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Llywodraeth Cymru
Welsh Government

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Peredur Owen Griffiths MS
Chair, Finance Committee
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01 March 2024

Dear Peredur,

I am pleased to enclose at Annex A the Government's response to the recommendations contained in the Finance Committee's report on its scrutiny of the Draft Budget 2024-25.

Yours sincerely,

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

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

Finance Committee's Recommendations on the Draft Budget

The responses to the Committee's recommendations have been provided by the appropriate portfolio Minister. Recommendations 1-22 have been answered by the Minister for Finance and Local Government, while the remaining responses fall to other Ministers.

Recommendations 23, and 25-30 – by the Minister for Health and Social Services
Recommendation 24 – jointly by the Minister for Health and Social Services and the Minister for Education

Recommendation 31, and 38-39 – by the Minister for Climate Change

Recommendations 32-33 – by the Minister for Social Justice

Recommendation 34-35, and 37 – by the Minister for Education

Recommendation 36 – by the Deputy Minister for Social Services

Budget Process

Recommendation 1. The Committee recommends that the Minister publishes ministerial evidence papers at the same time as the Draft Budget in order to provide clarity on the criteria and priorities behind ministerial decisions, with the aim of enabling stakeholders to engage in the scrutiny process more effectively and at an earlier stage.

Response: Accept in Principle

The practice agreed between the Welsh Government and Senedd Committees has been for English versions of the evidence papers to be provided as soon as possible after the Draft Budget has been published. Welsh versions are provided as soon as they have been translated, which is always in advance of the respective Minister's appearance at a Budget scrutiny committee.

Translating the 120,000 words in the evidence papers for the 2024-25 Draft Budget to respond to the committees' specific requests for information is no small feat and could not possibly be completed in time to publish the evidence papers at the same time as the other Draft Budget documentation. Nor would it be permissible for the Welsh Government to publish only English versions of the evidence papers alongside the Draft Budget because doing so would be a breach of its own Welsh Language Measure 2011.

Recommendation 2. The Committee recommends that, if the Draft Budget is delayed again in future years:

- the Minister and officials continue to attend a pre-scrutiny session with the Finance Committee; and
- the Minister works with the Finance Committee to identify approaches that can enhance scrutiny opportunities, including providing documentation relating to the Draft Budget at an earlier stage.

Response: Accept in Principle

The Minister for Finance and Local Government has assured Finance Committee that she is willing to continue to attend a pre-Budget scrutiny session with her officials, as has been the case with recent budget preparations. As part of the preparation phase of the budget setting process, each year, the Minister attends Finance Committee with the Chief Economist as part of her commitment to increase engagement. The Minister also supports the Finance Committee-led debate on Budget priorities, which has become a feature of our Budget preparations, in recent years. We intend to continue to maintain this engagement for future Budget rounds.

Similarly, the Minister has committed to continuing to work with the Finance Committee to consider proposed changes to our Budget Business Protocol, which shapes the processes included within the annual Budget cycle.

However, as the Minister explained when she attended the Finance Committee during Budget scrutiny in January, it would not be sensible to provide the Budget documentation at an earlier stage due to the information being either unavailable, or out of date and, therefore, unreliable by the time the Draft Budget is published.

Welsh Government In-Year Savings Exercise 2023-24

Recommendation 4. The Committee recommends that the Minister publishes information about how and why different indices are used by the Welsh Government to measure the impact of inflation on its spending position alongside budgets and supplementary budgets, if the Welsh Government is making in-year allocations due to inflationary pressures, to ensure clarity on changes to real terms funding it faces.

Response: Accept

If the Welsh Government is making in-year allocations due to inflationary pressures, it will publish supporting information to explain those allocations - including the metrics used to assess inflationary pressures.

Recommendation 5. The Committee recommends that the Minister provides information about the impact of inflation on the Welsh Government's budget at regular intervals during the year, in addition to the information already provided at the final budget and supplementary budget stage, to enable the Senedd to scrutinise any decisions taken by Welsh Ministers to mitigate such pressures.

Response: Accept in Principle

The information provided alongside Welsh Government budgets includes the expected impact of inflation via the tables showing real terms growth estimates. Recent budgets have also included information on the impact of higher-than-expected inflation since the last UK Government spending review in 2021. The letter provided to the Finance Committee before the Summer Recess on fiscal prospects also includes an update on inflationary expectations. If there are any budgetary

changes arising from inflationary impacts, which are outside normal budget events, these will be fully explained.

Recommendation 6. The Committee recommends that the Welsh Government brings forward its supplementary budget when making significant in-year changes in future outside of the usual supplementary budget timescales, to enhance transparency and to ensure that the Senedd has a final say on such spending decisions.

Response: Reject

The Budget Protocol agreed by the Finance Committee and the Welsh Government sets out the commitment to publish two supplementary budgets each year.

Supplementary budgets are not just about spending plans, but the level of resources received. They are the formal mechanism to agree the Government's spending plans and regularise the financing of spending through funding received from the UK Government and devolved taxes. Only when all of that information is available is it appropriate to bring forward a supplementary budget.

Consideration is given to the timing of each supplementary budget to ensure it reflects changes to budgets as a result of decisions made by the Welsh Government, and also to capture changes that arise as a result of decisions by the UK Government.

For that reason, we attempt to align the timing of our supplementary budgets to the UK Government Main and Supplementary Estimates to allow the Senedd to scrutinise both the level of resources as well as proposals for their deployment.

