



Llywodraeth Cymru
Welsh Government

Welsh Government

Draft Budget 2018-19

Detailed proposals

A new Budget for Wales

October 2017

gov.wales

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Mae'r ddogfen yma hefyd ar gael yn Gymraeg / This document is also available in Welsh.

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Chapter 1 - Introduction

- 1.1 The Welsh Government published its Draft Budget 2018-19, Outline Proposals - A new Budget for Wales on October 3. This Budget marks another important milestone in the devolution journey for the Welsh Government and the National Assembly – as well as reflecting the new tax and borrowing powers being devolved to Wales, the Budget also reflects the new Budget process agreed between the National Assembly’s Finance Committee, the Assembly Commission and the Welsh Government.
- 1.2 In line with these arrangements, the outline draft Budget set out where the Welsh Government’s funding comes from – the block grant from the UK Government, borrowing and taxation – and how it will be allocated between the different Ministerial portfolios.
- 1.3 Today, the Welsh Government is publishing the detailed departmental spending proposals, showing how each portfolio will allocate its budget in line with the priorities set out in our programme for government *Taking Wales Forward* and our national strategy *Prosperity for All*. The detailed plans also reflect the Budget agreement reached with Plaid Cymru.
- 1.4 These detailed proposals will be subject to scrutiny by the National Assembly committees over the coming weeks. The Welsh Government will also hold a number of engagement sessions across Wales to understand people’s views about participatory budgeting and how we engage about the Budget, especially around priorities. This evidence and feedback will help to inform our budget considerations.
- 1.5 Despite ongoing and severe cuts to the Welsh Budget as a result of the UK Government’s damaging austerity agenda, the Welsh Government has continued to protect public services from the worst effects of austerity. The two-year revenue plans and three-year capital budgets published today provide certainty and stability for our public services during this period of unprecedented public spending constraints and demonstrate our commitment to take Wales forward and deliver prosperity for all during these most difficult of times.

Chapter 2 – Health, Well-being and Sport

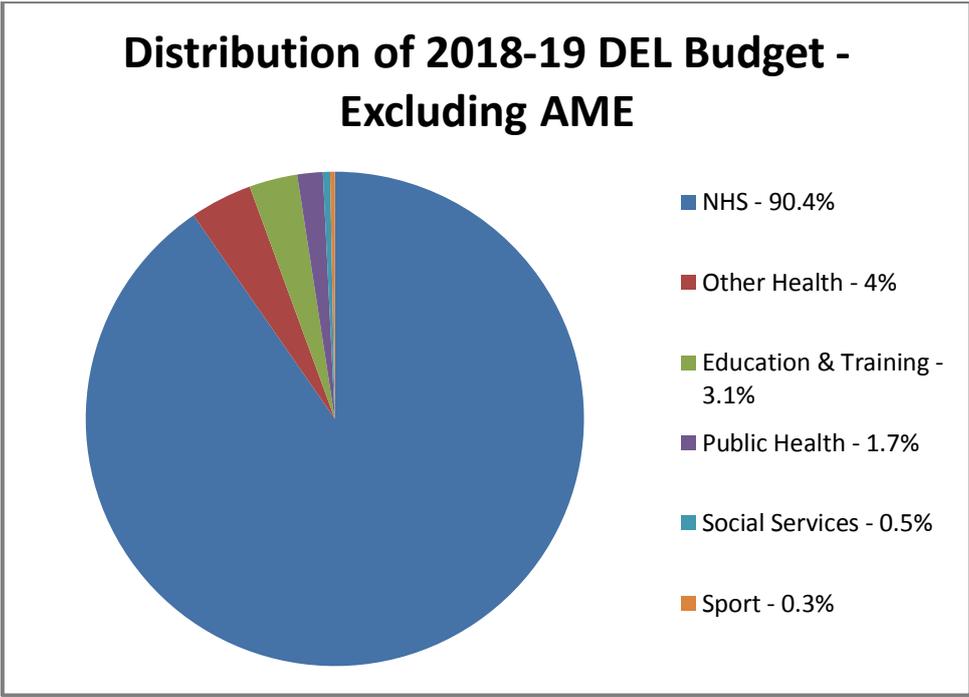
- 2.1 The Health, Well-being and Sport (HWS) portfolio supports the Welsh Government's ambitions through improving the health and wellbeing of individuals, families and communities. This will be achieved through delivering the three objectives set out in *Prosperity for All*: quality health and care services fit for the future, promoting good health and wellbeing for everyone and building healthier communities and better environments.
- 2.2 The MEG contains the core revenue and capital funding for NHS Wales, as well as funding to support public health, social care and community and elite sport. Our aim is to secure sustainable health and care services for future generations, by placing a greater emphasis on keeping people well, and shifting our approach from treatment to prevention.

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- 2.3 In 2018-19, the Health, Well-being and Sport MEG is £7,647m. This comprises £7,231m resource, £295m capital and £121m Annually Managed Expenditure (AME).
- 2.4 Indicative funding for 2019-20 is £7,435m revenue, £328m capital and £121m AME.
- 2.5 Indicative capital funding for 2020-21 is £310m.

Key areas of spend

- 2.6 The chart below shows how the total resource and capital budget for 2018-19 is allocated across key activities in the MEG.



NHS Funding

2.7 The Welsh NHS will continue to be the single largest area of this government’s expenditure, reflecting its value to the public. As with the rest of the UK, our NHS is under unprecedented pressure through rising costs and public expectations. There are also new and different demands on health services created by changing social demographics and more serious and complex conditions, which our NHS must be able to deal with.

2.8 We are maintaining our commitment to the delivery of high quality and timely health services by investing a further £450m in the Welsh NHS over the next two years. The evidence from recent reports by the Health Foundation and Nuffield Trust was that health spending would need to rise annually to keep pace with an increasingly elderly population, and with the rising prevalence of chronic conditions, such as diabetes. Through this additional investment, we are planning for the medium and long-term sustainability of health services in Wales.

2.9 In line with our commitment to deliver quality health and care services, we are constantly innovating. We are introducing new treatments and services to ensure they are responsive to patient needs, are carried out in the right setting and deliver *Prosperity for All*. We continue to deliver a tangible shift in the provision of health and care services into communities, away from hospitals, and shift the emphasis from treatment to prevention. We will maintain our £42m Primary Care Fund to support the development of local services, based around primary care clusters.

2.10 By adopting the collaboration and integration ways of working, we will also continue our investment in supporting partnership working between the health and social care sectors. We will invest a further £50m revenue funding from

the HWS MEG budget in the Integrated Care Fund in each of the next two years, which supports innovative models of care.

- 2.11 Regional Partnership Boards are also due to establish pooled budgets in relation to the provision of care home accommodation for adults from April 2018. These pooled budgets will support integrated commissioning, allowing local authorities and health boards to focus on improved quality as well as securing better value for money.
- 2.12 In *Prosperity for All*, we identified mental health as a priority area. We continue to ring-fence the funding to health boards for mental health services to safeguard our investment in this priority area. Of the additional £450m for the NHS over the next two years we will provide an additional £40m funding for ring-fenced mental health services in line with the Budget Agreement. We have also committed to developing specialist inpatient perinatal mental health support for new mothers and their babies in Wales as part of the Agreement.
- 2.13 The Efficiency Through Technology Fund has played a leading role in driving forward technological innovation to deliver more efficient health services for the future. This approach is being mainstreamed through the Integrated Medium Term Planning Framework and clear expectations and guidance have been set on how health boards and trusts should use technology to drive efficiencies, using their own resources. Guidance has also been issued to the university health boards that over the next three years they should invest further in innovation, alongside research and learning activity. We will be reducing our spending on the fund by £4m in 2018-19 and 2019-20 to reflect the expectations that NHS organisations will use their core funding to support future innovation.
- 2.14 We are continuing to make available funding to deliver the £80m New Treatment Fund. In this budget we are allocating £16m in the Fund in 2018-19 and 2019-20 respectively.
- 2.15 Building on the prudent healthcare principles that are now widely used to guide the delivery of high quality services to patients, we will continue our drive to making the best possible use of our additional investment in NHS Wales through a focus on developing a value-based healthcare system for the future. The Welsh Government has supported NHS organisations to work in partnership with the International Consortium for Health Outcomes Measurement (ICHOM) to develop new outcome data sets for conditions such as lung disease. By getting a better understanding of the outcomes that matter to patients, we can target resources towards those healthcare activities that are effective in improving these outcomes.
- 2.16 We have used the Well-being of Future Generations Act to help frame our budget plans for NHS investment. As the Health Foundation noted in their 2016 report, long term sustainability of the NHS is dependent on continued growth in the efficiency of services, as well as additional funding. Applying the collaborative way of working, the Welsh Government has led the initiative to improve efficiency in health spending, through the establishment of an

Efficiency, Healthcare Improvement and Value Group, chaired by the Chief Executive of NHS Wales. This Group has identified a range of opportunities where reducing variation in the way services are delivered across Wales can increase efficiency with no impact on the quality of services delivered. One example of this is the recent guidance to the NHS on action to reduce the costs to the NHS of temporary medical staff.

