cost of electricity and insurance are increasing, and the general economic situation is making it more difficult to raise additional funds.”

Costs

Many organisations are in the position of using up funding reserves to pay for recurring costs, such as utilities and wages.

“The Centre is now paying for 3 staff members out of reserves plus all overheads and maintenance.”

International causes

Charities supporting international causes are finding it especially difficult to obtain funding.

"It's getting to be really hard to get any form of funding from anybody especially as we serve starving children in another country."

Some organisations have seen an improvement

Some, albeit fewer, organisations have been successful in obtaining funds or grants, or have received additional voluntary funds. Others have benefited as a direct result of the current economic situation, as their services and activities are in increased demand. This is generally because they offer services that will enable people to make cost savings, such as village halls.

Contracts and funding

Some organisations have made successful funding applications and won contracts. As can be seen from the comments below however, these are generally short-term agreements of up to 12 months.

"[We have had] success in fundraising applications and increased demand for services."

"Local Authorities have agreed funding some times for the whole year and some for part of the year."

"[We] received funding from The National Science Academy for Wales for 12 months."

"We had funding from Communities First which we haven't had before but this was a one off."

"[We have received] funding from The Co-op Community Fund and Tidy Towns."

"[We have had] extra money from the Big Lottery."

"We have just been successful in being awarded funding (Big Lottery, Advantage) to deliver a new service for 50+. We have however lost funding for a wellbeing centre and community advocate. (Both were time limited, and will not be renewed, they were funded by LHB)."

"[We] received a pledge of an annual grant of £6,500 from our denomination, United Reformed Church (Wales), which will help us to maintain the minister over this period."

Voluntary income

Others have benefited from increased voluntary funding, after appealing to members and local communities.

"[We] appealed to members for financial support for [a] building project."

"[We fundraised through a] Tesco bag-pack and non-uniform day [at] community schools."

Earned income

Some organisations have been able to benefit from the current economic climate, as demand for their competitively-priced services and facilities have increased. Others commented that the need for more prudent financial management has led to increased efficiency and cost savings.

"We are finding more people are hiring the hall for their personal fund-raising events - we conclude this is due to funding becoming harder to obtain."

"Good levels of funding for consultancy work, where we charge public sector partners."

"Funding has improved after a systems review identified the need to provide more funding for preventative works."

One organisation commented that they have benefitted as a direct result of the recession, due to the services they provide, in alternative fuels. An increased number of private motorists are approaching the organisation as fuel prices increase, in order to purchase or learn about making bio-fuels.

"The demand for the fuel we sell has more than doubled in the last year. We are also working on several projects overseas."

"We are receiving more inquiries, and the membership is constantly growing. We are running more seminars and they are all fully booked in advance."

They are an organisation consisting of member groups that make fuel and power generators. Membership has increased, and members have also experienced increased demand for services.

"All our members who make fuel for sale have more orders than they can fulfil."

"Many of our members are now also running generators which can export electricity into the grid, and also provide heat. Generation is now a significant part of the turnover of most bio-power operations."

Some organisations have improved income by undertaking more work in order to earn income, but this is limiting their capacity to do grassroots work.

"We are having to take on more strategic research commissions that may well help keep the organisation alive, but which takes away our capacity to do grass roots work."

The financial situation over the next twelve months

Looking to the future, organisations grew in confidence again. A reduced 46 per cent of organisations in June 2011 (52 per cent in October 2010 and 48 per cent in January 2011) felt that the financial situation of their organisation would get worse; 41 per cent (39 per cent in January 2011) felt that it would not change and 13 per cent (also 13 per cent in June 2011) felt it would improve.

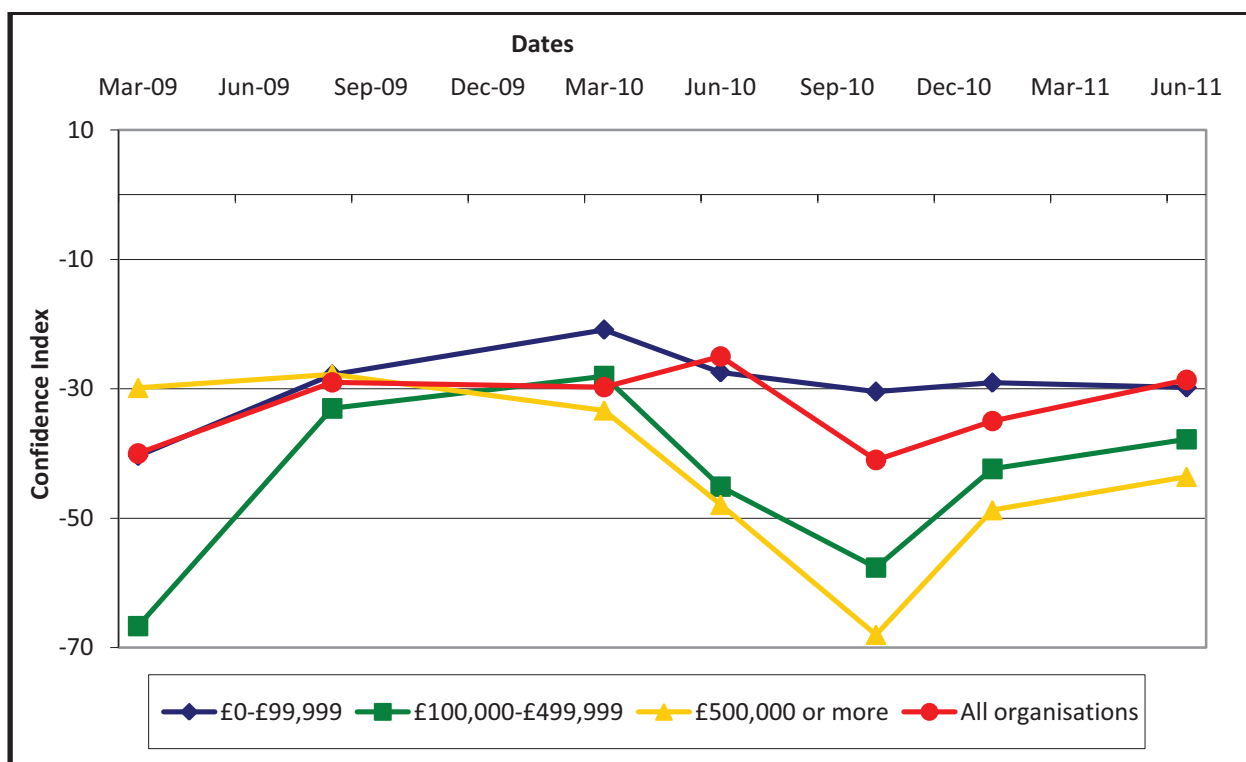
The confidence index for future financial performance increased by 2 points to reach -33 points overall in June 2011 (Table 6, Figure 6). There was a mixed report across the income bands. Organisations with incomes between £250,000-999,999 reported large increases in future confidence. Confidence in income bands £10,000-99,999 and £1,000,000 or more reported slight losses, and the rest remained stable.

Since March 2009, the confidence index improved from -40 to -25 in July 2010, falling back to -41 in October 2010 and has risen slightly to -35 in January 2011, and -33 points in June 2011. The dip seems to correspond to uncertainties in public funding by the new UK government in Westminster, and improvement with the announcement of the Welsh budget in November 2010, where the settlement was not as bad as feared.

Table 6: The Confidence Index of organisations in regards to their future financial situation over the next twelve months, by income band, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.

Income band	Confidence						
	Mar-09	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
1. Less than £10,000	-33	-22	-14	-19	-22	-31	-31
2. £10,000 - £99,999	-36	-27	-36	-37	-30	-26	-29
3. £100,000 - £249,999	-62	-44	-40	-52	-58	-36	-42
4. £250,000 - £499,999	-66	-54	-48	-37	-57	-53	-28
5. £500,000 - £999,999	-58	-54	-44	-50	-65	-48	-23
6. £1,000,000 or more	-17	-39	-32	-46	-69	-49	-56
All organisations	-40	-29	-30	-25	-41	-35	-33

Figure 6: The Confidence Index of organisations in regards to their future financial situation over the next twelve months by paired income bands, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.