The first supplementary budget of a financial year is normally published following the conclusion of the UK Government's Main Estimate; this may also confirm changes arising from the UK Government's Spring Statement in March which were notified at too late a stage to include in the Welsh Government's Final Budget.

The second supplementary budget is normally published following the conclusion of the UK Government's Supplementary Estimate. Because this supplementary budget is the last opportunity during the financial year to regularise changes because of UK Government decisions, the timing is critical to ensure spending proposals approved by the Senedd include those changes. The UK Supplementary Estimate is usually concluded in early February.

Allocative decisions, either from the Welsh Government reserve or reprioritised within MEGs to address emerging pressures, can be made in advance of a supplementary budget, and regularised in a forthcoming supplementary budget.

An additional supplementary budget was brought forward during the first year of the Covid pandemic in light of the exceptional additional funds announced by the UK Government in the middle of that year.

Recommendation 7. The Committee recommends that the Minister calls for maximum flexibility within the Fiscal Framework to remove the annual Wales Reserve drawdown limits and increasing the size of both borrowing limits and the Wales Reserve, at least in line with inflation, given that the real terms value of these limits have been eroded in recent years.

Response: Accept

Welsh Government Ministers continue to make representations to the UK Government for additional fiscal flexibilities through the appropriate channels, including the Finance: Inter-ministerial Standing Committee (F:ISC) and through bilateral meetings with the Chief Secretary to the Treasury.

Most recently the Minister for Finance and Local Government made the case in a letter to the Chancellor [6 February], and during a meeting with the Chief Secretary to the Treasury [25 January].

The fiscal levers currently available to the Welsh Government limit our ability to respond quickly to emerging needs, leaving us dependent on decisions made by the UK Government and exposed to the impact of the timing of those decisions.

Next year (2024-25) our borrowing and reserve limits will be worth 23% less in real terms than when they were introduced in 2018-19. We have repeatedly made the case for our borrowing and reserve limits to be indexed to inflation and for the limits on our Reserve drawdown to be abolished. These flexibilities were provided to the Scottish Government last August and are equally applicable to Wales where high inflation has eroded our budget and budget flexibilities.

In addition, the level of capital borrowing flexibility offered by the UK Government to Northern Ireland to support the restoration of the Executive starkly contrasts with the absence of an increase to the Welsh Government's borrowing limits. The Welsh Government's capital budget in 2024-25 is worth 10% less in real terms than when it was set by the UK Government in the 2021 Spending Review.

Fairness and consistency must be applied in the operation of the UK funding arrangements across all parts of the UK. The Finance Committee's continued support on this issue is appreciated.

Budget Narrative and Presentation

Recommendation 8. The Committee recommends that the Minister explores publishing information at regular intervals throughout the year to provide an overview of how the Welsh Government is progressing against its spending profiles, to understand the real time impact of in-year changes on departmental budgets.

Response: Accept in Principle

We already outline substantive information throughout the financial year through our Draft, Final and Supplementary Budget publications. We report the monitoring and delivery of outcomes through the Programme for Government report. In addition,

throughout the year we publish a range of information through our website on the monitoring and outcomes of policy areas. We are happy to consider improvements through our work on the Budget Improvement Plan, recognising that such changes must be proportionate and should also be considered through any changes to the Budget Protocol.

Recommendation 9. The Committee recommends that the Minister provides further information about where funding is being re-prioritised in the Draft Budget, including:

- details of all the non-devolved areas, which the Welsh Government believes the UK Government should be funding; and
- an explanation of why demand is less in certain areas and the budgetary impact of this

Response: Accept in Principle

Much of information the Committee is requesting is contained within the Ministerial evidence papers provided to support the decisions behind the budgetary process.

As we have come to the end of this multi-year period, there is an opportunity to review whether the information provided is suitable for the Committee's needs, however we would consider this should be done formally and in accordance with changes to the Budget Protocol.

Recommendation 10. The Committee recommends that the Welsh Government provides a further analysis of the impact of its budget on areas that may be considered preventative in nature.

Response: Accept in Principle

We provide a substantial amount of information relating to preventative spending measures in our spending plans, and remain committed to improving how we embed and demonstrate prevention within our Budget documentation. We will consider whether further changes are necessary as part of our review of the Strategic Integrated Impact Assessment and the wider work on the Budget Improvement Plan.

Prevention is not just about the quantum of funding it is also about the way funding is spent. Defining the outcomes of spending from a prevention perspective is complex, particularly where there are multiple beneficiaries of spending and therefore potentially multiple different types of prevention occurring within a single investment.

Recommendation 11. The Committee recommends that the Minister provides information on how the prevention pilot will be applied across the Welsh Government's budget, and works alongside key stakeholders, to provide meaningful data to identify the trend in prevention across years.

Response: Accept

Through the work on the Budget Improvement Plan we will outline updates on our approach to embedding prevention within our budgeting process at the appropriate time. As we have outlined this is a complex and longer-term area of work.

Recommendation 12. The Committee recommends that the Minister includes information in Strategic Integrated Impact Assessments from now on to explain how the Welsh Government considers the five ways of working within the Wellbeing of Future Generations (Wales) Act 2015 when making budgetary decisions.

Response: Accept

We provided details of how the five ways of working have been considered within our 2024-25 Draft Budget, as shown in our Strategic Integrated Impact Assessment published as part of our 2024-25 Draft Budget. As part of our work on the Budget Improvement Plan, including the review of the Strategic Integrated Impact Assessment, we are happy to consider further improvements to how we demonstrate the five ways of working have been considered in our budgetary decisions.