2.17 Applying the long-term way of working, NHS Wales, with support from Welsh Government, has also taken action to improve the sustainability of the procurement of clinical and administrative supplies informed by the ways of working of the Well-being of Future Generations Act. Examples include:

- NHS Wales has established, with Welsh Government support, a Medical Consumables and Devices Group. This Group, which is clinically led, and has input from research, economics and procurement professionals, is reviewing procurement practices across NHS Wales for high volume use clinical devices and consumables to reduce variation and improve efficiency and outcomes through greater standardisation.
- An all Wales Managed Print Service has been let for GP Practices. An ageing printer fleet of approximately 6,500 units will be replaced with modern devices with significantly reduced carbon footprint e.g. the energy consumption will reduce by over 70%. The service also includes the recycling of spent toner cartridges.

2.18 We will confirm the individual allocations for local health boards for 2018-19 later in the Autumn. To aid transparency of the funding for the NHS, we have established a new BEL titled “Other Direct NHS Allocations” which will contain funding issued to NHS bodies outside of the core local health board revenue allocation. This budget includes some realignment of existing BELs to achieve this transparency for future budgets.

Public Health

2.19 We have used the Well-being of Future Generations Act prevention and long-term ways of working to influence our decisions on public health spending. We are continuing to maintain our investment in Public Health Wales NHS Trust of £88.4m to meet our objective of supporting people to adopt healthy lifestyles, preventing avoidable diseases, and early diagnosis of harmful conditions.

2.20 The Welsh Government is investing in prevention of avoidable diseases through expanding the children’s flu vaccination programme by an additional school year in 2017-18, and then accelerating the roll out to all primary school children in 2018-19. This is expected to significantly lower the public health impact of flu by preventing a large number of cases of disease in immunised children as well as in unvaccinated infants and older people in clinical risk groups through reduced circulation and transmission of flu.

2.21 In setting our spending plans for 2018-19 and beyond, we have reviewed our budgeted spending on some demand led areas of public health budgets,

including funding for emergency planning and Healthy Start. We are adapting our spending plans to meet the budget constraints; our assessment is that this will have no material impact on these programmes.

Education and Training

- 2.22** From April 1, a new NHS organisation, Health Education and Improvement Wales (HEIW), will be established and will take a leading role in commissioning the education and training of the current and future NHS workforce.
- 2.23** In February, the Welsh Government announced a £95m package to support a range of education and training programmes for healthcare professionals, including nurses, physiotherapists, radiographers and a range of health science training opportunities. This package will enable more than 3,000 new students to join those already studying healthcare education programmes across Wales. These new students are taking up their places in 2017-18, and we are protecting funding for their training in 2018-19.
- 2.24** The two year Budget Agreement includes £14m of funding over 2 years for undergraduate medical training in North Wales and £2m for training of 80 new district nurses in line with new models of care.

Other Health Budgets

- 2.25** This section includes health programmes that are not included in the core allocation funding for local health boards. For example, it includes funding for the NHS Wales Shared Services Partnership, which provides a range of administrative support services to NHS organisations, such as accounts payable, recruitment and internal audit. It also includes funding to meet the costs of settlements by the Welsh Risk Pool for clinical negligence and personal injury claims against NHS organisations.
- 2.26** The Budget Agreement with Plaid Cymru has secured recurrent allocations for End of Life care (£1m) and funding for Eating Disorders and Gender Dysphoria services (£1m).
- 2.27** We have reviewed our spending plans for two substance misuse programmes:
- All Wales Schools Liaison Core Programme (AWSLCP) - The AWSLCP operates in primary and secondary schools across Wales with 95% of schools engaged in the last academic year. The programme is jointly funded by Welsh Government (£1.98m per annum) and the police (£1.34m per annum). The programme aims to ensure that all pupils have opportunities to enhance their knowledge, understanding, behaviour, attitudes, values and skills regarding: substance misuse; healthy relationships; anti social behaviour and personal safety. Our long term aim is to embed the substance misuse element of this work as part of the changes to the schools curriculum. This will enable education and

awareness raising to be integrated into the curriculum in order to ensure the work continues on prevention and building personal resilience amongst young people. We therefore plan to phase out the AWSLCP during 2019-20, pending the implementation of the new curriculum.

- Operation Tarian - We intend to reduce our investment in this programme from 2018-19. The Welsh Government's contribution to Operation Tarian has been reducing in recent years. We acknowledge that there are risks with this approach, particularly as the programme has formed an important part of the prevention element of our 10 year substance misuse strategy. Other challenges include new psychoactive substances coming onto the market, levels of drug related deaths and the media attention that this agenda is currently attracting, but we will be working closely with the police to ensure the prevention of drug supply remains a core policing responsibility.

2.28 To mitigate the impact of these changes, we will increase the ring-fenced allocation to local health boards for substance misuse, so that we maintain our overall investment in these vital services.

2.29 We are delivering efficiencies in our spending plans for research and development in health and social care. We are reducing the contribution from Wales to the programmes run by the National Institute of Health Research (NIHR) in England. The reduction in our contribution is not expected to have a significant impact on the access that Wales based researchers get to the UK-wide research funding schemes overseen by NIHR.

2.30 In addition, we are taking an opportunity to reprioritise funding schemes for 2018-19 onwards and will be making further savings to the administration of Health and Care Research Wales grant schemes coming back into Welsh Government, reduction in the funding allocated to partner schemes by exiting the Invention for Innovation scheme, and absorbing some HealthWise Wales support activities within the Health and Care Research Wales Support Centre.

Social Services

2.31 We have identified social care as a priority area in *Prosperity for All*. This continues the trajectory set since 2011 and the launch of Sustainable Social Services for Wales: A Framework for Action, under which we have delivered a strategic response to the issues of an ageing population, enhanced public expectations and limited budget growth. Major legislative and service reforms have been put in place that enable local authorities and the wider sector to respond to these challenges and to improve the wellbeing of people in Wales.

2.32 Core social services are funded primarily through the local government revenue support grant (RSG) contained in the Local Government MEG. Additional recurrent funding of £55m was allocated in 2017-18 through the RSG to support front line service delivery, address the effect of the national living wage and target action on three priority areas: the social care

workforce, looked after children, and carers. Further funding has been allocated through the RSG in this budget to maintain social care services.

2.33 In line with our commitment to reduce the burden to local authorities of administering specific grants, we are transferring the following two grants into the local government settlement in 2018-19:

- Welsh Independent Living Grant – this will transfer into the local government settlement at a value of £27m. This follows engagement with local authorities on the arrangements and expectations for packages of care. The amount reflects the same level of budget originally transferred to Wales from the UK Government.
- Secure estates – we will transfer this grant into the local government settlement at a value of £0.39m in 2018-19, reducing to £0.37m in 2019-20. Our assessment is that this will enable the continued delivery of social care services for those in the secure estate as part of the overall identified population needs.

Sport

2.34 *Prosperity for All* outlines our commitment to increasing the physical activity levels of the people of Wales and to the importance of preventing ill-health before treatment is required. Sport Wales has been tasked with developing a new approach to physical activity, working with other delivery partners such as Public Health Wales and Natural Resources Wales to a common performance framework, targeting improved levels of activity, particularly in communities which are currently least likely to meet Chief Medical Officer's guidelines. Given the significant return on investment that success can make in this area, we have protected overall sport funding at its current level of £22.3m.

Capital

2.35 We are increasing our investment in NHS capital funding. Within the increased capital allocation, £82.7m (29%) is made available to NHS organisations as discretionary capital for the following priority areas:

- Meeting statutory obligations, such as health and safety, and firecode;
- Maintaining the fabric of the estate;
- The timely replacement of equipment.

2.36 The remainder of the budget is allocated to organisations following approval of the specific business case by the Cabinet Secretary for Health, Well-being and Sport.

2.37 Additional capital funding of £132m in 2018-19 will allow accelerated development of the Grange University Hospital (formerly known as the Specialist Critical Care Centre) in Torfaen. As well as this priority scheme, on-going funding support will continue to be made in 2018-19 for the Ysbyty Glan

Clwyd redevelopment, the Ysbyty Gwynedd Emergency Department and neonatal scheme at the University Hospital of Wales.