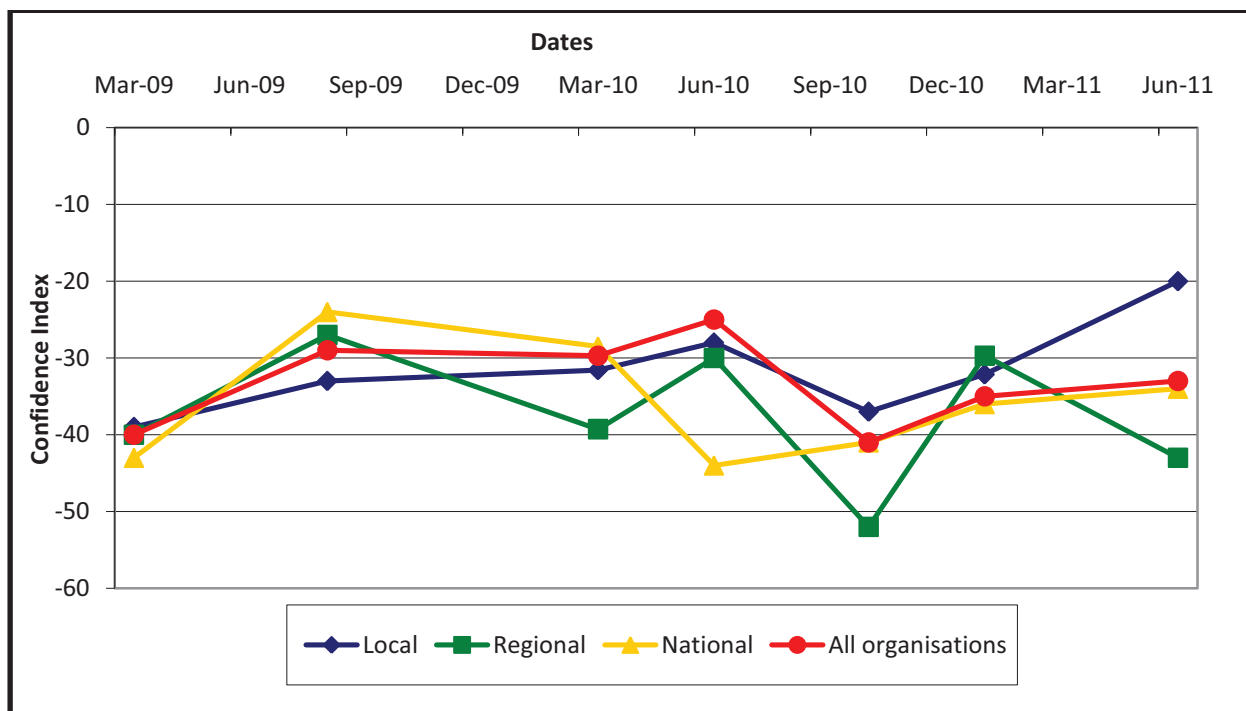


The confidence index for future financial performance over the next twelve months by organisation size shows that local organisations have gained 12 confidence points to reach -20, but regional organisations lost 13 points to -43 in June 2011. National organisations experienced a slight increase in confidence of 2 points to -34 and overall, confidence increased by 2 points to reach -33 points in June 2011.

Table 7: The Confidence Index of organisations in regards to their future financial situation over the next twelve months, by organisation coverage, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.

Area served	Confidence						
	Mar-09	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
Local	-39	-33	-32	-28	-37	-32	-20
Regional	-40	-27	-39	-30	-52	-30	-43
National	-43	-24	-28	-44	-41	-36	-34
All organisations	-40	-29	-30	-25	-41	-35	-33

Figure 7: The Confidence Index of organisations in regards to their future financial situation over the next twelve months by organisation coverage, March 2009, August 2009, March 2010, June 2010, October 2010, January 2011 and June 2011.



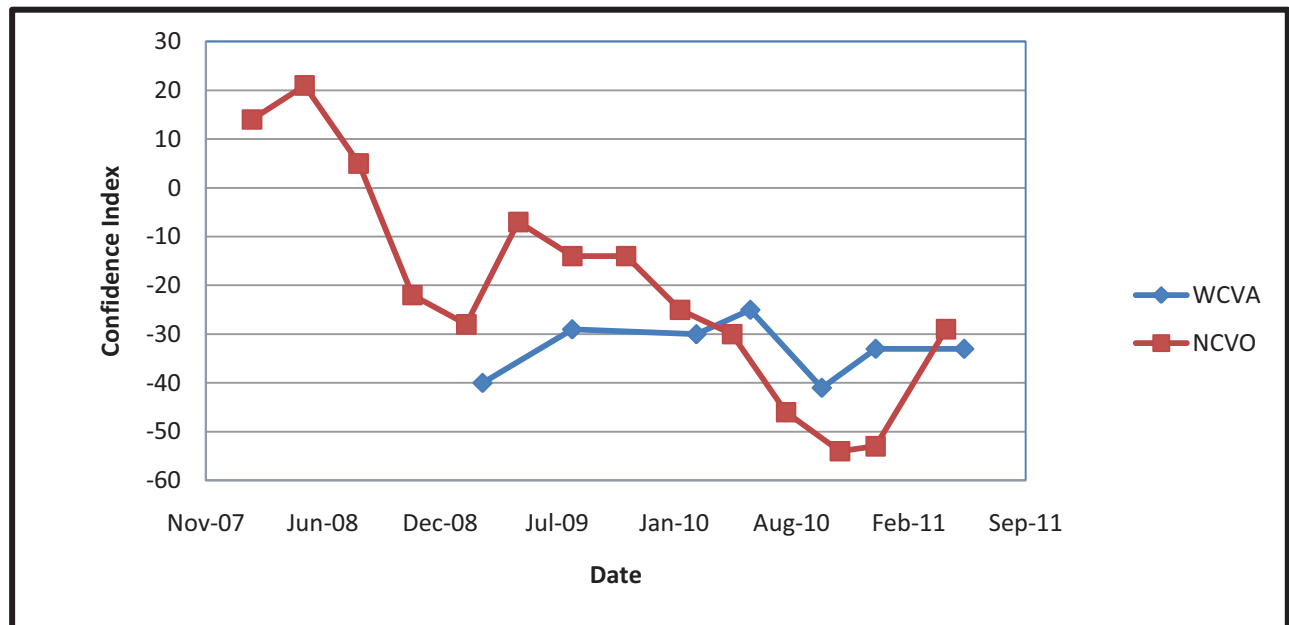
Comparison of NCVO and WCVA data from February 2008 to January 2011

The Confidence Index measured by NCVO started in February 2008, at +14 points. From May 2008 it steadily declined, to -53 points in January 2011, apart from a small increase in May 2009. The most recent survey in May 2011 shows another increase in confidence, to -29 points. The Confidence Index measured by WCVA began in March 2009, at which point it was lower than that of NCVO, at -40 points. It has been more stable than that of NVCO, fluctuating between -40 points and -25 points. The most recent survey shows a small increase in confidence. The most recent surveys by NCVO and WCVA in May and June respectively show a switch, as confidence measured by NCVO is again higher than that measured by WCVA, but only slightly.

Table 8: Confidence Index of the financial future over the next 12 months: A comparison of NCVO and WCVA data from February 2008 to January 2011.

	WCVA	NCVO
Feb-08		14
May-08		21
Aug-08		5
Nov-08		-22
Feb-09		-28
Mar-09	-40	
May-09		-7
Aug-09	-29	-14
Nov-09		-14
Feb-10		-25
Mar-10	-30	
May-10		-30
Jun-10	-25	
Aug-10		-46
Oct-10	-41	
Nov-10		-54
Jan-11	-33	-53
May-11		-29
June-11	-33	

Figure 8: Confidence Index of the financial future over the next 12 months: A comparison of NCVO and WCVA data from February 2008 to January 2011.



Future financial concerns of organisations

Contracts and funding

Comments from organisations regarding their financial future showed concern for a variety of reasons. The overall reduction in available funding is a worry to many groups, as more organisations apply for reduced 'pots of money'. One grant-making trust commented:

"We get more applications, up about 50% compared with [the] same period in previous years. Fund raisers are applying more widely, and often with no chance of success."

The pattern of uncertainty of funding continues to be a concern for the future for many organisations. As well as changes and cuts in statutory funding, they continue to experience late decision-making. In many cases funding will be coming to an end this financial year, and organisations have no idea where funding will come from afterwards. An emerging trend is one of tendering or retendering for core business. Increased bureaucracy is another concern, further complicating funding criteria and applications, and potentially increasing costs of administering funding for third sector organisations.

"[There is] uncertainty about funding after March 2012."

"Funding is decreasing and Service Level Agreements are going out to tender."

"Significant cuts to Legal Aid funding and indications from some local authorities that they are reducing grant levels. Also Welsh Government funding is being held at the same level for the third year."

"We are finding that grants for training will be no longer available and the funding streams are changing so it is more difficult to fit in with their remit to draw down funding."

"Costs continue to rise, including costs associated with regulatory and legislative requirements, whilst available funding continues to decrease."

"We will receive a cut of about ... two thirds in our core funding from the local authority at the end of March 2012 ... [Two] contracts ... may end over the next 12 months, coming to £90,000 in total. Lack of clarity about Communities First funding - we may lose two projects ... totalling about £100,000 in April 2012."

"There are cuts to our funding being implemented in various ways and we are currently being asked to work with Local Authorities and others on different (i.e. cheaper) models of service delivery. Some authorities are taking the retendering route in an effort to reduce costs of services, including inviting in large scale (often multinational) provider organisations."

With the new financial year, some organisations have found that the cuts have not been as bad as they expected. Others have been successful in being awarded funding, but an emerging trend is for funding to be short term, usually up to 12 months.

Health

The restructuring of the Health Service is impacting upon the third sector, as well as the need of the Local Health Boards to make cost savings. In an effort to maintain greater knowledge and control over spending of outsourced services, some Health Boards have in fact increased the cost of administering funding for third sector organisations. This is particularly worrying for small organisations with limited resources.

