

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



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref MA-P-1425-15

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

7⁵ January 2016

Dear Jocelyn,

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

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

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

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

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

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

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

I hope this response is helpful.

Beethisher,
Jane

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