Recommendation 13. The Committee recommends that the Minister provides details of the review it will undertake of both its Budget Improvement Plan and Strategic Integrated Impact Assessment, including the membership of the Budget Improvement and Impact Advisory Group, the terms of reference of the review, details of any consultations undertaken and related timescales.

Response: Accept

While we have not committed to undertaking a review of the Budget Improvement Plan, as part of the Plan's design we continuously consider how we can improve budget and tax processes; this is set out in each annual update of the plan.

With regard to the review of the Strategic Integrated Impact Assessment, as this review is at a formative stage, we will provide further information at the appropriate time.

The membership of the Budget Improvement and Impact Advisory Group is already published and available on our website at:

[Budget Improvement and Impact Advisory Group | GOV.WALES](#)

Recommendation 14. The Committee recommends that the Minister publishes the remaining two gender budget pilots and works in collaboration with the Wales Women's Budget Group / Women's Equality Network to mainstream gender budgeting across the Welsh Government.

Response: Accept

We are happy to work with the Women's Budget Group and Women's Equality Network on how we can further embed gender budgeting. The Women's Equality Network is already a valued member of our Budget Improvement and Impact Advisory Group.

As we have outlined previously, our work on gender budgeting, including the pilots, is representative of systemic and cultural change. We are learning from world leaders, such as the Icelandic government, who told us it took at least 7 years to embed the changes from pilots to implementation. From engaging with other world leaders, such as Canada, any approach needs to be proportionate and relevant to the impact it is seeking to achieve.

We have already provided updates within our Budget Improvement Plan and continue to learn from our three existing gender budgeting pilots, working collaboratively across the areas to share the ongoing learning and to inform how this work can be further embedded and expanded.

Fiscal Levers

Recommendation 15. The Committee recommends that the Minister commits to monitoring trends in the size of block grant adjustments over time and uses such data to consider whether changes to the process for making reconciliations through block grant adjustments could be made, to enable quicker access by the Welsh Government to any increases in its funding.

Response: Accept

The process for reconciling forecasting errors relating to block grant adjustments and Welsh Rates of Income Tax revenues will be monitored and kept under review. It should be noted that while we have seen positive amounts in the first two years of WRIT reconciliations, we would not expect that pattern to continue, given that the OBR's forecasts are central. Over time, there shouldn't be any particular budgetary advantage to bringing forward interim reconciliation amounts.

Recommendation 16. The Committee recommends that the Minister works with the Office for Budget Responsibility and the Welsh Revenue Authority to ensure that its processes for collecting and sharing public non-compliance data relating to Landfill Disposals Tax is fit for purpose and provides assurances that problems in this area will not persist.

Response: Accept.

We will continue to work in partnership with the Welsh Revenue Authority (WRA) and the Office for Budget Responsibility on the collection and use of non-compliance data relating to Landfill Disposals Tax to ensure it is fit for purpose. The WRA works with a range of partners, including Natural Resources Wales, to gather data on instances where additional tax may be chargeable both at landfill sites and on unauthorised disposals of waste. The OBR's forecasts are based on the most up to date and comprehensive information available, whilst adhering to the WRA's requirement to keep protected taxpayer information confidential.

Recommendation 17. The Committee recommends that the Minister provides an update by the summer recess on discussions held with the Scottish Government, Scottish Fiscal Commission, the Office for Budget Responsibility and HMRC regarding data and analytical developments relating to taxation across the UK, and to provide an assessment of whether there is scope for the Welsh Government's current taxation powers to be enhanced in light of any discussions held.

Response: Accept

The Minister for Finance and Local Government is committed to keeping the Committee updated on analytical work related to income tax undertaken by Welsh Government in partnership with HMRC, the Office for Budget Responsibility, Scottish Government, and Scottish Fiscal Commission. The analytical work will inform the Government's ongoing considerations on seeking any future enhancements to its current taxation powers.

Recommendation 18. The Committee recommends that the Minister provides information on the capital plans that the Welsh Government will deliver in 2024- 25 in its final budget documentation, including details of projects that have been reprioritised, scaled back or reprofiled across a number of years in light of budgetary constraints in this area.

Response: Accept

The Investment Area Mapping Tables were published as part of the tables supporting the Final Budget. The purpose of these tables is to show any changes to the capital funding allocated to the Investment Areas of the Infrastructure Finance Plan (IFP) published in 2021. The allocations made in the IFP were set over multiple budget periods, in recognition of the way in which capital funding is spent; taking time to develop programmes and projects, procure, implement, and commence spend. Ministers have therefore been managing their capital plans within the multi-year capital funding allocations set out in the IFP.

However, the reality of our current fiscal position is that individual Ministers have had to identify capital to swap to revenue and have had to reprofile. The impact of these decisions on capital allocations of each Investment Area of the IFP will be set out in Annex A. The detailed delivery plans are a matter for individual Ministers.

The latest edition of the Wales Infrastructure Investment Strategy Project Pipeline was also published with the Final Budget. The pipeline includes programmes and projects, which, if not already started, are included in current plans to potentially start over the next three years. The purpose of the pipeline is to share information to support private and public sector investment decision making, facilitate strategic planning and promote collaboration.

Recommendation 19. The Committee recommends that the Minister maximises capital investments by working with local authorities to develop an enabling environment that would allow local government to use their prudential borrowing powers to boost capacity within their capital budgets.