Another organisation had a contract with a Health Board from two years ago to provide counselling services, set up in response to perceived need from the previous Health Board. This was a successful service with positive feedback, which they hoped to continue and expand. Despite the Health Board planning to expand counselling services, this organisation is likely to lose out, as tendering will be for a regional provider.

“The current contract we have will not be continued after March 2012. I am not hopeful that we will be in a position to bid for this ... being a relatively small organisation we may well not have the capacity to pass the PQQ stage. My perception is that it is likely that this contract will go to a private company, or perhaps a national charity.”

Voluntary income

Organisations that rely on voluntary income and membership subscriptions are particularly concerned, as the recession has weakened many individuals' financial position. This has especially impacted on sports, leisure and arts groups, which may be considered 'luxury' items.

“We depend on voluntary contributions; we anticipate that some of our members' and attendees' financial situation will be adversely affected by government policy, so they will have less disposable income.”

“Membership will continue to fall due to the recession.”

“There is no sign that loss of members will abate.”

Earned income

Organisations that rely on earned income predict that they will continue to experience reduced income, but some respondents are more optimistic, especially those with income streams, which remain in demand or have seen an increase in demand as a result of the recession.

“Currently, we aren't reliant on any funding. We do see the popularity of the Bunkhouse increasing further. We suspect that more people are staying in the UK for their holidays.”

“We have developed a trading arm which we believe will be able to expand current activities.”

Costs

Rising utility costs are a general concern across all types and sizes of organisation, especially where they are experiencing a simultaneous stagnation or decline in income. The lack of inflationary increases to counter rising costs is an issue. Some organisations are already paying utility bills with reserves, which are now in a position of coming to an end.

“Costs have risen (the price of heating oil & electricity has become a constant drain on our funds)”

“Predicted increase in utility costs/fuel will affect overall budget.”

The simultaneous shrinking income and rising costs are leaving some organisations in a position of ‘ensuring survival’.

Strategic changes

Others are making strategic decisions in order to improve their future financial situation, but the effects of such measures are yet to be experienced:

“Through the employment of a business development manager, we are in the process of developing our self-sustainability, leading to an increase in revenue streams and the overall turnover of the organisation through the promotion of usage of our premises for events ranging from adult education classes to large-scale conferences.”

“We are taking positive means to improve club advertising and encourage more members to come to the club.”

Many organisations are finding that their reputation is becoming increasingly important, as well as relationship management with funders and service users. Resourcefulness is also playing an increasingly important role.

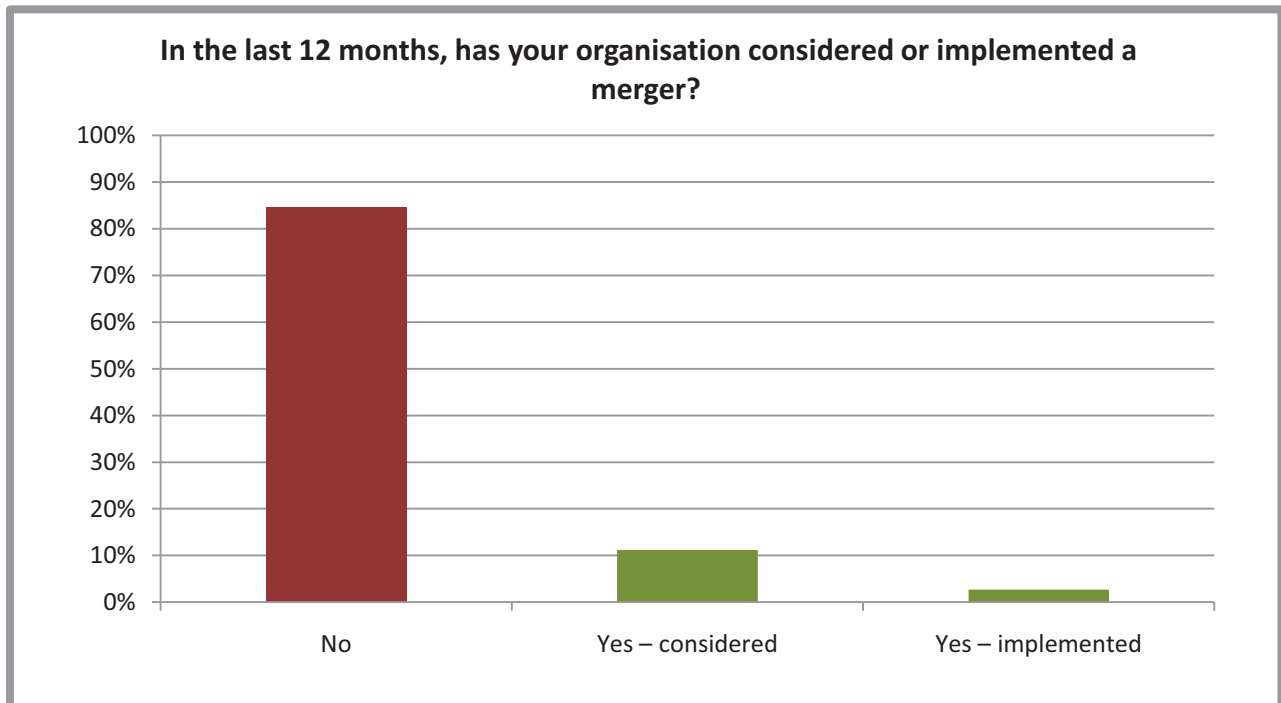
Mergers

In June 2011, research has found that of 482 responses, 3% of organisations have merged in the last 12 months, and 11% of them have considered merging. Of those that have merged, there appears to be a cross section of predominantly local family support organisations covering a range of ages. However, not all fit into this trend; there is one national organisation that supports young people into business, and another organisation that is a local sports leisure facility.

Table 9: Percentage of organisations that have considered or implemented a merger

	June 2011
No	85%
Yes - considered	11%
Yes - implemented	3%

Figure 9: Percentage of organisations that have considered or implemented a merger



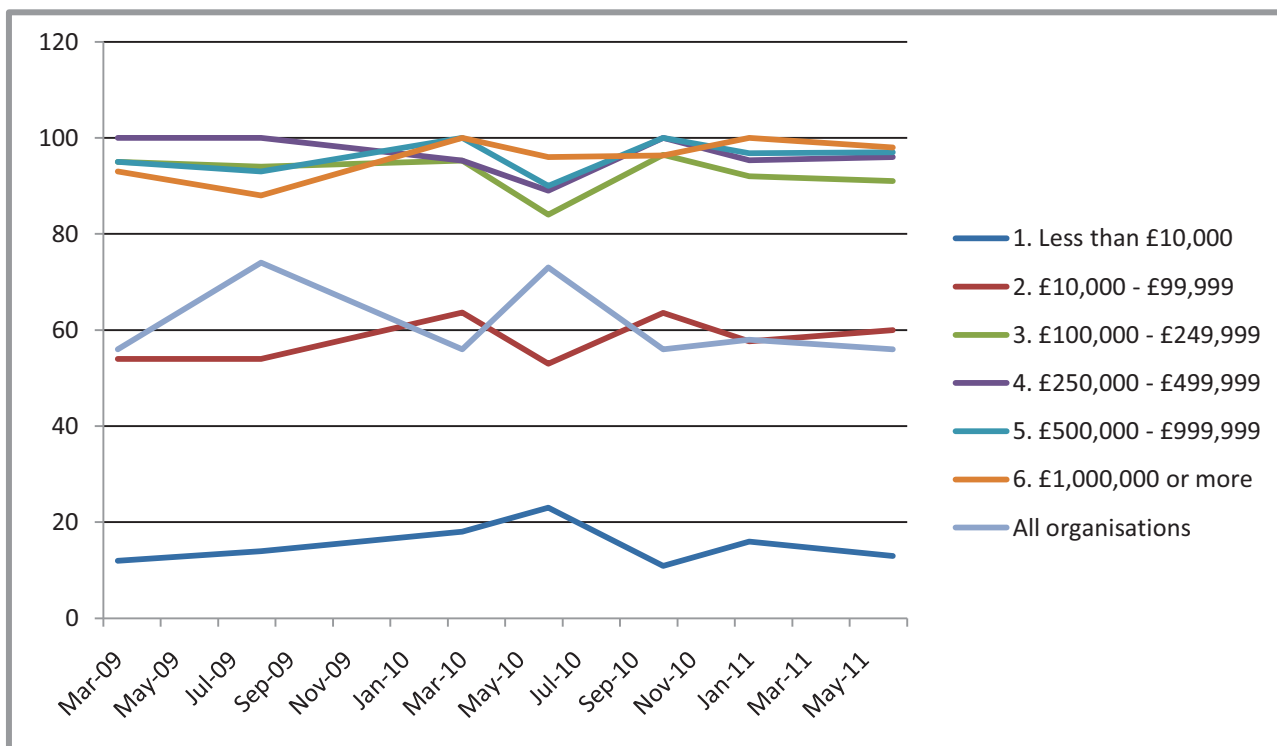
The effects on staffing

Of the 482 respondents, 270 (56 per cent) employed staff. The percentage of respondents which employ staff has maintained roughly level for the previous 3 surveys. Over the past 7 surveys, employment levels have remained steady on the whole, allowing for seasonal adjustment (employment typically increases in the summer months). The recession does not seem to have caused a dramatic reduction in levels of paid staff, underlining the reliance of most organisations on unpaid volunteers. The consistent levels of staffing across various income bands also shows that the surveys are not heavily influenced by changes in respondent profile.