- 2.38** We are using the aims of the Well-being of Future Generations Act to emphasise our commitment to reducing the carbon footprint of the NHS estate. Applying the long-term way of working, the NHS capital programme ensures that all new buildings comply with BREEAM Excellent requirements. The aim is to increase energy efficiency as the demand for services continues to rise. In addition, the policy aim of bringing more services closer to home should reduce future demand for energy inefficient large hospitals, but this is a long term objective.
- 2.39** Funding has also been identified to support the on-going development of the Primary Care pipeline of schemes, which will see a new generation of integrated health and social services centres open by 2021. Officials have been working with NHS bodies over the last year on their primary and community infrastructure plans and on identifying key priorities that can be delivered in this Assembly Term. An initial pipeline is proposed that consists of nineteen projects which will lead to a total capital investment of circa £79m – fifteen of which could be funded through capital and four through the addition of Welsh Government revenue to existing GMS premises allocations.
- 2.40** As part of the Budget Agreement, we will provide £22m capital funding over the next two years to take forward the new integrated healthcare centre in Cardigan.

Prevention

- 2.41** As set out in *Prosperity for All*, our aim is to take significant steps to shift our approach from treatment to prevention. To support this, we have undertaken a review of our spending plans to assess the level of current spending on prevention. Consistent definitions of prevention are not used in government, but the Early Action Task Force, which produced the 'Towards Effective Prevention' report have built on the proposed definitions set out in the National Audit Office's early action landscape review, developing them in discussion with practitioners.
- 2.42** Through applying the long-term and preventative ways of working, we will ensure we are protecting and increasing our spending in these areas in future budget decisions.
- 2.43** Specific examples of preventative funding include:
- Funding for the study into the availability of Pre-exposure Prophylaxis to reduce the risk of sexually-acquired HIV1 infection in adults of high risk as part of a wider HIV prevention service.
 - Investing in genomics for precision medicine. The strategy outlines our plan to harness new genomics technologies to improve the health and prosperity of the people of Wales. Through the strategy, we want people

across Wales to have access to quicker, more accurate diagnosis and better information to support treatment decisions. We also want to apply the latest techniques for improved disease prediction and gain a better understanding of disease outbreaks.

Legislation

Public Health (Wales) Act 2017

2.44 Following Royal Assent in July this year, £0.73m has been included within the Health Improvement and Inequalities BEL, to support the implementation of the Public Health (Wales) Act during 2018-19 (this excludes funding for the pharmacy provisions which is covered under the NHS Primary Care BEL). This will support a range of activity, including the preparation of and consultation on subordinate legislation, as well as training and communications. Implementation will continue beyond the 2018-19 financial year, corresponding with the coming into force arrangements for different aspects of the Act.

Regulation and Inspection of Social Care (Wales) Act 2016.

2.45 £1.5m is included within the social services BEL for 2018-19 to support implementation of the Regulation and Inspection of Social Care (Wales) Act 2016. This will support activity related predominately to transitional funding for the workforce and service regulators.

Summary

2.46 We continue to place further investment in the Welsh NHS at the heart of our spending plans in 2018-19 and 2019-20. We are taking steps, with NHS organisations, to ensure that this funding is used to deliver high quality services that deliver the outcomes that matter for patients. We are determined, as a government, to ensure that best practice in the delivery of services is universally adopted across NHS Wales. To support our commitment to the sustainability of NHS Wales, we are continuing to invest in the education and training of the current and future NHS workforce. We are also demonstrating our commitment to preventing ill-health, by maintaining our investment in Public Health Wales.

2.47 We have reviewed and reduced spending plans for some central health and wellbeing programmes, where we can be assured that the impacts of these reductions can be mitigated through other core areas of funding. We will continue to monitor the impact of these spending changes to ensure that they do not prevent us delivering our aim of *Prosperity for All*.

Chapter 3 – Local Government

- 3.1 Local government is a key partner at the forefront of delivering public services, responding to local needs and helping to provide a fully coordinated response alongside health and other public services. Local authorities shape and provide local services, which focus on the needs of people at all stages of their lives, in all parts of Wales.
- 3.2 *Prosperity for All* sets out our ambitions and places even more importance on the relationship between the Welsh Government and local authorities and on the relationship between local authorities and local communities. This is important in terms of providing consistent services and improving people's resilience and maintaining the responsiveness of services into the future.
- 3.3 Local authorities play a key role in supporting the delivery of Welsh Government policies. They are key employers, providing good-quality jobs but they also have a key role to play in building local economies and encouraging growth. This role will increase as regional working becomes more widespread and authorities work together to deliver strategic investment through city and growth deals.
- 3.4 They provide services, which enable people to live healthy, independent lives through social care and housing. They support the maintaining of healthy lifestyles - through the provision of leisure and cultural facilities.
- 3.5 In addition to their responsibilities for the delivery of school-age education, local authorities provide a range of services, which support childcare and the development of children in their early years and enable adults to continue learning throughout their lives.
- 3.6 Local authorities also have a key role to play in developing and building connectivity between communities and developing and delivering services in the Welsh language.
- 3.7 The majority of Local Government funding is made up of the core unhypothecated funding for local authorities in accordance with the Local Government Finance Act 1988. Funding is also provided to inspectorate and regulation bodies to provide effective statutory oversight of public services in Wales.

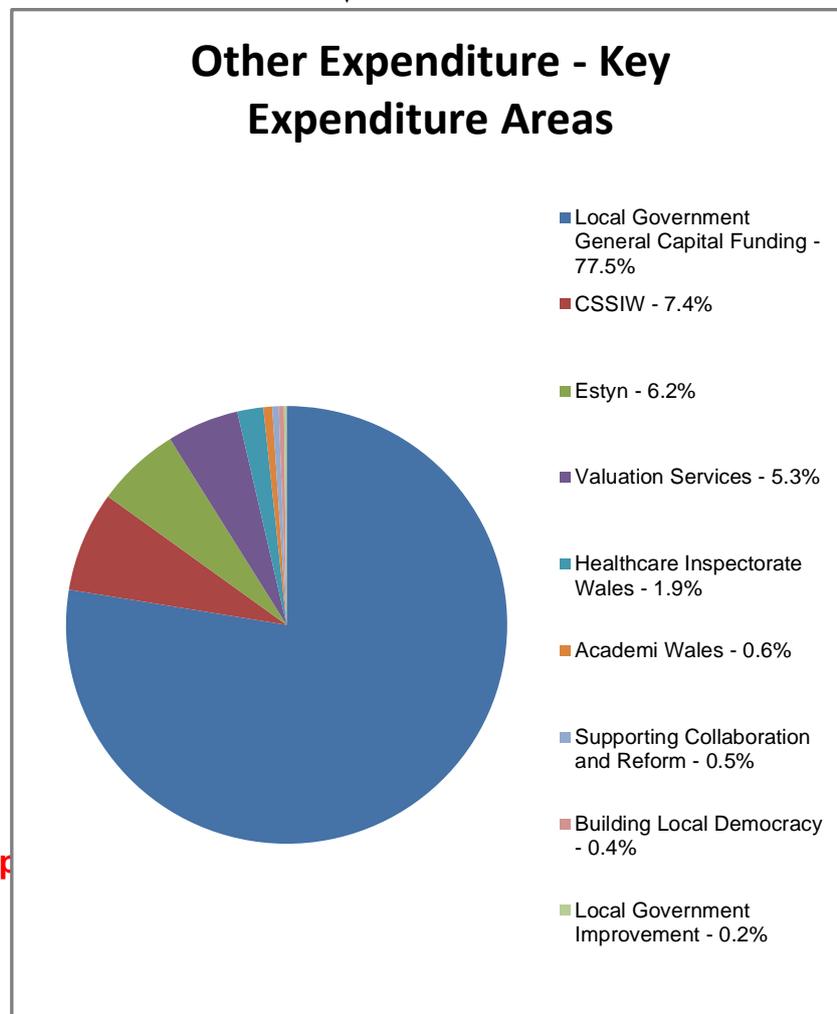
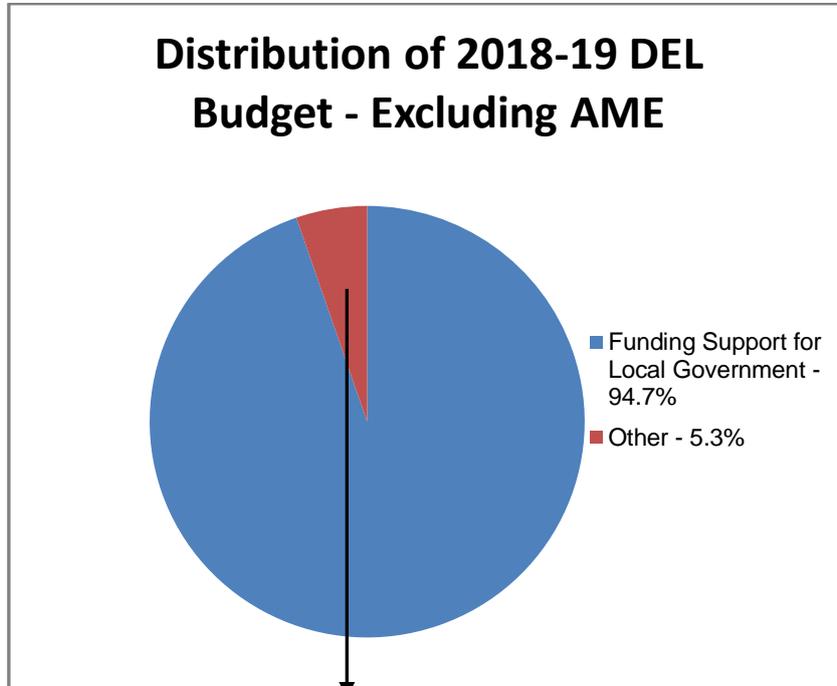
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- 3.8 In 2018-19, the Local Government MEG is £4,537m. This comprises £3,342m resource, £143m capital and £1,052m Annually Managed Expenditure (AME).
- 3.9 Indicative funding for 2019-20 is £3,257m resource, £143m capital and £1,078m AME.