Response: Accept

The Welsh Government provides £88m in un-hypothecated supported borrowing funding through the Revenue Support Grant (RSG), underpinned by £88m of capital budget.

It also provides £12m for the highways improvement local government borrowing initiative and £10m for the 21st century schools local government borrowing initiative through the RSG each year.

Funding for the long-term revenue costs of the Coastal Risk Management Programme are also transferred into the settlement each year, for the programmes agreed. Local authorities are also supported through specific capital grants, for example education and housing.

Policy teams work closely with local authorities to maximise the use of this capital funding over any one financial year as profiles and costs change over multi-year projects. Capital borrowing for local authorities is a balance, from within their prudential borrowing powers, of maximising investment whilst managing the ongoing revenue costs of that investment. We will continue to work with local authorities to get the best out of the capital funding available.

It is also important to recognise our overarching principle remains that we consider the cheapest form of finance first and in that regard local authority borrowing remains a more expensive option than our own levers. It is also important to be mindful of the revenue implications of undertaking borrowing.

Recommendation 20. The Committee recommends that the Minister provides an update on whether the Treasury has agreed to the Welsh Government's request to switch funding from capital to revenue and provides information to explain the budgetary impact should this request be declined, including details of individual projects, policies and initiatives that would be affected.

Response: Accept

The UK Treasury agreed to switch £19m of capital to revenue in 2023-24 in <https://www.gov.wales/oral-statement-update-2023-24-financial-position> addition to those that flow as Barnett adjustments from switches agreed for UK Government Departments – a total switch of £35m. This fell significantly short of the request to switch up to £200m. The late notification of additional revenue consequential of £231m in the supplementary estimates mitigated the impact on the revenue budget, preventing any additional impact on delivery beyond those set out in the Minister for Finance and Local Government's update on the in-year financial position on 17 October 2023.

The subsequent release of capital budget held for the switch was used to fund some additional capital allocations and to carry forward in the Wales Reserve for use in future years. These are set out in the 2023-24 second supplementary budget published on 20 February.

Recommendation 21. The Committee recommends that the Minister includes decisions and documentation relating to general and financial transactions capital allocations as part of the Draft Budget documentation in future years to ensure there is an opportunity to scrutinise plans as part of draft budget scrutiny process.

Response: Accept

We recognise the Senedd would like to see all Financial Transactions capital allocations provided at Draft Budget, and indeed that would be our preference, however the lateness of the UK Government's Autumn Statement coupled with the complexity of these mechanisms often requires additional due diligence before we can announce funding.

Welsh Government Spending Priorities

Recommendation 22. The Committee recommends that the Minister provides further information to explain how the Draft Budget protects core frontline services funded and delivered by local authorities, particularly in terms of social care and education.

Response: Accept

Welsh Government protected the forecast 3.1% increase in the 2024-25 local government settlement as part of the budget providing local authorities with certainty against their planning figures. As most local authority expenditure is on social care and education services, maintaining funding through the hypothecated revenue settlement protects the core frontline services we prioritised in our Budget. We have also protected the majority of specific grant funding to local authorities.

The Minister for Finance and Local Government recently announced £25m to be included in the Final Budget from anticipated consequential funding. £14.4m will be directed to the local government settlement to support pressures locally, including social care and teachers pay. The remainder will be used to reinstate the social care workforce grant to £45m.

Work to reduce the administrative burden on grants has also contributed to protecting frontline services. Education grants have been rationalised into four large streams, with more flexibility for local authorities to meet local need. The monitoring arrangements will also be rationalised.

Recommendation 23. The Committee recommends that the Minister:

- publishes information on the outcomes it expects to be delivered by NHS organisations with the additional funding allocated for 2024-25 and future years, so they can be scrutinised alongside funding allocations.
- conducts an assessment of the outcomes for NHS Wales, to ensure that they are quantifiable and can be monitored effectively.
- publishes each year the allocations to Local Health Boards, together with any other documentation issued by the Welsh Government such as operational planning guidance, at the same time as it is shared with the sector

Response: Accept in Principle

The Minister for Health and Social Services set out her expectations of Health Boards and NHS trusts via the NHS Planning Framework for 2024-27. It is for NHS organisations to develop their plans in line with the requirements of the Planning Framework, based on the needs of their local population, and within the resources made available to them. The NHS Planning Framework was issued on 18 December 2023. Health Boards are expected to submit their board approved plans by the end of March 2024. Once received, a robust assessment of those plans will be undertaken to ensure their plans meet the requirements set out in the Planning Framework. Following a decision on the status of these plans, the Minister for Health and Social Services will issue an update via a written statement.

There are already extensive performance and monitoring arrangements already in place with the NHS in Wales to monitor performance and financial delivery. It is also worth recognising that the bulk of the additional funding provided to the NHS in 2024-25 is intended to support and maintain core services with funding to mitigate the impacts of inflationary pressures, unavoidable demand, increasing costs of pay and energy.

The annual Health Board allocation letter is normally issued to the NHS around the 20 or 21 December each year, which is the earliest possible timeframe following publication of the Welsh Government Draft Budget. It is issued via a Welsh Health Circular (WHC) which is then subsequently published on the Welsh Government website. There can be a timing delay of a few weeks between these events. The Minister for Health and Social Services would be happy to provide the Committee with an email copy of the Welsh Health Circular on the day that it is issued.