Table 10: Staffing levels by income bands.

Income band	Per cent that employ staff						
	Mar-09	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
1. Less than £10,000	12	14	18	23	11	16	13
2. £10,000 - £99,999	54	54	64	53	64	58	60
3. £100,000 - £249,999	95	94	95	84	96	92	91
4. £250,000 - £499,999	100	100	95	89	100	95	96
5. £500,000 - £999,999	95	93	100	90	100	97	97
6. £1,000,000 or more	93	88	100	96	96	100	98
All organisations	56	74	56	73	56	58	56

Figure 10: Staffing levels by income bands.



Since the survey began in December 2008 a minimum of 726 posts have been reported to have been made redundant in Wales. The number of organisations reporting redundancies (50) and the quantity of redundancies in this survey (146) has increased considerably since the last survey, where 20 organisations reported 50 redundancies. This increase in redundancies was predicted in our last survey, where posts reported at risk increased from 295 in October 2010 to 471 in the January 2011 survey.

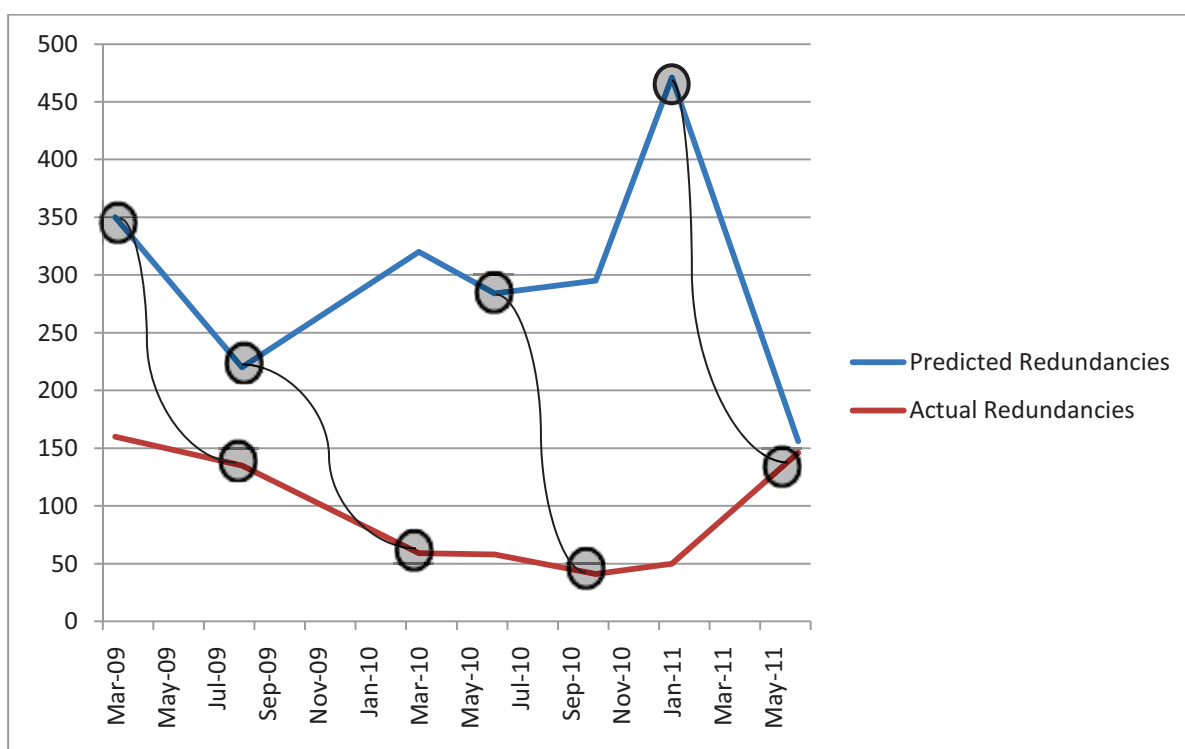
In this survey, a total of 69 organisations have reported 156 posts are at risk. This is a large decrease from January 2011, and hopefully means that fewer redundancies will be made in the near future.

Table 11: Number of predicted redundancies over the next 12 months, and actual redundancies made, from March 2009 to June 2011

	Mar-09	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
Predicted Redundancies	350	220	320	284	295	471	156
Actual Redundancies	160	135	59	58	41	50	146

From the figures returned by the surveys from March 2009 to June 2011, there is a clear link between predicted redundancies and actual redundancies. When predicted redundancies increased by 176 in January 2011, actual redundancies then trebled to 146 in June 2011. As predicted redundancies decreased by a third in August 2009, actual redundancies then decreased by over half to 76 in March 2010. In June 2011, predicted redundancies decreased from 471 in January 2011, to 156 now. Hopefully then, the next survey will return a positive result for the Welsh Third Sector on actual redundancies made.

Figure 11: Number of predicted redundancies over the next 12 months, and actual redundancies made, from March 2009 to June 2011



These figures represent the minimum level of redundancies or planned redundancies. There is no reliable way of estimating the total number of redundancies from the survey as the sample was not representative of the whole of the third sector in Wales, and it is likely that organisations which have staff and have made redundancies are more likely to reply to a 'state of the sector survey'. On the other hand, organisations which have closed down are not likely to have responded to our survey for obvious reasons. WCVA is also aware of other organisations which have made redundancies that have not been involved in these surveys.

There are no specific figures collected for redundancies in the third sector in Wales. However, the ONS reported that in the three months up to April 2011, 116,000 people had become redundant in the three months, down 27,000 from the three months up to January 2011 and down 56,000 from the same point 12 months earlier⁶. The redundancy rate in April 2011 was 4.6 per 1,000 employees, which is down 1.1 from the previous quarter.

Of the 46 organisations that have made people redundant, 18 (39 per cent) expect to be making further redundancies in the future. This is a decrease in the repeat redundancy rates from January 2011, when 60 per cent of organisations which had made people redundant expected to be making more people redundant within a year.

The impact on the organisation

Comments from organisations show that redundancies, or possible redundancies, continue to be a result of both loss of funding and reduced service use. Some organisations are making changes to their service delivery to make efficiency savings. Staff are working reduced hours to make savings and avoid redundancies, and some have not received pay rises in line with inflation, for several years. Volunteers are being relied on to carry out more tasks.

The new financial year has seen some organisations secure funding, meaning they are in a position to avoid redundancies or even take on staff. However, short term funding has led to a rise in short term and temporary contracts.

On the one hand, reduced staffing can make organisations more financially viable. However, the majority of respondents commented that redundancies have or will result in increased workloads for remaining staff. Organisations are expected to deliver the same services with fewer resources. Staff morale continues to suffer for these reasons, as well as uncertainty and late decision making. There is increasing frustration from the work that could be achieved.

"We are likely to be planning redundancies later this year - given funding reductions expected in 2012."

"Local Authorities slow making funding decisions this year. It will mean we may not have a presence in 5 out of the 22 counties."

"Staff have not had a pay increase for 2 years."

⁶ Labour market statistics, June 2011, ONS, accessed at <http://www.statistics.gov.uk/pdfdir/lmsuk0611.pdf>

“We are ... concerned how the trend will affect the independence and autonomy of the third sector as we seem to be drawn further into Local Authority and Local Service Board priorities and targets.”

“We have had 3 members of staff recently leave due to them coming to the end of 6 month Future Job Fund positions - it would be a positive step, in my opinion, to introduce a new scheme along the same lines, but offering a longer term (i.e. 12 months) placement to allow more time to bed into a role and receive sufficient training.”

“Fixed term contract not renewed because funding was not continued. We have cut staff hours. This is unlikely to avert redundancy in the future if the situation does not improve from March 2012.”

“Staff very frustrated at the work we could achieve and the difference we could make to families in a very vulnerable situation.”

“Trustees [are] nervous in case good staff leave for more secure jobs.”

“I am the only staff member. I avoid bankrupting the organisation which I love by not taking all my wages. I will continue to do so, but it is a strain on both me and [the organisation].”

“There is considerable uncertainty which results in low morale and staff possibly considering moving to alternative employment if it were to become available. This would have a negative impact on the project as we would lose experienced and committed staff that would take a wealth of knowledge with them.”

“Lack of continuation funding for good and proven projects.”

“We are not moving forward anymore, we are in a situation that is at a critical stage and without the support of grant funding to bring this final part of the project to fruition then we are going to go into serious decline.”

The impact on service users

Organisations that have implemented redundancies or have posts at risk commented on the actual or possible impacts on service users. In some cases, volunteers would be looked at to carry out more duties, as a way of reducing costs.

On the whole however, there continues to be concern about the impact of funding cuts and redundancies on the quality and coverage of services. Redundancies are resulting in over 50,000 hours of service being at risk in one regional organisation. Most respondents believe there will be a loss of capacity and key services, loss of expertise from organisations and the sector, and knock-on negative impacts on individuals and communities.