3.10 Indicative capital funding for 2020-21 is £143m.

Key areas of spend

3.11 The chart below shows how the total resource and capital budget for 2018-19 is allocated across key activities in the MEG.



Funding sup

- 3.12** Local government funding accounts for around 99% of the Local Government MEG allocation. The local government settlement is not hypothecated. It is for each local authority to determine how it spends these resources, along with locally-raised council tax and income from fees and charges, to deliver key outcomes and priorities. The core settlement provides the largest single component of the funding local government receives to fund the range of services for which it is responsible.
- 3.13** In 2018-19, more than £90m of funding, previously provided through specific Welsh Government grants from other portfolios, will transfer into the Local Government MEG to be provided to Local Government as part of the core Welsh Government funding allocation. In total, this means that annual funding of more than £285m has been transferred into the settlement since 2011-12.
- 3.14** The transfer of specific grants into the general revenue settlement provides local authorities with greater control over spending plans for a larger share of their spending and, in turn, offers more flexibility for local authorities to engage communities in the decisions about spending that affect them and deliver against the specific needs of their communities. Greater flexibility also allows more of the funding to be spent on frontline delivery.
- 3.15** Significant transfers into the 2018-19 settlement and beyond include:
- £35m – the waste element of the Environment Strategic Revenue Grant from the Environment and Rural Affairs MEG;
 - £27m – Welsh Independent Living Grant from Health, Well-being and Sport MEG;
 - £30m – social care specific grants from Health, Well-being and Sport MEG.
- 3.16** Skills and employability is a priority area for Welsh Government, underpinning this is a high-quality education, making sure that people gain the basic skills they need throughout their lives during their school years.
- 3.17** The local government settlement includes funding for frontline school provision to maintain the assumed Welsh Government's share of core spending at 2017-18 levels in both 2018-19 and 2019-20. This equates to £62m in 2018-19, increasing to £108m in 2019-20.
- 3.18** Social care, provided by local authorities alongside healthcare, plays a critical part in strong communities and ensures that people can be healthy and independent for longer. It is also a significant economic sector in its own right.
- 3.19** The local government settlement includes funding for social care budgets to maintain the assumed Welsh Government's share of core spending at 2017-18 levels, in both 2018-19 and 2019-20. This equates to £42m in 2018-19, increasing to £73m in 2019-20.

- 3.20** Housing is another priority area identified in *Prosperity for All* and an additional £6m has been allocated for homelessness through the revenue support grant in 2018-19 and 2019-20, to support preventative measures as well as helping those who are homeless.
- 3.21** The general revenue settlement formula, which is developed and agreed with local government, ensures the funding available for local government takes account of a range of factors, including sparsity and relative deprivation across local authorities in Wales. The formula distributes the available funding on the basis of relative need using a wealth of information about the demographic, socio-economic, physical and environmental characteristics of every authority in Wales.
- 3.22** Each local authority is an autonomous, democratically-elected body, which is accountable to its electorate for the decisions it makes. Authorities have a series of statutory duties and functions and powers to provide a range of other functions and services. Each authority must ensure that it undertakes appropriate impact assessments of any policies it implements funded through the local government settlement. Conducting full and meaningful engagement on its budget will help to ensure impacts are fully considered.
- 3.23** It is for local authorities to set their own spending priorities taking account of this alongside the other sources of funding available to them. Local authorities are required to prepare medium-term financial strategies to ensure they are setting budgets, which are stable and sustainable for the medium term. Setting out the revenue allocations for the next two years and capital allocations for the next three years will support that process.
- 3.24** In some places, local authorities are engaging communities by involving citizens in their spending decisions. For example, Colwyn Bay Town Council allocated £50,000 to prioritise projects for young people, voted for by local people, while Denbighshire Council ran a project for local residents to spend £25,000 in Ruthin Park.
- 3.25** Local authorities are under a duty to deliver to the Well-being of Future Generations Act and each Public Services Board must prepare and publish a local wellbeing plan setting out its local objectives and the steps it proposes to meet them. The local wellbeing plan sets out how the board intends to improve the economic, social, environmental and cultural wellbeing of its area.

Policing

- 3.26** Policing services in Wales are funded by the Welsh Government, alongside funding from the Home Office and locally-raised council tax. The Welsh Government's allocation accounts for 3% of the Local Government MEG revenue allocation, which forms part of the core unhypothecated funding.

Local Government reform

- 3.27** We have sought to mitigate the impact of austerity as much as possible on local government, however it is inevitable that local authorities need to continue to identify efficiencies to make their budgets stretch further. This places a continuing emphasis on developing new ways of working and greater emphasis on the regional delivery of services.
- 3.28** The budget includes £5m next year, rising to £6m in 2019-20, to support plans for the reform of principal councils, including introducing systematic and mandatory regional working to ensure they become more resilient financially and in terms of maintaining the services they provide. This includes provision for all the preparatory activity associated with the reform of local government and includes funding to invest in transformative activities, such as the preparation for mandatory regional working and the development of digital capability.
- 3.29** These reforms also include undertaking the review of the future role of town and community councils.
- 3.30** Our plans also include taking forward consideration of proposals for reforms to the local government electoral system to make it easier for people to vote and to extend the entitlement to vote.

Non-domestic rates

- 3.31** Following the financial devolution of non-domestic rates to Wales from April 2015, the funding provided to local government and policing bodies through the redistribution of non-domestic rates is treated as AME and is recorded in a separate budget line. The figure available for redistribution (£1,052m in 2018-19) is calculated by drawing on estimates of the anticipated return from non-domestic rates during the year, taking account of a range of adjustments. Further details can be found on page 20 of the outline draft Budget 2018-19 narrative.

Inspectorate and regulatory bodies

- 3.32** The Local Government portfolio includes funding for the Care and Social Services Inspectorate Wales (CSSIW), Healthcare Inspectorate Wales (HIW) and Estyn. The 2018-19 and 2019-20 budgets for the inspectorates and regulatory bodies have been reduced in line with reductions to the Welsh Government's running costs. These bodies are already taking action to secure efficiencies and target their resources more effectively to mitigate the impact of these budget reductions.

Academi Wales

- 3.33** The importance of investing in leadership development and leadership learning during times of reducing resources and public service pressures has been recognised, supporting leaders to be able to make the necessary

changes needed now and for the future. An increase of £0.08m in 2018-19 will enable Academi Wales to meet identified demand and to offer the potential to reach a further 1,000 delegates with vital training.

Capital funding

- 3.34** The level of capital funding for local authorities has been maintained at £143m per year. This funding is available for local authorities to spend on capital investment in line with their own particular needs and priorities. This will include supporting the local authority element of the 21st Century Schools and Education programme, and maintaining their highways infrastructure.

Summary

- 3.35** Despite a reducing budget from the UK Government, we have continued to prioritise frontline services, particularly schools and social care in this two-year revenue budget.
- 3.36** While we continue to mitigate the reductions as much as possible, local authorities will need to continue to invest in regional working and collaboration and other transformational activities to deliver the necessary efficiencies to ensure the continued delivery of resilient and effective public services which we all rely on. We will continue to actively engage with local authorities to provide the necessary support and legislation to support this.