In terms of planning guidance, the NHS planning framework was published on an annual basis prior to the Integrated Medium Term Planning process pausing as part of our response to the Covid-19 pandemic. After restarting the Integrating Medium Term Planning process last year and given the complex planning environment - which involves Covid recovery and significant financial challenges - the Framework is now issued via a Ministerial letter, which streamlined the planning process and provided clearer priorities. We do, however, welcome the Committee's request for this to be published once it has issued to NHS Wales, and are willing to do so in the future.

Recommendation 24. The Committee recommends that the Minister provides further information on the outputs the Welsh Government expects frontline social care and educational services to deliver for the funding provided, and how it will monitor the impacts of its funding decisions on services more widely.

Response: Accept

The expectations of local authority social services departments are defined within the Regulations and Codes of Practice for the Social Services and Wellbeing (2014) Act. The delivery of social services by local authorities is monitored by the Welsh Government through the Performance and Activity data collections and Local Authority Social Services Annual Reports.

The data collection provides objective measures on the delivery of services by local authorities and covers both adults and children's services. Through this data collection, the Welsh Government can monitor the impact of any funding decisions on the provision of social care by tracking activity and performance by local authorities.

The Local Authority Social Services Annual Reports then add to this data collection by asking local authorities to clearly set out what they have delivered in the year. Local authorities are expected to self-assess themselves against eight quality standards and provide evidence to support their findings.

Care Inspectorate Wales (CIW) continue to play a substantial role in monitoring the delivery of social care through their regular inspections of social care providers and local authorities. CIW will apply independent scrutiny of the performance of local authorities, which is informed by the data collected by the Welsh Government and the Local Authority Social Services Annual Reports, to hold local authorities to account for their delivery.

On Educational services, statutory services local authorities must provide are set out in legislation. Local authorities have statutory responsibility for monitoring their schools and intervening where appropriate. Estyn inspection remains a fundamental part of the national accountability system but should also play a major role in driving and directing improvements.

For the new Local Authority Education Grant (LAEG), we will be monitoring outcomes of our programmes through newly developed grant terms and conditions. We have streamlined the monitoring requirements of our pre-16 education programmes, in line with the Welsh Government's objective to reduce the administrative burden on local authorities, and parallel to the workstream for reducing workload and bureaucracy in our schools across Wales.

Our terms and conditions require reporting against high-level outcomes set out in each of the four elements of the new LAEG - School Standards, Equity, Reform and Cymraeg 2050. We will use this information to help us monitor outcomes for children across our funded programmes.

Recommendation 25. The Committee recommends that the Minister provides further information about the funding provided in 2023-24, including the in-year allocations, to address Covid-19 pressures on NHS services and how these have been determined, as well as confirm the support provided for that purpose in the Draft Budget.

Response: Accept in Principle

The Minister for Finance and Local Government's [oral statement in October 2023](#) on reprioritisation across Welsh Government budgets, detailed allocations of £425m to support NHS budgets. A written statement by the Minister for Health and Social services outlining our approach on the allocations to Local Health Boards was issued on 8 November and can be found at:

Written Statement: LHB Allocations and Target Control Totals (8 November 2023) | GOV.WALES

The written statement gives details of the funding that was provided in 2023-24 to the NHS to support:

- £150m to support Health Board underlying positions and the including the legacy impact of Covid-19 on the cost base.
- £186m to support Health Board inflationary pressures, notably prescribing, packages of care, and medicines.
- £8.24m to increase community capacity and support the implementation of 'Further Faster', strengthening our system resilience this winter.

The allocations were made recurrently, in principle, but were conditional on progress Health Boards make in delivering the target control totals set out by organisation. The statement also confirmed funding for pay awards with pay costs being funded in line with existing principles and the other allocations noted above being allocated in line with the main allocation formula.

In addition, the following funding was provided on a non-recurrent basis:

- £75m further additional support for Health Board inflationary pressures, on an allocation formula basis.
- £49m as an indicative allocation to support the costs of energy in 2023/24 over and above baseline positions. This was provided on an actual cost basis by Health Board.

The recurrent allocations outlined here recognised the on-going impact of Covid-19 on the cost base of NHS organisations and were therefore included in the Draft Budget and 2024-25 LHB allocations as appropriate.

In addition to this funding, we continued to fund specific national Covid-19 programmes during 2023-24, issuing funding to cover actual costs incurred by the NHS on vaccination programmes, testing, and PPE. These programmes are again funded in the Draft Budget 2024-25, and we have allocated funding for these programmes into organisational baselines in order to provide early certainty for the coming financial year.

Recommendation 26. The Committee recommends that the Minister reviews Continuing Healthcare, to include consideration of:

- the eligibility criteria and how they are being interpreted and applied to ensure care is appropriately assessed as health or social care;
- how services are being provided and the related costs to assess whether they continue to provide value for money for the sectors involved.

Accept in Principle

After a thorough and extended review with key stakeholders in 2021, the Continuing NHS Healthcare (CHC) National Framework document has been recently refreshed (Apr 2022). The revised Framework sets out the arrangements for the equitable delivery of CHC in Wales and includes the criteria to be used in determining eligibility.

Following this process, there are no plans to change the core elements of the Framework in the short term. However, the further review of CHC will form an integral part of wider restructuring of care and support in Wales, for example through the implementation plan towards a National Care and Support Service. Stage 1 includes actions to consider options in relation to CHC following implementation of the recently updated Framework along with ongoing developments such as the proposed introduction of Direct Payments for CHC.

