

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Llyr Gruffydd
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

5 March 2019

Dear Llyr,

I am writing to provide further information on a few issues that were raised during our recent scrutiny session on the second supplementary budget.

Well-being of Future Generations Act

We have always acknowledged that embedding the Act requires driving cultural change and that change is not going to happen overnight. Our budget preparations this year have looked to further strengthen the steps we are taking to embed the Act, and the five ways of working, into the budget process and in the presentation of the Budget. This is an evolutionary process which we aim to build upon year-on-year.

As the Committee acknowledged in its report on the scrutiny of the Draft Budget 2019-20, the budget documentation included a number changes in response to the Committee's scrutiny last year, including more focus in the narrative on how decision making tied in the Well-being of Future Generations Act. In her report on the Draft Budget 2019-20, the Future Generations Commissioner also recognised there were some encouraging signs of progress this year.

As the previous Finance Minister said in his evidence to the Committee on the draft budget, a big step forward in the process last year was reaching an agreed working definition of prevention. This definition was developed collaboratively with the Future Generations Commissioner, the third sector and a wide range of other stakeholders. In the budget documentation, we also presented a number of case studies to highlight how the Act is shaping our activities and is helping to inform our financial decisions. The case studies also help to highlight some of the preventative approaches we are taking as a government.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

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

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

In the debate on the Final Budget 2019-20, we acknowledged the uncertainties we are facing as we prepare for the 2020-21 budget, including the forthcoming Spending Review and uncertainty over Brexit. The Act will help guide our budget deliberations through these times. I will continue to hold budget bilateral meetings with my Cabinet colleagues where the Act will remain a key focus of discussion. I have already discussed with the Future Generations Commissioner how we can continue to work together on these ambitions in advance of a potential Spending Review. In line with the practice adopted by the previous Finance Minister, I am convening a 'lessons learned' meeting between the Future Generations Commissioner and a cross- Government group of Welsh Government senior finance officials next month to discuss our approach to the 2019-20 budget process in more depth, and the ways we can further improve how we demonstrate the impact of the Act on budget decisions going forwards.

I also look forward to working with the Finance Committee to progress this important agenda.

Self-Build Wales

The Self-Build Wales loans to individuals will be subject to fees and interest charges. Build progress will be monitored by the Development Bank of Wales, and the self-builder will only be able to draw down the loan as funding is required. The self-builder will only have to pay interest on the amount of funding drawn down, which will also incentivise a quick completion of the property and minimise the amount of interest accrued. Upon repayment of the loan and the associated fees and charges, we still anticipate the self-builder to have 25-30% equity in their new home.

Invest to Save and Innovate to Save

The latest annual report for Invest to Save can be found here:

<https://beta.gov.wales/invest-save-2018-annual-report>

For Innovate to Save no annual report has been issued since the partnership arrangement behind the fund came into being in February 2017. This fund operates differently to Invest to Save in that it has rounds which operate through different phases, which are:

- Awareness
- Research and development
- Business case submission
- Loan application
- Implementation

This cycle lasts for longer than 12 months. The first bidding round commenced in February 2017 and reached the loan application stage in summer 2018. Whilst this process was on-going for the first round, the second bidding round started the cycle in May 2018 and is due for completion in late 2019. An annual report in the format of the Invest to Save Annual Report would therefore be impractical as the level of detail each year would vary significantly. However, the intention is to produce a final report on the whole initiative in early 2020. This would be more akin to the Invest to Save report, but will draw in much more detail in terms of lessons learned and the results of research undertaken on various projects.

There is a large amount of information on the Innovate to Save initiative which our partners have published on line. This covers updates on each project with case studies and lessons learned to date. Nesta (the main partner in the initiative) has also issued a guide for the

public sector on how to implement a fund along the lines of Innovate to Save. The relevant links are:

<https://www.nesta.org.uk/project/innovate-save/>

<http://ylab.wales/wp-content/uploads/2019/01/Y-LAB-Innovation-on-Loan-Practice-Guide-F1-web.pdf>

Regarding the question of mainstreaming projects which the Invest to Save fund has supported, this has been a constant question since the early days of the fund. It is not just a feature of Invest to Save but also other initiatives such as the Bevan Exemplar projects in the NHS. There is now a significant amount of work now being undertaken on this question. The NHS Wales Finance Delivery Unit is undertaking in depth analyses of expenditure in different areas across different health boards. This allows questions to be asked on why costs differ and why organisations have not adopted more cost effective practices which have been proven to work elsewhere. This challenge approach is already beginning to provide some positive outcomes.

Another piece of work on the take up of good practice and innovation is being undertaken jointly between Welsh Government officials, Cardiff University and Nesta. This is a research project which seeks to understand the different barriers to mainstreaming and what measures can be taken to increase adoption. It is looking at a number of areas which include the features which make certain changes portable, the impact of the financial environment, organisational environments and the psychology behind the decision making processes for mainstreaming. The aim is to produce a report on the findings in the summer and to hold a series of events to publicise these findings. Should the Committee wish to set some time aside after the summer recess to be briefed on the findings of this work, I would be pleased to ensure that the briefing is provided.

Please also find enclosed details on previous voluntary exit schemes run by the Welsh Government as requested by the committee.

Yours sincerely,



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Voluntary Exit Scheme

2018-19 Scheme

The 2018-19 scheme has not yet concluded and as such it is too early to provide definitive figures for the number of leavers, costs or savings. Details of the Welsh Government's voluntary exit schemes are set out in its annual consolidated accounts.

Savings

These are expressed as a payback period. This is the total cost of an exit divided by the monthly pay cost of the exiting member of staff. We expect savings from the 2018-19 scheme to be within the payback range of 10 to 14 months. This is comparable to the levels of savings achieved from schemes in previous few years.

Schemes prior to 2018-19

The Welsh Government has funded the voluntary exit of 219 members of staff between 1 April 2015 and 31 March 2018. These exits have cost a total of £8.424m.

Financial Year	Scheme type	Number of Exits	Total Resource Cost
			£'000
2017-18	Voluntary Exit Scheme	156	5,884
2016-17	Voluntary Exit Scheme	21	709
2015-16	Voluntary Exit Scheme	42	1,831
	Total	219	8,424

All departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.