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Welsh Government

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Welsh Government

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



October 2011

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.

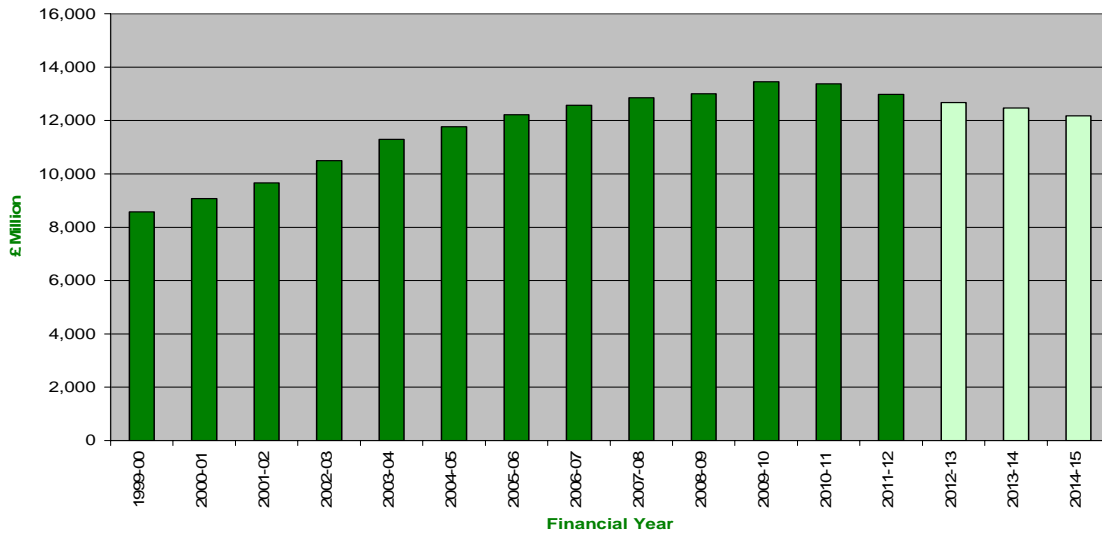
Public Spending Context

- 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

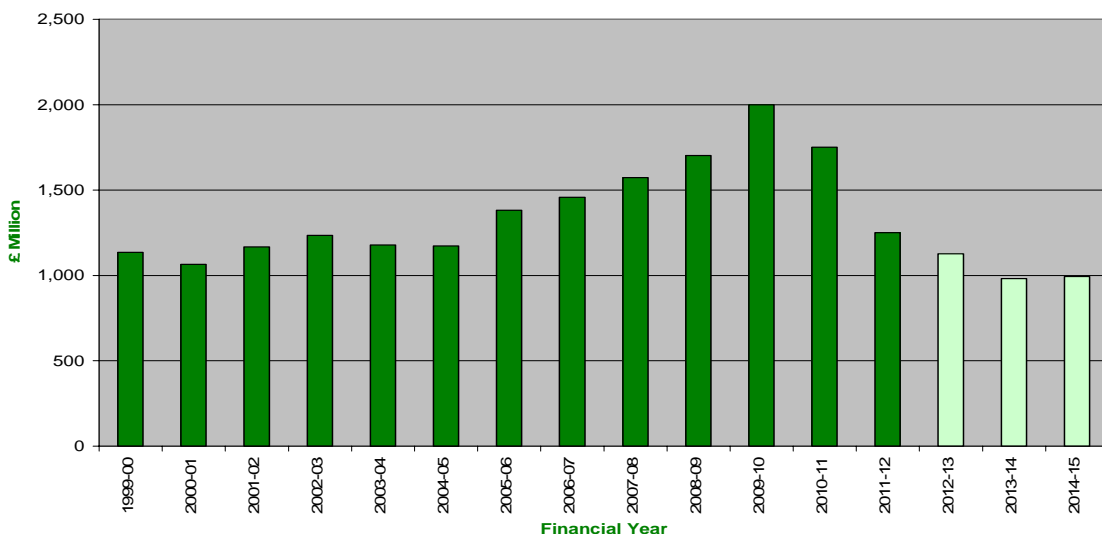
are well advanced in managing within these resources, but the ongoing reductions will continue to place a strain on all public services.