Additionally, an exercise is currently being taken forward under the NHS Wales Value and Sustainability Board, established in August 2023, to look at delivery and costings of CHC and whether value for money is being obtained. Through this work, which is being done in conjunction with LHBs, a national picture of CHC spend is being established which is helping to identify regional and national opportunities to shape the market, as well as opportunities to reduce the cost whilst ensuring quality and outcomes are protected.

Recommendation 27. The Committee recommends that the Minister provides assurances that measures will be taken to ensure the most vulnerable in society are protected should charges for services be increased, as is currently being considered by the Welsh Government.

Response: Accept

The charging and financial assessment framework introduced under the Social Services and Well-being (Wales) Act 2014, are intended to make charging, where it occurs, consistent, fair and clearly understood. People who require care and support will be entitled to financial support from their local authority in certain circumstances based on their financial means and some will be entitled to care and support at no charge.

The matter of increasing charges would need to be put to public consultation and a comprehensive impact assessment would also need to be undertaken. Ministers would only make decisions after careful consideration of

the consultation findings and assessment of impact. However, local authorities must take into account -when deciding whether to charge and in setting the level of any charge, contribution or reimbursement they require to be paid or made - the principles upon which this framework is based. Local authorities must ensure that people are not charged more than it is reasonably practicable for them to pay, and must not be charged more than the cost to the authority of providing or arranging the care and support they are receiving.

Recommendation 28. The Committee recommends that the Minister explains why reductions have been made to the Social Workforce Grant, given the significant financial pressures facing social care and its staff, and that this should include the Welsh Government's assessment of the impact of this decision.

Response: Accept

When addressing the financial challenges we faced in the Draft Budget, there were no easy decisions. It was necessary to take the difficult decision to reduce the social care workforce grant from £45 million to £34.6 million.

Following an allocation of additional funding at Supplementary Estimates, an additional £10.6m has been allocated in the Final Budget to restore the social care workforce grant to £45m and alleviate pressures on public services.

Recommendation 29. The Committee recommends that the Minister conducts an assessment of the recruitment and retention challenges faced by NHS Wales and the social care sector and publishes its findings.

Response: Accept

NHS Wales Health Boards and Trusts actively manage their workforce and maintain robust workforce plans to reduce the vacancy gap – supported by significant investment in training new workforce and ethical international recruitment programmes.

The Welsh Government publishes a range of statistics on the NHS workforce, including vacancy data.

Social Care Wales continues to lead on the collection of social care workforce data. On an annual basis, an in-depth report is provided on the status of the workforce, which includes vacancy data. Data on the whole system vacancy rates in social care can be difficult to collect as most workers are employed by the independent sector.

The WeCare Wales platform is continuing to develop with the intention of providing more detailed and accurate vacancy and recruitment data. During 2024 additional data will be made available about the number and types of vacancies in social care. We will continue to monitor and act on the data provided by implementing and progressing our programmes of work, investment and engagement with stakeholders which currently targets supporting a resilient and stable workforce.

Recommendation 30. The Committee recommends that the Minister conducts a review to understand the impact that the Welsh Government's funding decisions relating to NHS Wales has impacted on social care pressures, given both are inextricably linked.

Response: Accept in Principle

The impact of our funding decisions is set out in detail in both the Strategic Integrated Impact Assessment and in the evidence papers to the Senedd Committees published as part of the suite of Draft Budget documentation. These documents provide the rationale behind the reasons we increased funding for the NHS as opposed to allocating funding into the Revenue Support Grant (RSG). We recognised that these two areas are inextricably linked through reducing the need for hospital care, moving people out of hospital when they are ready to leave, and providing the support they need at that time.

As we outlined, we were facing an extremely challenging financial situation in 23-24 and we had to act mid-year in order to ensure we could manage our overall position. There were significant budget savings identified from across HSS central budgets which we were able to re-direct and provide further support for front line pressures in the NHS. For the 2024-25 budget planning work, we still faced an incredibly tough financial situation with new pressures coming down the line and we had to redesign our budget. In the HSS MEG we had to repeat the reprioritisation work that we undertook in 2023-24 and make some really difficult decisions. This included the decision to reduce the social care workforce grant. We knew that any reductions would be impactful, but we chose to prioritise other areas currently funded from central budgets, like the 'eliminate profit' initiative and grants to the third sector that support vulnerable people. The vast majority of social care funding is provided under the RSG and this was also protected as part of the core local government settlement and also uplifted by 3.1%.

Ministers made it clear during scrutiny of the Draft Budget that social care continues to be a priority for the Welsh Government and that additional funding would be provided if it were to become available. The social care workforce has been, and will continue to be, a priority for Welsh Government. Whilst we had to make the difficult decision to reduce the workforce grant, Welsh Government has invested significant funding to support and develop the social care workforce. In 2019-20 Welsh Government provided £30m to the sector in the form of the workforce grant. This was increased to £40m in 2020-21; £50m in 2021-22; £45m in 2022-23; and £45m in 2023-24.

Following an allocation of additional funding at Supplementary Estimates, we have reviewed the impact of these choices and as the funding position has allowed we have made available an additional £10.5m in the 2024-25 Final Budget to support the social care workforce grant and alleviate pressures on public services. A further £14.5m will be allocated to the RSG to help meet wider public service pressures, which include pressures in social care. This will restore the grant to £45m which is a significant level of funding and well above 2019-20 levels; all will go directly to local authorities to support their social care workforce in 2024-25. This remains a significant sum for local authorities to utilise in stabilising its workforce.