Chapter 4 – Communities and Children

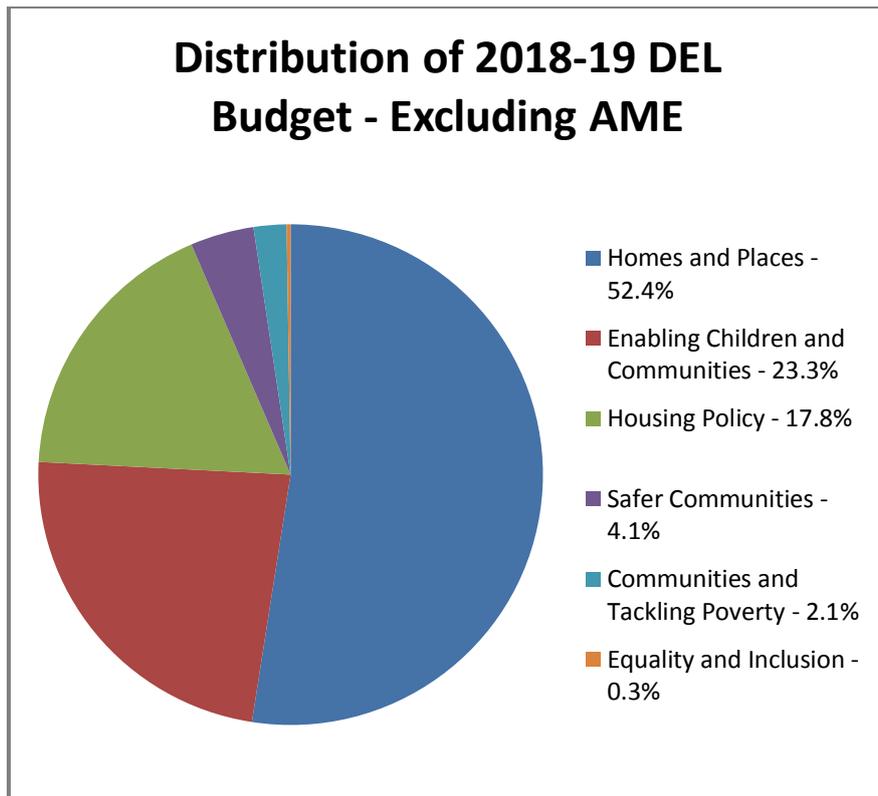
- 4.1 Our aim is to create safe, strong and resilient communities where people can live, work and raise their children with confidence in their future. We are taking a fresh approach to tackling deprivation by focusing on the root causes of poverty. *Prosperity for All* identifies the early years as a priority area, as we know that early intervention – tackling the root causes rather than treating symptoms – pays dividends.
- 4.2 We are investing in childcare as this supports families with employment choices. Enabling parents to access employment improves families' prospects and reduces poverty. We will work with the sector to ensure quality provision is sustainable and provides children with the best start in life.
- 4.3 Improving access to secure, efficient and affordable homes has also been identified as a priority area in *Prosperity for All*, in recognition that living well in a good-quality, affordable home brings a wide range of benefits to health, learning and prosperity. This requires us to intensify our efforts to increase the number of homes - including meeting our commitment to build 20,000 affordable homes during this Assembly term - and intensify the support provided for vulnerable groups to live safely in their homes.
- 4.4 We are taking a whole-government approach to building resilient communities. This is focusing on the three key areas of early years, employment and empowerment: developing communities that can offer children the best start in life; communities that are ready and able to work; and that are empowered and engaged, as well as being safe and strong.

Draft Budget 2018-19

- 4.5 In 2018-19, the Communities and Children MEG is £901m. This comprises £397m resource, £477m capital and £27m Annually Managed Expenditure (AME).
- 4.6 Indicative funding for 2019-20 is £406m resource, £371m capital and £29m AME.
- 4.7 Indicative capital funding for 2020-21 is £339m.

Key areas of spend

- 4.8 The chart below shows how the total resource and capital budget for 2018-19 is allocated across key activities in the MEG.



Supply and choice of affordable housing

- 4.9** We want everyone to live in a home which meets their needs and supports a healthy, successful and prosperous life. Investment in improving the quality of housing is proven to reduce pressures on other public services, notably health and social care, for example there is significant evidence showing links between cold, damp homes and respiratory disease and asthma.
- 4.10** Providing secure, affordable housing is the strongest basis for supporting vulnerable individuals to overcome mental health and substance misuse issues. Investing in housing, quality local environment and energy efficiency brings significant economic benefits, creates jobs, and builds stronger communities.
- 4.11** However, the housing market in Wales, like that across the UK, is under extreme pressure. There is a complex picture of provision and the challenges that people face vary significantly, depending on income and where they live in Wales. Government intervention, therefore, needs to be targeted and we must use all the levers at our disposal, working with housing associations, local authorities, private house-builders and the private rented sector to maximise supply and respond to different needs.
- 4.12** Funding previously held in reserves of £339.6m will be released over 2018-19, 2019-20 and 2020-21 to support our £1.4bn programme to deliver our commitment to 20,000 affordable homes in *Prosperity for All*. This funding will allow us to continue focusing on the delivery of social housing but also to increase the proportion of low-cost home ownership. We aim to make buying a home more affordable through the Help to Buy and Rent to Own schemes and

bring buying a home in a high cost rural area within reach of local people through Homebuy.

- 4.13 We are committed to supporting the delivery of the right housing solutions for our diverse communities across Wales.
- 4.14 We are increasing our annual investment in the Housing Finance Grant 2, our innovative scheme which provides repayable finance to Registered Social Landlords (RSLs) and stock-retaining local authorities, by £3.7m in 2018-19 and a further £1.7m in 2019-20 as it becomes fully operational over this period. The scheme is designed to boost overall investment in the housing sector by £250m.
- 4.15 We are also maintaining our other revenue allocations at 2017-18 levels to support the delivery of the 20,000 affordable homes target and the development of a suite of housing solutions.

Integrated Care Fund (ICF)

- 4.16 To complement the revenue funded Integrated Care Fund (ICF), which supports new and innovative models of care and support and is funded by the Health, Well-being and Sport MEG, we are investing an extra £15m over two years (£5m in 2019-20 and £10m in 2020-21) in housing, health and social care capital projects. The programme complements the wider integration of health and social care by developing projects, which promote independent living while also reinforcing partnership working at the regional level.
- 4.17 The projects will also contribute towards the commitment to create 20,000 affordable homes over the lifetime of this Assembly and meet the *Taking Wales Forward* commitment to work with communities to support an ageing population to stay well into later life. Approaches, such as extra care, are an important alternative to residential care; avoid the need for out-of-county placements; and can allow us to deliver social care more efficiently.

Regeneration

- 4.18 The Welsh Government's new regeneration programme will be focused on supporting the physical, social and economic regeneration of communities from 2018 onwards. Our proposals reflect the commitment set out in *Prosperity for All* to address the needs of areas which have seen fewer benefits from economic growth. We will be supporting projects which offer integrated solutions based on cross-government working. Initially up to £100m will be available over three years.
- 4.19 Targeted regeneration investment has a crucial part to play in delivering jobs and prosperity and building resilient communities in all parts of Wales, rather than simply in those areas that offer the best commercial returns. We face a particular challenge in developing prosperous, attractive and sustainable communities in areas, which are economically disadvantaged or blighted by earlier heavy industries while rural areas face separate, specific challenges.

- 4.20 We are seeking to develop a programme of targeted capital investment in the physical infrastructure of those communities, which can both promote employment and the quality of life of citizens. Decisions on how best to direct public investment must be taken in partnership with those communities and in line with regionally determined priorities.
- 4.21 Local authorities, public service boards and other partners operating within the regions will have a crucial role to play in identifying those priorities and delivering our programmes on the ground. We will also ensure that the new programme is aligned with other strategic priorities including the two city deals, Wylfa Newydd, Metros, and Ministerial Taskforce for the South Wales Valleys.

Supporting Children

- 4.22 We recognise that childcare is one of the biggest challenges facing working families in Wales. We will provide working parents of three and four years olds with 30 hours of free early education and childcare a week for up to 48 weeks of the year, delivered in a way that works for parents and children.
- 4.23 Increasing the availability of affordable, available and accessible childcare should enable parents to work, supporting our drive to increase economic growth, tackle poverty and reduce inequalities. It will also provide opportunities and long-term benefits for our children and improve their life chances.
- 4.24 In order to get it right for parents and providers, we have begun testing the offer in specific locations within seven local authorities. These were chosen to provide a good geographical spread across Wales and represent a good mix of rural, urban and Valleys communities. The funding to support the childcare offer increases to £25m in 2018-19 and to £45m in 2019-20, allowing us to expand and test aspects of the delivery of the offer in different circumstances, to ensure the offer works when it is fully available across Wales from September 2020.
- 4.25 Funding of £1m in 2018-19 has been provided to support the St David's Day Fund; a bursary grant in support of children in care or those who are at greatest risk.

Early Intervention, Prevention and Support

- 4.26 Multi-agency working is essential and not optional and the Flying Start and Families First programmes have improved the way agencies work together to support our most vulnerable families through joint commissioning of services and Team around the Family approaches to service delivery. Welsh language provision is an integral element of the Flying Start with a requirement for all local authorities to respond to parental choice and to deliver Welsh-medium provision where required.
- 4.27 Revenue budgets have reduced in this area from £154m in 2017-18 to £140m in 2018-19, largely due to the cessation of the Communities First programme. In making the decision to end this programme, a wide engagement programme

was undertaken and extensive impact assessments were carried out, which have informed decisions, including provision for legacy funding to support communities. Further savings of £2m have been found in 2018-19 from re-profiling of European Social Fund projects to make best use of domestic budgets.