“Reduced staffing levels for financial reasons almost inevitably compromise the quality and effectiveness of support for service users and any changes to personnel, or support provider are disruptive and potentially traumatic for vulnerable service users.”

“We would have to restrict our opening times to the public.”

“[Redundancies would result in the end] of important and needed services and support to vulnerable people.”

“Loss of key services e.g. older peoples daycare putting people at risk and lowering their standard of living.”

“[Redundancies have resulted in the] closure of a wellbeing centre [and] reduction in hours available for advocacy service. Both were valuable and well used resources, particularly valued at this time of economic crisis.”

“Losing [the playground] has had a significant negative effect on the community... with local residents making comments at the children and young people losing out.”

“We would not be able to deliver the current level of service and our members would not have the support in place from any other organisation.”

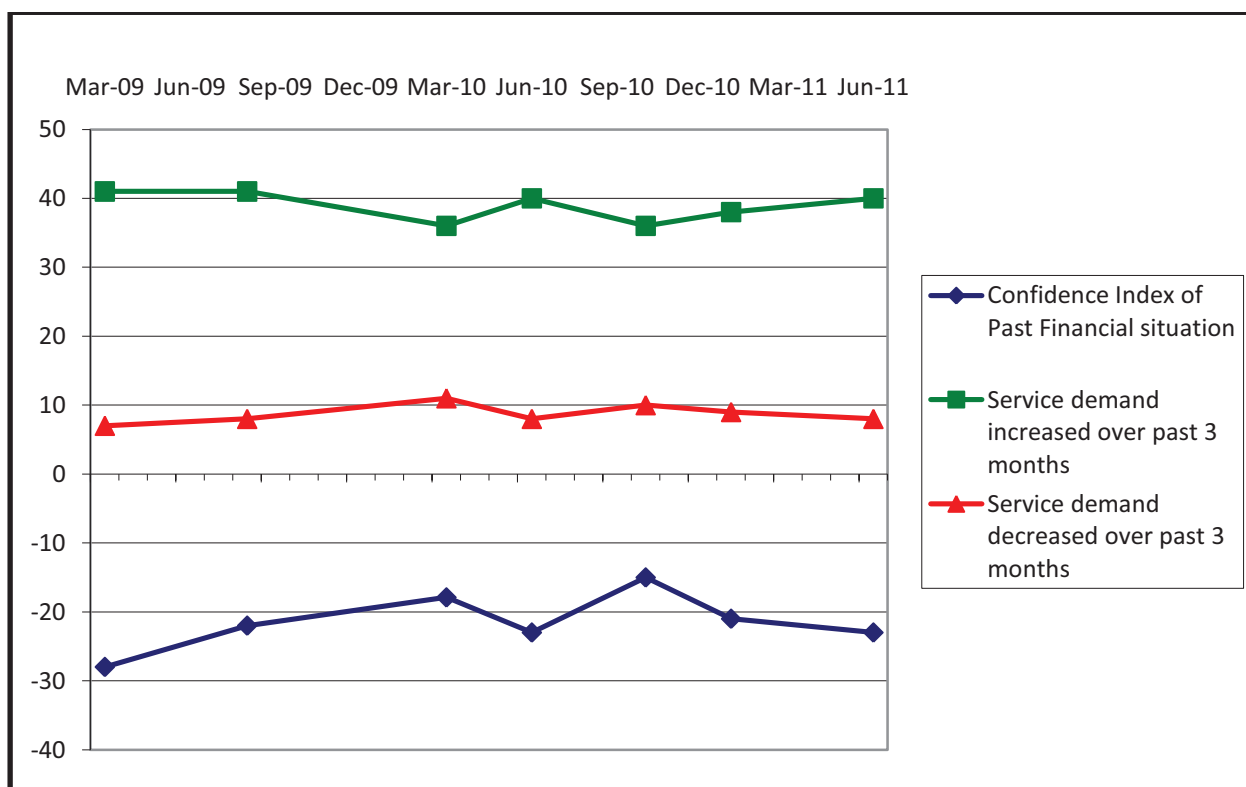
Current demand for services

Almost 70 per cent of organisations that responded said that they provided services, which is a lower percentage than given in the previous two surveys (75 per cent). Of those that provided services (338 respondents), 40 per cent indicated that demand for services had increased in the previous three months, whilst 8 per cent indicated that demand had declined. The majority reported no change (52 per cent).

Table 12: Demand for services from March 2009 to June 2011, with the Confidence Index of organisations in regards to their financial situation over the past three months.

	Mar -09	Aug -09	Mar -10	Jun-10	Oct -10	Jan -11	Jun-11
Confidence Index of Past Financial situation	-28	-22	-18	-23	-15	-21	-23
Service demand increased over past 3 months	41	41	36	40	36	38	40
Service demand decreased over past 3 months	7	8	11	8	10	9	8

Figure 12: Demand for services from March 2009 to June 2011, with the Confidence Index of organisations in regards to their financial situation over the past three months.



By comparing the Confidence Index of financial performance over the past 3 months with service demand over the past 3 months, it is possible to see a correlation. Confidence increases as more organisations report that service demand has decreased. Confidence also decreases as more organisations report that service demand has increased. It is clear therefore, that increased demand for services puts pressure on existing financial capacity to meet outputs, and that increased demand for services is not necessarily being met with increased income.

Looking to the coming year, 48 per cent predicted an increase in demand for services (similar to the 51 per cent in January 2011), whilst 6 per cent predicted a decrease (down from 7 per cent in January 2011). 45 per cent of respondents (down from 42 per cent in January 2011) predicted no change.

The outlook for services is mixed

The changing demand for services is generally linked to the type of service provided, which is a continuing trend. In some cases it can also be linked to geographical location, with regard to the decisions being made by Local Authorities:

"[We expect demand to] decrease in Swansea - due to staff shortages and funds to special needs."

Reduced demand

Organisations providing services that are considered luxuries continue to experience declining demand. Individuals have to forgo such activities due to reduced disposable income as a result of the recession. This includes arts, culture and sport and leisure organisations.

"I believe that members ... who have boats are scaling back, reducing the need for boat parking in our compound. We hope that as the financial situation improves, more people will return to sailing or take it up for the first time."

Children and family organisations such as parent and toddler groups are also being affected, with some groups having to close due to reduced use. A children's organisation commented on how changes in benefits will affect their services:

"We offer very affordable childcare, however many parents are in receipt of benefits, if they are cut then child care may become unaffordable."

Mixed

Organisations providing catering and conferencing facilities, such as village halls, have experienced a mixed result. This is a continuing trend: those that provide a locally competitive service have seen increased demand, while those that cater to the public sector and private companies may be at the receiving end of others trying to make savings. One group commented that they have been busy but are receiving fewer new bookings.

"As grant aid and funding in general decreases for other organisations, we believe we may find more people utilising the hall to organise their own fundraising events... as our hire charges are extremely competitive."

"[There have been decreases in] conferencing and training [and the] Coffee Shop. Public Services have made cuts to our funding and they are not using our services as much."

"[There has been a] downturn in clients hiring the rooms at the Centre, the cafe takings have taken a small drop ... and our buffet service has also seen a downturn in trade."

Increased demand

Advocacy and advisory groups

Advocacy and advisory organisations continue to experience an overall increase in demand for services, from people concerned about how they will be affected by cuts or changes in benefits and tax credits.

“As an advocacy provider, [we have received a] significant increase in requests for advice from families of disabled people concerned about cuts in services.”

“[There has been increased demand for] housing advice and debt advice services. Increased unemployment and debt problems will have an effect on people’s ability to pay housing costs or even to access a home.”

Community groups

Community organisations providing a variety of services commented on an overall increase in demand.

“More people are attending our provision including Mother and Toddler groups, Credit Unions, After School Clubs, Want to Work (Job Centre Plus with our building) and CAB Advice Surgeries.”

“With the way benefits have been cut and restructured I feel more people will be coming forward for support with employment/education/training and advice.”

One group stated that demand for family support services had increased, as a result of more families being in crisis.

“Single parents now have to work. We provide courses to put them on the right road. We expect stress and concerns over matters relating to poverty to put a strain on family life for most of our families.”

Credit unions

There is continuing interest in debt counselling and the services that credit unions provide, as more people struggle to make ends meet.

“People are becoming more aware of the services offered by Credit Unions. As the profile of the Credit Union is raised people will be aware they can save and borrow, we will also highlight the benefits of opening a Christmas savings account.”

Stretched resources

The increased demand is unfortunately stretching some organisations beyond their capacity to deliver services. This has resulted in having to turn people away, worry that potential service users are not being reached, and delivering some services outside their remit.

“We have more requests for help for access surveys, consultations, help in making complaints concerning discrimination. We now pretty well have to say “no” to everyone. Funds promised have not materialised so our work has been suspended,

with nobody else able to supply the same service that our specialised knowledge allows us to.”

“Although we try to respond to all areas that affect inclusive access we are really geared up to cover surveys of buildings and scrutiny of plans but because our area of expertise is disability equality we receive benefits enquiries and there are fewer other sources of information or support.”

In some instances they have also experienced cuts to funding, which have further intensified their situation.