Recommendation 31. The Committee recommends that the Minister provides further information on the in-year operation subsidy to Transport for Wales for 2023-24 and the additional funding for 2024-25, including the outputs it expects from this funding, and whether similar additional allocations will need to be provided on an on-going basis.

Response: Accept

Transport for Wales's (TfW's) initial cost estimate received last summer indicated a gap with last year's published indicative budget of approximately £150m. In light of the cross-Welsh Government budget challenge, we have worked closely with TfW to manage this gap, including a review of both costs and revenues which has resulted in a reduction in their budget requirement of £11m. In addition, we expect additional revenue from other income next year to increase by around £19m which will include a change in the process of allocating and estimating the funding from the UK Government to operate, maintain, and renew the CVL infrastructure agreed at the time of transfer of the ownership of this infrastructure. The final value of these income streams will not be known until the next financial year. However, given the uncertainty and the ongoing budget pressure, we continue to work with TfW to identify options to further reduce costs and increase revenues over the coming months.

Recommendation 32. The Committee recommends that the Minister:

- provides a timetable for the implementation of the Welsh Benefits Charter;
- publishes an action plan to ensure that a consistent package of grants and financial aid schemes are provided, in line with the Charter's aims.

Response: Accept

The Welsh Benefits Charter was launched on 22 January with the endorsement of all twenty-two local authorities, confirming their collective commitment to improving access to the financial support made available by the Welsh Government.

An external steering group, comprising experts in the delivery of Welsh benefits and supporting people who experience most difficulty when claiming benefits, has been established and tasked with turning the Charter commitments into action.

The steering group held its inaugural meeting on 14 February and began its work to develop an action plan of all the activities needed to establish a Welsh benefits system where benefits, grants, and financial aid schemes are provided in line with the Charter's aims. Given the complexity of the task it is anticipated that there will be short and longer-term actions which will be detailed, along with implementation timescales, in the action plan. The steering group will also oversee the implementation of the action plan and report on progress to the Partnership Council for Wales. The steering group aims to produce the action plan by Summer 2024.

We will follow-up data collection on gender.

Recommendation 33. In relation to the Discretionary Assistance Fund, the Committee recommends that the Minister:

- publishes information on the number of submitted and successful applications, including a breakdown by gender;
- reviews the process of making the payments to ensure gender equality.

Response: Accept in principle

The Discretionary Assistance Fund (DAF) is a demand-led fund open to all experiencing crisis, irrespective of gender. The application method is kept as clear and simple as possible to maintain compliance. As part of the application process applicants do have the opportunity to voluntarily input their gender. Since the option is voluntary, the data is not complete and for that reason data on gender has never been formally collected or reported on.

Given the nature of the DAF as a crisis fund, targeted at those dealing with really difficult situations, there are no plans to make the collection of gender information mandatory at this point. This is in line with maintaining a clear and simple application process.

The full range of DAF data currently available is published quarterly by Welsh Government on the Stats Wales website.

Therefore, the proposal can be accepted in principle since DAF data is published with the caveat that there are no plans to collect gender data.

Recommendation 34. The Committee recommends that the Minister:

- reviews the eligibility thresholds of the Welsh Government Learning Grant;
- considers increasing the value of the Grant.

Accept in principle:

We recognise that the thresholds and rates paid for Welsh Government Learning Grant (WGLG) FE have not increased, and, while there may be benefits to commissioning an independent review of the Scheme, we must acknowledge that we may be limited in our ability to respond to changes, particularly alongside recommendations for our EMA Scheme which is a Programme for Government commitment. Consideration of a review of WGLG FE will be given in 2024.

WGLG FE is only one Welsh Government offer to adults aged 19 and over; students can also benefit from the Financial Contingency Fund administered by colleges.

WGLG FE is not intended to be a full maintenance product akin to our statutory student support, but a contribution towards costs that may be incurred.

Recommendation 35. The Committee recommends that the Minister reviews the eligibility threshold for receiving free school meals in secondary schools, with a view to it being extended to children whose parents receive Universal Credit.

Response: Reject

The Programme for Government already commits us to review the eligibility criteria for free school meals, extending entitlement as far as resources allow. In delivering this commitment our immediate focus, and the focus of our partners, is on extending entitlement through the delivery of universal primary free school meals. As we continue rolling out this offer, we are learning valuable lessons that will inform any future plans in relation to expanding a free school meal offer further, should budget become available.

Current initial estimates identify at least £28m being required to deliver free school meals in secondary schools to children whose parents receive universal credit. This is before wider infrastructure and administration costs are accounted for. We consider this figure an underestimate, and not affordable from within the current financial settlement.

Recommendation 36. The Committee recommends that the Minister should review the childcare model:

- to assess its effectiveness and to ensure it enables the full-time employment of parents.
- to ensure it provides adequate support for women to access further and higher education.

Response: Accept

Childcare Offer for Wales

The Childcare Offer for Wales has been available across Wales since April 2019, and provides 30 hours a week of government-funded early education and childcare for eligible working parents of 3- and 4-year-olds for up to 48 weeks a year.

From September 2022 we expanded the Childcare Offer to parents in education and training, supporting the commitment made in our Programme for Government.

There were 15,922 children taking up the Childcare Offer in December 2023. This represents a take-up rate of 60% of estimated eligible children. During the academic year 2022-23, we estimate that around 1,140 additional individual parents were supported because of the expansion of the Offer to include eligible parents in education/training.