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 BUILT 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=Lps6TGGFpWBN3GHWGMSGxrXf2yG1wLq4M0v4yYMB7zGNjj2xLtfG!-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): Fiscal Resource DEL Budgets	£000s					
	2011-12 Baseline⁹	2012-13	2013-14	2014-15	% Change Over 3 Years (Cash)	% Change Over 3 Years (Real)
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): Non-Fiscal Resource DEL Budgets	£000s					
	2011-12 Baseline¹⁰	2012-13	2013-14	2014-15	% Change Over 3 Years (Cash)	% Change Over 3 Years (Real)
Health, Social Services and Children	170,000	170,000	170,000	170,000	0.0%	-7.5%
Local Government and Communities	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	0.0%	-7.5%
Education and Skills	98,131	97,431	104,031	106,931	9.0%	0.8%
Environment and Sustainable Development	3,098	3,098	3,098	3,098	0.0%	-7.5%
Housing, Regeneration and Heritage	3,677	3,677	3,677	3,677	0.0%	-7.5%
Central Services and Administration	16,000	16,000	16,000	16,000	0.0%	-7.5%
Total Welsh Government Departments	401,555	400,855	407,455	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					
	2011-12 Baseline¹¹	2012-13	2013-14	2014-15	% Change Over 3 Years (Cash)	% Change Over 3 Years (Real)
Capital DEL Budgets						
Health, Social Services and Children	262,103	240,603	214,478	214,478	-18.2%	-24.3%
Local Government and Communities	281,172	261,641	233,291	233,291	-17.0%	-23.3%
Business, Enterprise, Technology and Science	94,588	88,456	79,370	79,370	-16.1%	-22.4%
Education and Skills	169,973	161,343	143,834	143,834	-15.4%	-21.7%
Environment and Sustainable Development	60,642	61,629	54,238	54,238	-10.6%	-17.3%
Housing, Regeneration and Heritage	316,738	294,558	262,564	262,564	-17.1%	-23.3%
Central Services and Administration	30,720	28,464	25,313	25,313	-17.6%	-23.8%
Total Welsh Government Departments	1,215,936	1,136,694	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
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
Supporting Communities and People	58,662	53,227	-	53,227	52,064	-	52,064	52,064
Safer Communities	43,841	44,026	-	44,026	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
Local Taxation Policy	10,744	-	-	-	-	-	-	-
Care and Social Services Inspectorate	15,757	15,190	-	15,190	14,461	-	14,461	14,461
Healthcare Inspectorate Wales	2,824	2,722	-	2,722	2,591	-	2,591	2,591
Estyn	13,437	12,968	-	12,968	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
Improve International Connectivity	114,487	145,031	-31,194	113,837	145,008	-31,194	113,814	113,814
Improve Integrated Transport (Local)	84,657	84,775	358	85,133	91,469	-2,514	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
Total DEL	4,834,155	4,893,374	-50,502	4,842,872	4,943,339	-45,502	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
Improve Domestic Connectivity (Regional and National)	24,138	-	43,597	43,597	40,703	-35,730	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

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
Local Government Funding	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
Safer Communities	9,156	8,529	-	8,529	7,711	-	7,711	7,711
Estyn	339	315	-	315	281	-	281	281
Improve Domestic Connectivity (Regional and National)	83,674	73,670	11,082	84,752	55,850	-1,234	54,616	54,616
Improve International Connectivity	59,088	56,029	-3,342	52,687	83,836	-1,322	82,514	82,514
Improve Integrated Transport (Local)	80,713	77,402	-4,801	72,601	43,741	5,495	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	7,983
Total DEL	281,172	261,641	0	261,641	233,291	0	233,291	233,291
Total Managed Expenditure (TME)	281,172	261,641	0	261,641	233,291	0	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
Sectors and Business	48,871	46,768	-2,942	43,826	46,798	-2,942	43,856	43,856
Encouraging Innovation	3,162	2,129	3,656	5,785	2,144	3,656	5,800	5,800
Regional Funding	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
Major Events	3,930	3,870	-	3,870	3,897	-	3,897	3,897
Marketing	2,840	2,796	-	2,796	2,815	-	2,815	2,815
Infrastructure	21,470	22,415	-	22,415	23,571	-	23,571	23,571
Strategy and Corporate Programmes	4,677	4,594	286	4,880	4,632	286	4,918	4,918
WEFO	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
Tourism	12,747	12,723	-	12,723	12,626	-	12,626	12,626
Total DEL	185,646	181,870	1,000	182,870	183,428	1,000	184,428	184,428
AME								
Infrastructure	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

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
Sectors and Business	69,129	59,992	-	59,992	43,711	-	43,711	43,711
Encouraging Innovation	433	357	-	357	300	-	300	300
Regional Funding	995	995	-	995	995	-	995	995
Finance Wales	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
Strategy and Corporate Programmes	449	417	-	417	372	-	372	372
Rural Affairs	13,001	12,569	-	12,569	11,723	-	11,723	11,723
Tourism	2,790	2,595	-	2,595	2,313	-	2,313	2,313
Total DEL	94,588	88,456	0	88,456	79,370	0	79,370	79,370
Total Managed Expenditure (TME)	94,588	88,456	0	88,456	79,370	0	79,370	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
Education and Training Standards	169,923	161,243	-	161,243	143,734	-	143,734	143,734
Welsh Language	50	100	-	100	100	-	100	100
Total DEL	169,973	161,343	0	161,343	143,834	0	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	279,284
Total Managed Expenditure (TME)	410,924	415,676	-3,915	411,761	406,444	7,130	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
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
Delegated Running Costs	214,326	203,155	1,185	204,340	192,904	1,195	194,099	194,099
Central Running Costs	91,176	92,419	-1,042	91,377	89,135	-1,052	88,083	88,083
Information and Support Services	11,524	11,167	210	11,377	10,825	210	11,035	11,035
Central Programmes	14,804	14,271	90	14,361	13,592	90	13,682	13,682
Total DEL	331,830	321,012	443	321,455	306,456	443	306,899	306,899
AME								
Central Running Costs	-1,100	-800	-1,037	-1,837	-400	-966	-1,366	-848
Total Managed Expenditure (TME)	330,730	320,212	-594	319,618	306,056	-523	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 WGGBs 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	
Educational Standards	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
	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	

						£000's
	Education and Skills - Summary	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.