“[Demand for all services has increased:] wellbeing centres, tenancy support, advocacy. Public sector have not renewed Service Level Agreements and threatened cuts to our funding.”

“[Demand has increased with] additional events bringing more people to the area. Lack of support from the officers in the public sector. The demand will increase but we will have problems making that happen as we do not have the manpower in place to make it happen.”

There is some concern that the public sector is setting up activities in direct competition with voluntary organisations and social enterprises that have invested time and money into developing their activities.

“We are told that local authorities threatened by cuts must now make a profit wherever they can and therefore they are collecting used cooking oil to sell to the waste oil market. This is putting local oil collecting companies out of work and is also wasting the economic opportunity to bring local wealth by raising the value of locally derived waste for sale as a valuable product.”

Involvement of volunteers

Overall, 91 per cent of the respondents indicated that they involved volunteers in their organisation. This does not include trustees or management committee members. 30 per cent of these organisations indicated that they had seen a change in volunteer numbers over the past three months, a slight increase from the last survey which reported 28 per cent. The responses were grouped, and indicated that 69 per cent of the 135 organisations that responded had seen an increase in interest, applications or actual volunteers. 31 per cent of responding organisations reported a decrease, or difficulty in recruiting volunteers. In January 2011, 76 per cent reported an increase, and 24 per cent reported a decrease in volunteering.

Table 13: Percentages of increases and decreases in volunteer numbers from all survey respondents (including those who had not reported a change in volunteer numbers), from August 2009 to June 2011.

%	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
Increase	26	22	20	21	21	28
Decrease	9	8	6	11	7	6

The percentages have remained fairly consistent throughout the surveys, but on this occasion there were approximately four times as many respondents who felt that volunteer involvement increased over the past 3 months, than those who felt that it decreased.

Table 13: Percentages of the predicted increases and decreases in volunteer numbers over the next 12 months from all survey respondents (including those who had not reported a change in volunteer numbers), from August 2009 to June 2011.

%	Aug-09	Mar-10	Jun-10	Oct-10	Jan-11	Jun-11
Increase	16	14	14	14	13	34
Decrease	19	16	16	18	15	4

The percentages have not fluctuated considerably throughout the surveys, but on this occasion, the number of respondents expecting an increase in volunteering has more than doubled. The number expecting a decrease has dropped, and a large gap between the two has emerged. This is a reversal of the previous trend, where a few more respondents expected volunteer involvement to decline rather than increase.

The trend of increasing volunteer involvement and enquiries is continuing, with many respondents continuing to attribute this to unemployment, redundancy, and a desire to gain work experience. Students and graduates are seeking experience to enhance their CVs, as well as people returning to work, such as stay-at-home parents. Volunteering may also be considered a method of maintaining a work ethic and motivation.

“[There has been a] big increase in volunteers seeking placement, particularly from graduates seeking internship or professionals who are working reduced hours ... people wanting their CVs to stand out from the crowd and looking for experience to add in.”

“We are getting more volunteers who are looking to use volunteering as a way to occupy time or keep up a work ethic as job opportunities may not be available to

them. As the current economic situation continues, I believe more people will look to volunteering as a viable option."

"Due to present climate individuals are starting to see volunteering as a way of showing potential employers they are prepared to go the extra mile."

Some also commented on how they might involve volunteers as a strategy to improve the organisation's capacity in future, in the face of increased demand and fewer resources.

"We will be seeking to extend some of our services through greater volunteer input."

"[We are] signing up people completing ILMs as volunteers. More people [are] coming forwards as volunteers anyway to gain new skills or keep active after being made redundant."

"We hope through working with CAVO, Aberystwyth University and others that we will become more well-known and attract more volunteers and if we secure funding for a post we will be able to offer much wider and more frequent opportunities to volunteers. We are also looking at ... opportunities which we haven't engaged with before."

Other organisations continue to experience reduced numbers of volunteers, as undertaking paid work is being prioritised. The reduced or static income of organisations has resulted in an inability to reimburse expenses, which has led to a loss of volunteers.

"We have attracted a few new volunteers but for how long we will be able to keep them is another matter. We do not have the funds to help us pay their expenses so we are limiting the amount of training they can take part in. All our volunteers are finding it hard to put in the same amount of time as they are limited to what they can spend from their own pockets."

"Fewer willing to commit and present becoming disheartened."

"We have lost volunteers - we cannot reimburse their expenses."

A reduced demand for services has resulted in some organisations reducing volunteer numbers. This could become a trend in organisations considered 'luxuries', such as sport and leisure, and arts organisations. One sports club stated:

"There are less children and teams to coach. Coaching course cancelled at Easter mainly I believe, due to the current economic climate."

Conclusions

The Welsh economy appears to be improving slightly with unemployment rates decreasing (though still higher than the UK rates) and employment increasing. Public sector budget cuts are happening, but appear to be less severe than in England. However, the future seems uncertain, as potential impacts of changes in the benefits system and anecdotal evidence from those working with people experiencing poverty sound a warning note. It is important at this time that the Third Sector is able to suggest solutions and work with government to alleviate the situation of vulnerable people and also to challenge government with evidence where policies are not working.

The seven surveys conducted since February 2009 provide evidence of the ongoing effects of the recession and subsequent recovery on the third sector in Wales. Whilst the data is not able to provide a comprehensive picture, there have been around 500 responses to recent surveys which are illustrative of the situations of many organisations in Wales.

The new financial year has seen some organisations in a marginally better position, as they have secured funding for the next 12 months. Some have also improved their situation by becoming more efficient. Some organisations have also experienced an increased income as a result of the recession, such as competitively-priced village halls and alternative energy providers.

This has translated into a slight increase in confidence within the sector since January 2011, but it is still very low (at -31), and 7 points lower than the same period in 2010. Confidence within the largest organisations is the lowest, and the greatest increase in confidence is within medium-sized organisations, from £250,000 to £999,999 income. When considering the area covered (local, regional or national), again there has been some increase in confidence, but overall it is worse than 12 months ago.

All sizes of organisation report a decreasing level of confidence for their financial situation in the past 3 months. The majority of respondents reported a continuing worsening situation, to a point of 'ensuring survival'. The main points of concern are the uncertainty, late decision making, and short-termism of decisions and funding. A small proportion of respondents have either considered or implemented mergers, which can be an effective way of making efficiency savings and submit joint funding applications. Considering their future financial position, generally organisations are more confident than 6 months ago, but it is approximately the same as 12 months ago.

It has also been possible, to compare the responses of Welsh organisations with those who respond to the Charity Forecast Survey carried out by NCVO. The methodologies are slightly different, so exact comparison is difficult. In January 2011 it appeared that organisations in Wales were more optimistic than their counterparts based in England. However, the most recent survey shows a marked improvement in the confidence of organisations in England whilst organisations in Wales appear to have similar levels of confidence (or pessimism). Reasons for this are not clear at the moment.

The number of actual redundancies is greater than recorded in any survey since March 2009, at 146 in the previous 6 months, although this is much lower than the 471 predicted in January. Comments reinforce the view that organisations are operating on 'skeleton staffing' in order to ensure the survival of the organisation. The number of predicted redundancies is the lowest yet, at 156. This could be the result of the allocation of funding

in the new financial year putting some organisations - and their staff - in a more secure position.

Demand for services continues to grow, with more organisations are reporting an increase in demand than those reporting a decrease. This largely comprises advice and advocacy organisations, for people affected by redundancy and benefit cuts. Organisations that deliver these services are often simultaneously experiencing funding cuts, meaning their capacity to deliver is stretched. Reduced demand for services is generally being experienced by arts, sports and leisure clubs, as they are being considered 'luxuries'.

Organisations that involve volunteers are generally reporting an increase in involvement, especially where such opportunities can enhance CVs and lead to paid employment. This is leading many organisations to improve volunteering strategies. However, it is important that the third and public sectors do not see volunteers as a free alternative to paid staff, as there are still costs involved in recruiting and training. Other organisations are struggling to retain volunteers, either because they cannot reimburse expenses, or because volunteers can no longer give their time as they are searching for paid employment. The reduction in volunteers is undermining the ability of organisations to deliver services and provide activities.

Despite the deteriorating situation of many groups, there will always be some success as there is always some funding available. Some organisations have been awarded funding and grants, and are in a position to take on staff and new projects.

In conclusion, many organisations continue to experience difficulties, reporting a loss of funding and contracts, trouble securing new funding, and increased demand for services. Few groups have the confidence that their situation will improve in the next 12 months. The third sector is being squeezed at both ends, suffering increasing costs and decreasing income. Not only are utility and fuel costs rising, but the costs of legislative and regulatory requirements are also increasing. More complicated funding and monitoring requirements are increasing costs of administering funds for third sector organisations.

Many feel that the sector is being treated poorly, and this is impacting upon relationships with the public sector. Small organisations feel that they are bearing the worst of it, losing out to larger organisations and struggling to cope with complicated funding applications.

There is widespread feeling of a lack of understanding and appreciation of what the sector does, and how much it does. Trust in the public sector is deteriorating rapidly, and many organisations fear some form of reprisal if they speak freely. Without addressing this, and making more effort to engage with and consult the sector (rather than hiding behind closed doors), statutory bodies are in danger of irreparably damaging relations, as well as losing smaller organisations, expertise, and capacity to deliver services.