- 4.28** For 2019-20 consideration is being given to the creation of a single grant - bringing together all grants paid to local authorities in support of early intervention, prevention and support. A single grant could enable local authorities and public service board partners to better align services in pursuit of their wellbeing objectives. Such a move would support service re-design in line with the principles and aims of the Well-being of Future Generations Act. With a larger, single grant, individual smaller grant constraints could be lifted and funds used to meet locally determined needs in a way that makes sense at a local level. This would remove artificial barriers to effective service delivery. Greater alignment and simplification of administration would also enable a reduction in the bureaucracy associated with grants helping to deliver the needed efficiency savings of £13.4m.
- 4.29** This approach would build on the work to reform local government and increase democratic participation and engagement.
- 4.30** A move to a single grant may present some challenges as well as many opportunities; greater flexibility would need to be accompanied by proportionate accountability. We will engage with stakeholders and develop our approach in collaboration with key partners to ensure any changes benefit people. In 2018-19, a number of local authorities will take forward greater funding flexibilities to support the greater alignment of service delivery. This will help to inform a final decision.
- 4.31** The grants that may be affected by this change are:
- Supporting People
 - Flying Start Revenue Grant
 - Families First
 - Communities First Legacy
 - Employability Grant
 - Promoting Positive Engagement for Young People
 - Out of School Childcare
 - Violence Against Women, Domestic Abuse and Sexual Violence Services Grant
 - Homelessness Prevention
 - Rent Smart Wales Enforcement
 - Community Cohesion Grant
 - St David's Day Fund
 - National Advocacy Service

Equality and Inclusion

- 4.32 The Equality and Inclusion Funding programme 2017-20, of £2m, supports our Strategic Equality Plan. The Welsh Government is working with its partners, including seven lead agencies, to support individuals and communities across Wales in relation to: race (EYST); gender (WEN Wales); sexual orientation and gender identity (Stonewall Cymru); disability (Disability Wales); refugees and asylum seekers (Welsh Refugee Council); Gypsies, Roma and Travellers (Tros Gynnal Plant) and tackling hate crime (Victim Support Cymru). As well as providing expert support and advice in relation to each of these issues, the partners are also working together to promote equality and human rights in general, recognising common issues, challenges and opportunities. This work is also supported by eight regional community cohesion coordinators, who are embedded in local authorities and working on a regional basis to monitor community tensions and promote cohesion.
- 4.33 We are continuing funding of £10m for the maintenance and refurbishment costs of existing gypsy traveller sites and the purchase of new sites.
- 4.34 The equality and inclusion budget contributes towards the work of the Ministerial Taskforce for the South Wales Valleys which is focused on regeneration in the Valleys. The taskforce published its high-level action plan Our Valleys, Our Future, based on feedback from people working and living in the Valleys and evidence taken by taskforce members in July 2017. It will publish a delivery plan later this autumn.
- 4.35 The taskforce's work has been informed by extensive engagement with the public - we will gain a clear understanding about what people really want from their public services and respond to barriers that stop those services being delivered. It will also enable us to use the Valleys as a test bed for a place-based approach to enhancing employability.

Supporting People

- 4.36 The Supporting People programme helps vulnerable people to find and keep a home or accommodation and to live as independently as possible. This is a key part of the Welsh Government's policy for preventing homelessness; reducing use of the NHS; long-term social care services and tackling poverty. The Programme provides over 57,000 units of support to a range of vulnerable people in a variety of circumstances.
- 4.37 As part of the Budget Agreement with Plaid Cymru, £10m has been allocated each year to maintain the Supporting People grant at the current level. This reflects our commitment to prevention and the pressures arising from the incidence of homelessness and the effects on services including social services, health and the criminal justice system.
- 4.38 We have also been able to invest an additional £1m in the Discretionary Assistance Fund to support some of our most vulnerable citizens.

Homelessness prevention

- 4.39** The Homelessness Prevention Grant supports statutory and third sector organisations to deliver front line services to prevent homelessness and help people who are chronically affected by homelessness. It has a direct impact on the wellbeing of people at risk of homelessness and all the consequences which arise from this. It helps to prevent a wide range of personal and social problems for vulnerable people.
- 4.40** An additional £4m revenue funding has been made available in 2018-19 and 2019-20 taking the total to £10m in 2018-19 and £8m in 2019-20. This is part of a wider package of support to tackle homelessness in this draft Budget, with additional funding of £6m also being made available through the local government Revenue Support Grant in each year to enable local authorities to embed and build on their prevention work previously funded through transitional grant funding.
- 4.41** Without stable accommodation it is almost impossible for a person to obtain or hold down employment and evidence shows links between poor quality housing and health problems which can contribute to adverse childhood experiences as well as having a negative impact on children's ability to learn.
- 4.42** In 2019-20, £2.8m currently paid to local authorities may be transferred into the new Early Intervention, Prevention and Support grant. This funding will support work tackling rough sleeping and youth homelessness in particular, building on pilot work this year. The remainder of the budget will be available to continue to support third sector and new projects.

Domestic Abuse

- 4.43** The revenue budget to tackle all forms of gender-based violence, domestic abuse and sexual violence increases to £5m in 2018-19. In 2019-20, the local authority element of the grant funding - currently £2m - may be payable through the new Early Intervention, Prevention and Support grant.
- 4.44** Domestic abuse and sexual violence are both gender-related crimes as, statistically, the vast majority of victims are women and girls. Our aim is to end discrimination against women and girls, promoting equality between women and men. It is crucial to ensure support and services exist on the ground, ready to respond to people who need them most.
- 4.45** Black and Minority Ethnic women are disproportionately affected by different forms of abuse. Survivors may face additional barriers to seeking help, such as racial discrimination, religious stereotyping, fear of community dishonour and rejection and an insecure immigration status.
- 4.46** We also know that disabled people experience disproportionately higher rates of domestic abuse and experience domestic abuse for longer periods of time, and more severe and frequent abuse than non-disabled people.

- 4.47 Welsh Government-funded research in 2014 highlighted the barriers faced by lesbian, gay, bisexual and trans people when accessing domestic abuse and sexual violence services. The report highlighted individual, interpersonal and structural and cultural barriers, it made a series of recommendations to improve accessibility to services, including flexibility, confidential access and inclusivity.
- 4.48 Welsh Ministers will support and direct the commissioners it funds and will work with the commissioners who hold their own funding to build a more integrated and strategic approach to providing services which address the needs in each area.

Community Facilities

- 4.49 Funding is provided through the Community Facilities Programme to improve the sustainability of community facilities, especially those in former Communities First clusters. In order that these are community-led, applications must demonstrate how the community has been involved in the development of the proposals and how the facility will benefit local people for the longer term.
- 4.50 Additional capital of £6m in 2018-19, £4.5m in 2019-20 and £4.4m in 2020-21 has been made available for the programme. We expect 80 to 100 community buildings being supported over three years, which in turn will support community resilience, including around mental health and wellbeing and employability and skills.
- 4.51 The Community Facilities Programme helps to provide fit-for-purpose, sustainable, community facilities which make a significant contribution to the wellbeing of local people. The facilities provide a place for communities to be united and connected and will host a range of sessions which improve the skills and employability of Welsh people, including CV writing sessions and Welsh courses.

Legislation

- 4.52 There are currently two pieces of legislation in the implementation phase.

The Renting Homes Act 2016

- 4.53 The Act reforms the legal basis for renting a home from a private landlord or community landlord, including local authorities and registered landlords.
- 4.54 The expenditure will support communications, training and evaluation actions. The figures reflect those set out in the Revised Explanatory Memorandum published at the end of Stage 2 scrutiny of the Bill, but fall two years later than originally envisaged. This is due to the scale and nature of secondary legislation needing to be made (scrutiny resulted in additional secondary legislation requirements), and particularly to ensure there is sufficient scope for full public consultation and engagement prior to implementation.

Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015

- 4.55 The Act provides a focus across the public sector on the prevention of these issues, the protection of victims and the support for those affected by such issues.
- 4.56 The Act places duties on the Welsh Ministers, County and County Borough Councils (“Local Authorities”) and Local Health Boards to prepare and publish strategies aimed at ending domestic abuse, gender-based violence and sexual violence. The Act also provides a power to the Welsh Ministers to issue guidance to relevant authorities on how they should exercise their functions with a view to contributing to ending domestic abuse, gender-based violence and sexual violence, and makes provision for the appointment of a Ministerial Adviser.

Summary

- 4.57 Strong, secure communities play a key role in delivering our wellbeing objectives. *Prosperity for All* identifies housing and early years as two of the priority areas for government which make the greatest contribution to long term prosperity and wellbeing. This portfolio plays a central part in making positive progress in these areas, as well as supporting social care, mental health and skills and employability.
- 4.58 Our aim must be to ensure that in collaboration with our partners we continue to deliver an efficient and coherent service with, and for, citizens.