Childcare Offer for Wales – Evaluation and Review

Since its launch, the Childcare Offer for Wales has been subject to an annual evaluation, engaging with providers and parents, to understand the impact,

demographics, and barriers to using the Childcare Offer. This includes the impact in enabling parents to rejoin or remain in the workforce.

The most recent evaluation report was published in March 2023 and found that 75 per cent of parents reported that the Offer had made it easier for them to undertake their work, 37 per cent of parents reported that they would be working fewer hours had the Offer not been available to them. Additionally, 10 per cent of parents said they would be in a job with fewer career progression opportunities, and a further 10 per cent said they would not be working at all if the Offer had not been available to them.

This evaluation report was unable to consider the impact of the expansion to parents in education and training as it was already underway when the changes were introduced. However, the next evaluation will begin to determine the impact of this work.

In addition to our programme of annual evaluation, we have also undertaken primary research on the barriers to accessing the Childcare Offer, and commissioned independent research into specific elements of the Childcare Offer, such as the Additional Support Grant, which is expected to report in May 2024, to better inform policy development and our communications strategy.

We are developing a programme of impact evaluation that will explore longer-term impacts of the Offer on parents and children. Research as part of this programme will begin later this year.

Recommendation 37. The Committee recommends that the Minister provides information on the impact that an increase in childcare take-up may have on other areas of the budget, and the actions the Minister will take to mitigate those risks.

Response: Accept in Principle

The Childcare Offer is a demand-led programme and support is made available for all eligible parents that apply. The allocated budget for 2024-25 was determined by assessing the trends in take-up rates since the beginning of the Offer - with average take-up rates of the Childcare Offer reflecting around 55% of eligible parents across Wales.

The profiled budget for 2024-25 accounts for a potential increase in take-up rates to up to 65% of eligible parents, this allows for the Welsh Government to meet all existing obligations and continue to promote take-up, encouraging more eligible parents to use the support available to them.

The launch of the Childcare Offer for Wales National Digital Service in January 2023 means that payments for the Offer are now made by the Welsh Government in arrears, rather than via local authorities in advance. This allows the Welsh Government to undertake more frequent and more accurate monitoring of claims,

and estimated take-up levels, to better inform forecasting against our demand-led budget.

Officials will continue to monitor take-up levels, both parental rates and hours used, for the Offer on a monthly basis throughout the year. Should actual take-up exceed our published plans, as a Government we are fully committed to making available the total funding needed to deliver on the Offer.

Recommendation 38. The Committee recommends that the Minister reviews the rollout of the Warm Homes programme to ensure it reaches those in need as soon as possible.

Response: Accept

We are on track to launch our new Warm Homes Programme on 1 April. In the meantime, the contract for delivering the existing Nest scheme was extended to the end of March to provide a smooth transition between the two schemes and ensure those in need continued to receive support.

Officials are now finalising contract terms for the delivery services, and mobilisation activity is taking place in parallel. During the mobilisation period, we will be agreeing the communication and engagement strategy with our suppliers to ensure we are reaching the right households. We are also establishing links with other organisations helping vulnerable and low-income households to facilitate referrals into the scheme.

While we aim to maximise the impact of the £30 million of capital allocated to Warm Homes, we also recognise the scale of change required to improve the energy efficiency of low-income households across Wales. We are working with our contractors, local authorities and other partners to ensure the new demand-led scheme is complementary to other energy efficiency and fuel poverty schemes, to leverage as much funding as possible into Wales from Great Britain wide initiatives and ensure support is available to those most in need. We will be monitoring delivery and evaluating outcomes and will publish a progress report annually.

Recommendation 39. The Committee recommends that the Minister reviews the allocations provided for the supply and development of affordable housing included within the Draft Budget.

Response: Accept in principle

As a government, we have made the decision to protect budgets directly supporting social housing at a time when significant pressures are being faced. The commitment to social housing has been underpinned with record levels of funding – almost £1.2 billion capital has been allocated to Social Housing Grant over the first four years of this Senedd term.

In the context of the economic and budgetary pressures Wales is facing – none of which are of our making – maintaining the funding levels in our 2023-24 budget for

Social Housing Grant and then being able to increase the allocation for 2024-25 demonstrates our commitment to delivering 20,000 additional social homes for rent.

It is important to note that whilst the Social Housing Grant is the main budget line, there are other funding streams that also support the delivery of social housing.

Through the Transactional Accommodation Capital Programme (TACP), funding is being provided to social landlords for a wide range of projects to deliver more homes at pace. The Leasing Scheme Wales, launched in January 2022, is offering £30m over this Senedd term to improve access to longer term affordable housing in the private rental sector.

The Land for Housing scheme increases the funding options available to RSLs to secure land sites for housing development. The loan scheme enables the purchase of land to support housing supply for affordable and/or market homes.

The land portfolio is being utilised to deliver more social and affordable homes across Wales, aiming to develop sites with 50% affordable housing. Through our Exemplar Housing Development Standards, we are delivering a variety of cross-government policy objectives on housing developments we are involved in either through land disposal, joint ventures or by providing financial support to delivery partners.

Exploration is also being given to how Financial Transactions Capital can be used in loan format to support RSLs in delivery of more social homes in Wales. £40m has been secured and work will be taken forward on how this is best utilised to maximise delivery.

We know we cannot solely continue to deliver homes in the traditional way which is why innovative housing solutions have been mainstreamed into the Social Housing Grant funding programme. The Minister for Climate Change has also encouraged RSLs and local authorities to explore alternative housing solutions such as community-led housing as a mechanism to meet the needs of their communities.