Acknowledgements

This report was written by Bryan Collis, Roberta Roberts, James Shaw and Francesca Hughes. Detailed comments or questions should be directed to any of the authors at research@wcva.org.uk. Help with survey development and compilation of results was provided by WCVA colleagues. Helpful discussions with colleagues from our sister councils, NCVO, NICVA and SCVO are also acknowledged.

The authors thank those who have replied to the survey.

B Collis
R Roberts
J Shaw
F Hughes
June 2011

Appendix 1: Survey method and responses

The survey is carried out by contacting all organisations for which WCVA has an email contact and who have indicated that they are happy to receive communications from WCVA. The on line questionnaire has remained constant in question content for all four surveys. In July 2009 questions about volunteering were added and questions regarding suggested actions government or WCVA could undertake were removed. In July 2011, a question on mergers was added. There have been a number of organisations which have responded in more than one of the four surveys, allowing for some paired comparison of responses.

The response rate (8.3 per cent) is similar to other on line surveys, and has fallen slightly this quarter. A number of organisations request to be removed from the survey with each mailing, but not enough to cause concern at the moment.

As email contact details of all organisations are not available, a random sample of organisations is not produced. Also, the respondents are biased towards incorporated organisations and registered charities. Therefore the survey cannot be regarded as representative of the whole third sector in Wales.

Annual income	Number of responses			
	Jul-10	Sep-10	Jan-11	Jul-11
Less than £10,000	149	174	169	161
£10,000 - £99,999	126	151	151	161
£100,000 - £249,999	44	57	75	57
£250,000 - £499,999	38	28	43	25
£500,000 - £999,999	20	20	31	30
£1,000,000 or more	28	55	49	48
Not known	160	0	0	0
Total	565	485	518	482

Area of activity	Number of responses			
	Jul-10	Sep-10	Jan-11	Jul-11
Local	448	402	425	392
Regional	50	31	37	35
National	67	52	56	55
Grand Total	565	485	518	482

Area	Number of responses			
	Jul-10	Sep-10	Jan-11	Jul-11
Anglesey	13	11	5	9
Gwynedd	26	28	15	20
Conwy	20	12	7	20
Denbighshire	21	20	12	16
Flintshire	16	19	13	16
Wrexham	21	15	10	14
Powys	39	22	15	37
Ceredigion	30	35	11	21
Pembrokeshire	24	17	19	19
Carmarthenshire	38	30	22	32
Swansea	44	37	20	44
Neath Port Talbot	17	18	24	17
Rhondda Cynon Taff	41	32	23	30
Bridgend	25	17	16	24
Vale of Glamorgan	18	13	13	21
Cardiff	64	58	22	58
Merthyr Tydfil	7	12	12	9
Caerphilly	16	21	22	22
Blaenau Gwent	16	14	14	6
Torfaen	20	16	9	8
Monmouthshire	23	10	12	13
Newport	15	18	20	13
Address in Wales	554	475	518	469

Legal form	Number of responses			
	Jul-10	Sep-10	Jan-11	Jul-11
Registered charity	245	194	169	152
Company Limited by guarantee	141	103	74	69
Friendly society or Industrial and provident society	16	8	9	10
Cooperative	8	8	2	4
Unincorporated association	35	30	12	17
Informal group with no constitution	14	7	8	2
Registered for VAT	32	26	15	18

Appendix 2: The questionnaire

WCVA State of the sector Survey 7

May 2011

Since 2009, and in January 2011 WCVA conducted surveys into the effects of the recession on the third sector in Wales. If you haven't already received a copy of the reports, please ask and we will send them to you, or they are available on the WCVA website www.wcva.org.uk/research.

Whilst the recession officially ended in December 2009, the effects of the recession are continuing, both in terms of unemployment and business failures and in the tightening of public purse strings. In view of this threat to public expenditure, WCVA aims to continue to monitor the situation, to see if there are ongoing effects on the third sector. Therefore we are contacting you and asking some of the questions again.

If you responded to any of the surveys in 2009, 2010 or January 2011, please simply confirm your organisation and contact details below, and skip questions 1-4, starting at question 5.

If this is the first time you have responded to this questionnaire, please complete as many of the questions as you can.

Your responses will only be used for the purpose of producing a publicly available report which will be available in September 2011. The report will not identify your organisation.

Please add your contact details below

Name of Your Organisation:

Your reference number (on the email we sent you)

Address:

Line 1:

Line 2:

Line 3:

Line 4:

County:

Post Code:

Contact Person:

Email:

Telephone:

Have you have responded to this survey before? (please check the email we sent you)

Yes (*Go to question 5*)

No (*Go to question 1*)

About your organisation

1. My organisation is (please tick all that apply)

Registered charity

Company Limited by guarantee

Friendly society or Industrial and provident society

Cooperative

Unincorporated association

Informal group with no constitution

Registered for VAT

Other (please specify)

2. What are your organisation's main aims?

3. In which county/ies is your group active:

All Wales (*Go to question 5*)

One or more counties in Wales (*Go to question 4*)

4. Please tick all the counties that apply

Anglesey

Conwy

Flintshire

Powys

Pembrokeshire

Swansea

Bridgend

Gwynedd

Denbighshire

Wrexham

Ceredigion

Carmarthenshire

Neath, Port Talbot

Vale of Glamorgan

- | | |
|---|--|
| <input type="checkbox"/> Cardiff | <input type="checkbox"/> Rhondda, Cynon, Taf |
| <input type="checkbox"/> Merthyr Tydfil | <input type="checkbox"/> Caerphilly |
| <input type="checkbox"/> Blaenau Gwent | <input type="checkbox"/> Torfaen |
| <input type="checkbox"/> Monmouthshire | <input type="checkbox"/> Newport |

Your organisation and the current economic situation

5. All together, do you think the general situation of your organisation will improve or worsen over the next 12 months?

- Worsen No Change Improve

6. My organisation has an annual income of

- Less than £9,999
- £10,000 - £99,999
- £100,000 - £249,999
- £250,000 - £499,999
- £500,000 - £999,999
- £1,000,000 or more

7. In the last three months has your financial situation improved or worsened?

- Worsened No Change Improved

8. If it has changed, why? Please tell us about any sources of funding which have increased or reduced, or any grants or contracts which have stopped.

9. In the next 12 months, do you expect your financial situation to

- Worsen No Change Improve

10. If you think it will change, why? For example, is funding likely to decrease or grants to end, or have costs risen?

11. In the last three months has the recession affected the way people see your organisation, or how they engage with your organisation? Here we are thinking of different sorts of people including members, volunteers, service users, other groups, funders and members of the public.

- Yes No Don't know

12. If yes, which people in what way?

12a. In the last 12 months, has your organisation considered or implemented a merger?

Yes - considered Yes - implemented No Don't know

13. Do you involve volunteers?

Yes (*Go to question 14*) No (*Go to question 19*)

14. Have you seen any change in the number of volunteers in the last 3 months?

Yes No Don't know

15. If yes, how has it changed?

16. What, briefly, are the reasons for the change?

17. Do you think the number of volunteers will change in the next 12 months?

Yes No Don't know

18. If yes, in what way?

19. Do you employ staff?

Yes (*Go to question 20*) No (*Go to question 28*)

20. Have you made redundancies in the last 3 months?

Yes No Don't know

21. If yes, how many posts?

22. What, briefly, were the reasons for the redundancies?

23. Do you have posts currently under threat of redundancy?

Yes

No

Don't know

24. If yes, how many posts?

25. What, briefly, are the reasons for the threat of redundancy?

26. What are the actual or likely effects of any redundancies on your organisation, your members or your service users?

27. Are there any other staff issues raised by the recession?

28. Do you provide services?

Yes (*Go to question 29*)

No (*Go to question 33*)

29. In the last three months, has the demand for any of your services increased or decreased?

Decreased

No change

Increased

30. If it has changed, which services?

31. Has your delivery of services been affected by cuts in public expenditure

Yes

No

32. If Yes please describe the effects e.g. we have taken over public sector services, we have more demand for public sector services, we are working with the public sector to develop new models of service delivery, public sector have made cuts to our funding.

31. Looking forward to the next 12 months, do you expect demand for any of your services to increase or decrease?

- Decrease No change Increase

32. If you expect it to change, which services and why?

33. Please use this space to tell us anything further regarding the ongoing effects of the economic downturn, public sector budget cuts and your organisation. This might include actual or potential cuts in your funding, late decisions in changes to funding or your experiences of dialogue when funding or agreements are altered.

34. WCVA would like to contact you in the future to monitor the effects of the recession on the third sector in Wales. May we contact you?

- Yes No

35. WCVA will be publishing a report based on this survey. Would you like to receive a copy of the main findings?

- Yes No

Thank you for completing this survey

Data Protection Act 1998. The above details will be held and processed by Wales Council for Voluntary Action (WCVA) on computer. The information will be used by WCVA for the monitoring and promotion of the voluntary sector in Wales. Information, apart from contact information, will not be passed onto a third party without permission.