Chapter 5 – Economy and Infrastructure

- 5.1 A successful economy is a means to an end, not an end in itself, enabling communities to thrive and equipping people to fulfil their aspirations. Good health outcomes, empowering people with the ambition, confidence and learning to succeed and fostering a sense of community and togetherness is, in large, dependent on securing economic outcomes that leave our people, businesses and places feeling more prosperous, secure and confident about their future.
- 5.2 The focus of our budget is to deliver our programme for government and the priorities identified in *Prosperity for All*. We support the creation and retention of jobs and we continue to prioritise funding to support inclusive access to jobs and opportunities to ensure all individuals may benefit from economic growth as set out in [Working Towards a Fairer Wales](#).
- 5.3 There is evidence that well-paid work is the best route out of poverty and the greatest protection against poverty for those at risk. Persistent poverty is damaging to individuals and communities and can lead to material and psychological harm, as well as wider social consequences. We continue to create opportunities for individuals and families with initiatives and targeted investment across Wales.
- 5.4 Good-quality jobs and sustainable growth will provide people with a reason to remain or return to work and live in local communities where the language thrives. A thriving economy will support our target of one million Welsh speakers by 2050.
- 5.5 We will be launching a new economic action plan that will help us work with the business community later this year.

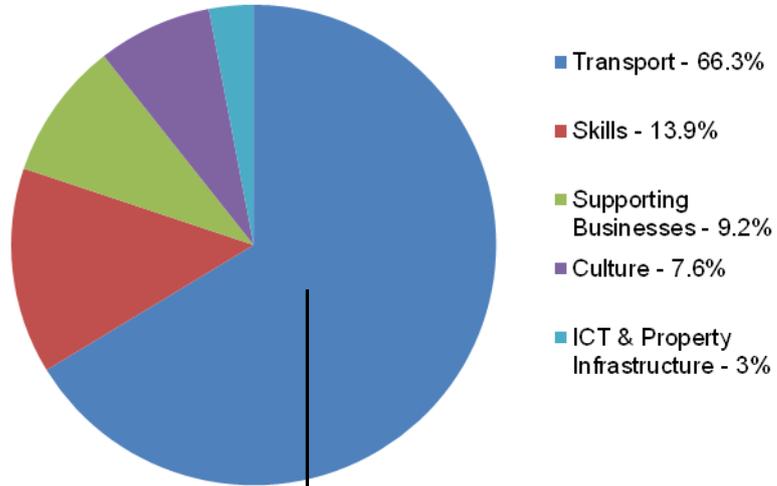
Draft Budget 2018-19

- 5.6 In 2018-19, the Economy and Infrastructure MEG is £1,251m. This comprises £801m resource, £411m capital and £39m Annually Managed Expenditure (AME).
- 5.7 Indicative funding for 2019-20 is £767m resource, £487m capital and £167m AME.
- 5.8 Indicative capital funding for 2020-21 is £505m.

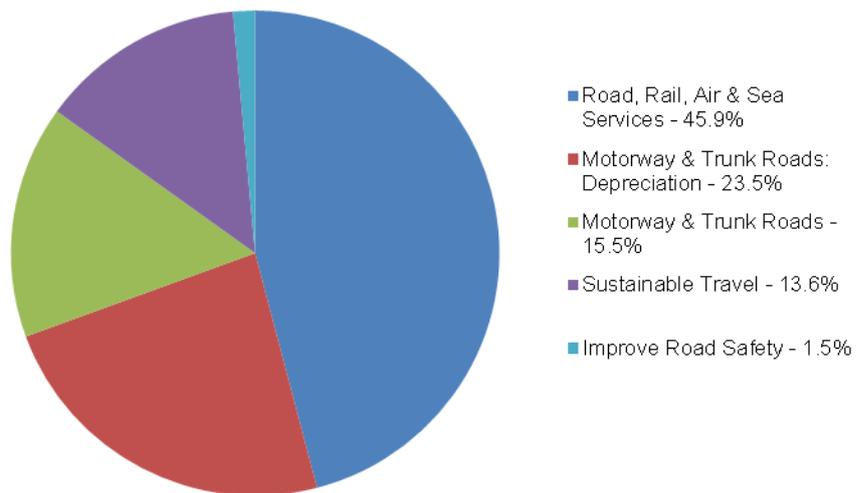
Key areas of spend

- 5.9 The chart below shows how the total resource and capital budget for 2018-19 is allocated across key activities in the MEG.

Distribution of 2018-19 DEL Budget - Excluding AME



Transport 2018-19 Key Expenditure Areas



Supporting businesses

- 5.10 A key element of our approach since 2010 has been to develop sectors of the economy. This approach has driven important successes. Allied to the promise of new jobs and investment through Aston Martin and General Dynamics we have been able to change perceptions of Wales as a place for investment and strengthened the advanced manufacturing heart of the Welsh economy.
- 5.11 We will continue to refocus our budgets to deliver more balanced growth across all parts of Wales, outside the more securely-established centres of growth. An additional allocation of £1.5m, as part of the Budget Agreement with Plaid Cymru for a programme focussed on the care sector and public procurement in urban and rural Wales, will support the development of the foundational economy, which already makes a significant contribution in Wales. The Budget Agreement also includes £1m in each year for secretariat and investment support for Arfor.
- 5.12 The Welsh Government publishes a [priority sector statistical bulletin](#), which includes data on: Gross Value Added (GVA); employee jobs; hourly earnings by gender and employment by qualification level. These are taken into account when considering equality impacts and in shaping our spending plans.
- 5.13 Through our funding of the Healthy Working Wales programme, we provide support to employers to improve health and wellbeing at work, reduce the impact of ill health at work and encourage early intervention to support employees who are at risk of long-term absence due to ill-health.

Sectors

- 5.14 Overall, the investment in priority sectors has been aligned to support capacity building and targeted investment. We are reviewing our sectoral approach as part of our new economic action plan. In line with this, £5.5m of revenue in 2018-19 will be re-allocated to entrepreneurship activity. Capital investment to support the growth of priority sectors is £158m over the next three years.
- 5.15 We have supported more than 170,000 jobs during the last five years to grow the economy.
- 5.16 The Development Bank of Wales will create wealth and high-quality employment through an adaptable delivery model which is responsive to market needs while providing continued value for money for public funds. Financial transaction funding of £28m over 2018-19 to 2020-21 will improve SME access to finance with specific solutions to key sectors of the business community in Wales. The returns generated by these funds will be reinvested in businesses, demonstrating the sustainable cycle of the investments in a more cost-effective way than traditional grant funding. The alignment of the delivery model to the operating costs of the development bank means that it will be self-financing, resulting in a saving of £1.7m from 2018-19.

- 5.17 We will continue to invest in tourism in delivering *Partnership for Growth*, the Welsh Government's strategy for 2013-20. Additional funding of £3m in 2018-19 and £1m in 2019-20 from the Budget Agreement with Plaid Cymru for Visit Wales will enable us to build on the successful Wales brand to reinforce a contemporary, compelling and engaging identity for Wales, as a place to do business and study and enable us to modernise our global digital presence.
- 5.18 We have maintained funding of £3.9m for major events, which supports our drive to build a prosperous Wales and raises Wales' international profile. In 2016-17, 35 events attracted more than 348,000 visitors to Wales, spending an additional £53m, which supported 1,200 jobs in the tourism sector.
- 5.19 We recognise our commitments to reducing carbon emissions and reducing our use of non-renewable natural resources, bring with them great challenges. The move away from diesel and petrol-driven cars and other vehicles, the growing use of wind, solar, tidal and nuclear power will require focused and concerted effort. Our plans include investment of £28.2m over the next three years in the energy and environment sector to ensure Wales is at the forefront of the transition to a low-carbon low-waste economy.
- 5.20 Wylfa Newydd is a significant regeneration opportunity and has the potential to achieve a lasting legacy for Wales.
- 5.21 Collaborative projects are vital in delivering *Prosperity for All*. The National Software Academy is a good example of how Cardiff University, businesses and Welsh Government's Innovation Point will help address the shortfall of highly-qualified, "work-ready" software engineers. This initiative has attracted interest and engagement from both indigenous and potential inward investment businesses, with more than 170 organisations working with the Software Academy in its first two years.

Entrepreneurship and business information

- 5.22 In reprioritising business support an additional £6.6m, which is EU-match funded for Business Wales activity, has been allocated to maintain support for fostering conditions for businesses to thrive. Activities promote enhanced links between education and industry, enabling innovation and entrepreneurship across public and private sectors in collaboration with our universities and colleges and provide tailored support for co-operatives and mutuals.
- 5.23 Entrepreneurship is integral to collaborative initiatives such as the Ministerial Taskforce for the South Wales Valleys, which aims to support 100 Valleys businesses with the greatest growth potential and to exploit digital technologies.
- 5.24 In 2018-19 and 2019-20 an additional allocation of £0.1m, through the Budget Agreement with Plaid Cymru, will deliver a new start up grant for local journalists seeking to set up their own business. Funding also aims to address high levels of youth unemployment and increased levels of poverty and social exclusion in deprived communities in the Youth Entrepreneurship programme.