The data may be considered as sensitive personal data where the above data and/or the organisation is involved with matters relating to race, ethnic origins, politics, religions or similar beliefs, physical or mental health or sexual life.

Please return this questionnaire to -

Freepost RRJH - GJZT - CSTA
WCVA
Morfa Hall
Bath Street
Rhyl
LL18 3EB

Appendix 3: List of organisations contributed to report

These are respondents to the survey that have given permission to use their comments in the report. We wish to thank the following organisations for their assistance:

1 st Swansea Valley Oak Scout Troop	Fishguard, Goodwick & Lower Town Civic Society
Abergavenny Tennis Club	Flintshire Mind
Aberjazz	Gibbs Trust
Abertawe Festival of Young Musicians	Green Phoenix
Aberystwyth University Guild of Students	Gwent Association of Voluntary Organisations (GAVO)
Able Radio	Gwent Theatre
Age Concern Gwent	Holywell Sewing and Knitting Group
Amelia Trust Farm	Home Start County Borough of Wrexham
Amman Valley Trotting Club	Horn Development Association Ltd
Arden Early Learning	In2Health
Arfon Access Group	Lampeter Quaker Meeting
ARTREGEN	Love and Care for Moldova
Association of Voluntary Organisations Wrexham (AVOW)	Maelor Voluntary Service
Bargoed YMCA	Maesteg Town Hall Ltd
Benefit Advice Shop	Maglona Club
Benenden Healthcare Society, North Wales & Cheshire Branch	Malltraeth Ymlaen Cyf
Bethesda Parent & Toddler Group	Mental Health Matters Wales
Bethlehem Church Life Centre	Mental Health Wellbeing and Volunteer Project
Bettws 1 st (Communities First Bettws Newport)	Monmouthshire GreenWeb
BikeAbility Wales	Montgomery Bowling & Tennis Club
Bio-power UK Ltd	Mynydd Isa Field for Youth
Breakthro Llanelli	Narberth & District Community & Sports Association
British Driving Society North East Wales	Neuadd Brofana
BVSNW	Neuadd Dyfi
Caia Park Partnership Ltd	Ogmore Valley Local History & Heritage Society
Cartrefi Cymru	Opportunity Housing Trust
Changing Faces Cymru	Over 50s Forum Flintshire
Church Army	Pant & Dowlais Boys and Girls Club
Clunderwen Senior Citizens' Association	Parish of Penarth, All Saints
Clybiau Plant Cymru Kids' Clubs	Pembrokeshire Yacht Club
Communities First - Briton Ferry West	Penarth & District Stroke Support Group
Community Justice Interventions Wales	Pensychnant Foundation
Cór Caerfyrddin	Physically Impaired People of Pembrokeshire Association
Cornelly United FC	Play Right Chwarae Iawn
Cornerstone Church Project	Ponthafren Association
Cross Hands Public Hall & Cinema	Porth United Reform Church
DASH	Powys Domestic Abuse Forum
David Hughes Community Centre	Powys Environment and Development Education Centre
Denbigh Youth Project	Prestatyn Offa's Dyke Path CIC
Denbighshire Home Start	Rhiwderin Community Centre
Down's Syndrome Association	Rhossili Village Hall
Duffryn Bike Club	Shelter Cymru
Dynamic, Centre for Children and Young People with Disabilities	Siawns Teg
Evans Public Hall	Skewen Cricket Club
Felin Fawr	Smart Money Credit Union
Fernhill Association of Residents and Fernhill & Glenboi Communities First	South Cefncaeau Family Centre

Swansea Care & Repair
TAN Dance Ltd
Taran Disability Forum
The Acorn Centre Voluntary Management
Committee
The Bridge Mentoring Plus Scheme
The Play and Leisure Opportunity Library
The Rhuddlan Environment Group
The Willows Centre
Theatr Fforwm Cymru
Tregynon Wind Farm Trust Fund
Treorchy Rugby Football Club
Wales Liberia Connect
West Glamorgan Cricket Coaches Association
West Wales Biodiversity Information Centre
White Rose Information & Resource Centre
Wrexham Access Group
Ynysir and Wattstown Communities First
Ysgol y Moelwyn

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

Document is Restricted

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

Document is Restricted

Tom Jackson

Agenda Annex

Working Links
101 Golate Court
St Marys Street
Cardiff
CF10 1DX

Telephone Number: 02920 437131

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

Friday 11th November 2011

Dear Ms Davies

We are writing to you as Chair of the Finance Committee of the National Assembly for Wales in reference to comments made by the WCVA during the 12 October scrutiny session on the draft budget.

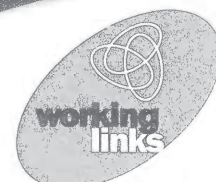
In responding to comments made by the WCVA on the Work Programme and Working Links we would like to give the Committee an overview of the Work Programme and clarify the sub-contracting arrangements from Working Links perspective.

Working Links was established in 2000 to help long term unemployed people into work. Our focus and expertise has been at the forefront of supporting disadvantaged people, and 11 years on, we have delivered hundreds of contracts across the UK helping more than 200,000 people to find jobs – 23,000 of those have been in some of Wales' most deprived communities.

Earlier this year we were successful in becoming one of the two prime providers for the Department of Work and Pensions (DWP) Work Programme contract in Wales. Work Programme provides a single, personalised welfare to work structure for all jobseekers regardless of which benefit they receive and supersedes the complicated raft of UK programmes previously provided.

We would draw your attention to the following remarks made by the WCVA in relation to Working Links and the Work Programme.

[202] Peter Black: The Department for Work and Pension's work programme has given a significant number of Welsh voluntary sector organisations sub-contracting opportunities. What is your view of this as a potential additional source of funding for the third sector in Wales?



[203] Mr Fiander: Early indications are that the sector has not benefited as much as it had potentially hoped. We have found that the prime contractors had already had discussions with potential sub-contractors, and early indications are that the sector is not as well supported under the work programme as we had initially thought. In discussions with the two prime contractors, it appears that it is difficult for them to open up the process because of the way that DWP has set it up. Merlin prevents them from potentially engaging with wider things. I do not know whether that will change as the service develops, but we know that a lot of the Working Links contract, for example, has been delivered by the prime contractor itself, and not a lot has been sub-contracted. Rehab Jobfit is slightly different, but the take-up in the sector is very low.

[204] Peter Black: Is that across the whole of the UK, and not only Wales?

[205] Mr Fiander: It is a pattern across the UK, but we have only been looking at things in Wales. I know that, in other parts of the UK, the third sector has played quite a major role; a couple of third sector organisations in England have taken on the prime contractor role, but they are few and far between. The biggest problem with the work programme is that it is reliant on the prime contractors making the investment for some of the services that can make the programme work. They are under tight restraints in their budgets because of the way that they have had to be procured and delivered, so not that much money is available in the work programme that would allow for some of the investment and services that the sector would provide.

Working Links has a long and successful history of partnership working and developed a robust partner delivery model for Work Programme. Our commissioning strategy has been developed so that organisations from the third, public and private sectors have the ability to competitively tender for services across Working Links contracts. Our Work Programme commissioning framework was designed and subsequently implemented in full adherence to the Merlin principles (DWP Quality Standard). The process allowed for an open, fair and transparent evaluation of each provider's ability to deliver services as part of our Work Programme delivery model. The commissioning process followed 4 principle stages.

- Open advertisement of opportunities.
- Submission and evaluation Expressions of Interest
- Submission and evaluation of Pre-Qualification Questionnaires
- Issue of Requests for Information to successful partners

Each stage of the evaluation was completed using a robust and consistent scoring matrix allowing for appropriate comparison between services and service providers. Throughout the commissioning process all partners were communicated with to inform them of further requirements. Where applicable they were informed of the outcome of each of their submissions.



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Working Links is directly delivering 78% of the contract and we have invested in putting in place a significant infrastructure to support our delivery, including the establishment of 23 offices across Wales along with a team of 200 experienced and skilled people who will provide expert support to our customers. In addition, we have put in place a dynamic diverse supply chain including 4 main delivery partners from the third, public and FE sectors, who will help us deliver the contract in specific parts of Wales. Finally, we have identified another 60 organisations that will help us provide specialist provision to our customers to meet often complex needs. Sixty per cent of those organisations are from the third sector.

In seeking to involve the sector in every step of the process, we have been open and transparent about our delivery model and Work Programme's challenging financial pay by results model. Pre and post contract award, we met with the WCVA including the organisation's CEO Graham Benfield and Phil Fiander to explore the potential for joint activity with the WCVA and for wider development activity with the third sector. We are therefore surprised that the WCVA did not reflect this broader perspective in the evidence which it presented to you.

Working Links has an ongoing programme of engagement activity with Assembly Members in Wales to communicate the role we play to help people into work. We would welcome the opportunity to meet with you or for you to visit us at one of our operations in South East Wales where we can show you first hand the work we do.

If you would like to arrange a visit or to meet, then please contact our public affairs advisor Daran Hill (daran@positifpolitics.co.uk) and he will work with your office to help facilitate this.

Yours Sincerely



Marcella Maxwell
Director for Wales, Working Links

cc Tom Jackson, Clerk to the Finance Committee

cc Peter Black AM