- 5.25** Throughout Wales there is a strong network of 342 entrepreneurs, 21% of which are Welsh speakers, involved as role models with the Big Ideas Wales campaign to motivate and inspire young people.
- 5.26** Allocations to social enterprises recognise their important role in strengthening social cohesion. The organisations have assisted enterprises and child care providers to help support families and lone parents to participate in the labour market and generating local wealth in marginalised communities. These initiatives support our tackling poverty agenda and aim to address some of the barriers people face when accessing work and training opportunities.

Innovation and science

- 5.27** Innovation plays an important part in raising productivity - revenue and capital funding of £28.4m over three years is included in our plans. The SMART Expertise and SMART Cymru European programmes facilitate collaboration between academia, public and private sectors and support Welsh enterprises to commercialise and grow. In order to address both our longer term needs and prevention of future issues the SMART team has adopted the circular economy approach. This focuses on optimising systems rather than components, and leads to resilient and productive circular systems, supporting sustainability. This approach is being developed in conjunction with a number of stakeholders including, the Ellen MacArthur Foundation, McKinsey Company, multinational enterprises and partner organisations from six countries across the EU. Addressing the key elements such as recyclability, re-use, greater utility, reduced obsolescence, reduced waste, and design for manufacture and material selection supports decarbonisation.
- 5.28** The Ser Cymru programme, which attracts leading researchers, and related investment in the semi-conductor cluster in South Wales, is building capacity.
- 5.29** The economic value of public investment in science and research is significant, not least in terms of well-paid employment. The leverage of private sector match-funding further increases new ideas and knowledge being generated by publicly-funded science. It is integral to the delivery of the sector strategy in attracting inward investment and growing indigenous companies.

ICT infrastructure

- 5.30** Public sector broadband aggregation (PSBA) provides a mechanism for collaborative purchasing of wide area networking services and public service integration for more than 80 organisations and 4,000 site services. An additional capital allocation of £5m in 2018-19 will enable the upgrade of the network, which will help to save around £1m in revenue maintenance costs.
- 5.31** Our plans include £28.5m capital over three years to extend the Superfast Cymru programme which levers in European funding. High-speed communications is vital for economic and social benefits, particularly in helping rural businesses to expand beyond their local market. It enables local communities to thrive and create local employment.

Property related infrastructure

5.32 Capital investment of £28m over the three years will be supported by anticipated receipts from property sales and significant private sector investment and European funding. Property solutions are integral to the offer for businesses and are focussed on spatial priorities such as the Ministerial Taskforce for the South Wales Valleys and reinvestment in strategic sites across Wales to promote growth and jobs.

Skills

5.33 We recognise the broader role that skills and lifelong learning play in economic development and have maintained funding levels by optimising European funding. Whilst the net budgets of £118.7m in 2018-19 and £111m in 2019-20 reflect reductions, this is offset by increased European funding of the same value. European funding is managed based on Welsh Government requirements over the life of the projects, with support from WEFO, so it effectively sustains our skills projects and commitments.

5.34 We are committed to creating a minimum of 100,000 high-quality, all-age, apprenticeship places, aligned to economic requirements, as an important part of delivering *Prosperity for All*. The development of a cross-Welsh Government *Employability Delivery Plan for Wales* underpins our commitment to reshape employability support for job-ready individuals and those furthest from the labour market to acquire the skills and experience to gain and maintain sustainable employment. The delivery plan will provide an opportunity to look closely at existing services and employability infrastructure and will be underpinned by a new employability offer. This will be positioned as a single offer under the name Working Wales and will consist of separate adult and youth programmes which meet the needs of those requiring support to gain and retain meaningful employment. The new programmes will start in April 2019.

5.35 Skills developed through apprenticeships contribute to a higher value-added economic activity. There is evidence that during the course of a lifetime, apprentices receive higher earnings.

5.36 The traineeship programme is targeted at harder-to-reach young individuals who are most likely to become and remain economically inactive. The programme engages learners who have been 'turned off' from the classroom based approach to teaching. The programme offers them work based placements in addition to addressing other barriers (educational or otherwise) to entering higher learning or employment. This provision plays a vital role in reducing the number of individuals that would otherwise be not in employment, education or training (NEET).

5.37 Annual revenue funding of £18.8m supports Careers Wales, a wholly-owned subsidiary company of the Welsh Government which provides high-quality, bilingual and impartial careers information, advice and guidance to people of all ages. The implementation of the Changing Lives vision will have a positive

impact on the development of young people so they have the skills to manage their own careers, and raise their aspirations about what they can achieve. This should lead to individuals who are less likely to become, or remain, NEET or unemployed, which has benefits for individuals, families and communities.

Transport

5.38 The [National Transport Finance Plan](#) sets out our transport funding priorities and details how and when improvements to transport infrastructure and public transport networks could be delivered. The decisions target the five key priority areas: economic growth, tackling poverty, sustainable travel and safety, and improving access to employment and to services, building cohesive communities.

5.39 Transport decisions have been made with the intention of mitigating the negative impacts on protected groups with service continuity and remaining responsive to the needs of local communities. The plan also gives due regard to the requirements of the United Nations Convention on the Rights of the Child (UNCRC). It is also supported by equality, environment and Welsh language impact assessments.

Motorways and trunk road operations

5.40 The Welsh Government is directly responsible for the motorway and trunk road network. More than £300m has been allocated over the next three years to maintain the condition and service levels required for the Welsh Government to meet its statutory duties for safety.

5.41 Whilst the overall budget envelope to manage the road network remains largely unchanged the allocations between revenue and capital budgets have been revised to reflect the impact of full compliance with the *Trunk Road Maintenance Manual (2016)*, contractual obligations and inflation. In particular, the increase in revenue of £31m in 2018-19 will allow for preventative routine maintenance to be undertaken with the intention of offsetting larger capital interventions in the future. This is complemented by the capital investment for new road schemes.

5.42 Ongoing road maintenance and network management to improve road safety can avoid more significant issues and accidents over the longer term.

5.43 The Budget Agreement with Plaid Cymru includes £2m to invest in additional electric charging points in 2018-19 and 2019-20. This will support reduction in carbon emissions.

Road, rail, air and sea services

5.44 Our vision is for a high-quality, safe, affordable, accessible and sustainable public transport system people of Wales are proud of. Creating an effective, integrated transport network will enhance the social and economic prospects of

the people in the Wales and Borders area, connecting communities to business and leisure in an affordable and sustainable way.

- 5.45** The level of rail revenue expenditure supports the delivery in the early years of the new contract for the Wales & Borders rail services. This is heavily predicated on the selection of the preferred bidder and solution, as well as ongoing negotiations with Department for Transport and UK Government.
- 5.46** Additional funding of £173.2m for the South Wales Metro has been released from reserves to the Economy and Infrastructure MEG over the three-year period of this capital budget. The actual profile of spend for the South Wales Metro will be determined once the preferred bidder and solution has been selected early in 2018. We are also maintaining our commitment to develop a proposal for a North Wales Metro which will support our wider transport priorities for the region, including the improvements to the A548 and A55 forming part of the £650m wider infrastructure improvements for the region.
- 5.47** Transport for Wales has a Sustainable and Ethical Procurement Panel that includes representatives from the Welsh Government, Network Rail, Construction Industry Training Board, Constructing Excellence Wales and Wales Council for Voluntary Action. The role of the panel is to address the wider opportunities and risks surrounding the procurement of the Metro. These include supply chain requirements, skills requirements, environmental considerations and cultural issues.
- 5.48** We continue to prioritise capital investment in public transport with an additional £50m capital over this budget period to develop a new rail station in Llanwern. It will provide extensive park and ride facilities and line improvements and improve connectivity for communities to the east of Newport, boosting economic development opportunities and aligning with other transport improvements such as the South Wales Metro and the M4. As the options for delivering the Metro could include improvements in the rolling stock, we have held further funds in reserves should that option be taken forward as part of the wider procurement process. Through capital investment now it is anticipated that real revenue savings can be delivered in the future.
- 5.49** The Metro concept presents potential opportunities to deliver much more for regions than an improved public transport network. As an integral part of the Cardiff Capital Region City Deal this will be the catalyst for the broader regeneration of regions, helping to shape the regional economic and social infrastructure, social mobility and equality of opportunity.
- 5.50** Major road infrastructure schemes identified in the plan will ease congestion, improve journey times and road safety, facilitate industrial development and provide enhanced opportunities for active travel.
- 5.51** Major schemes, including the Newtown Bypass, M4 Junction 28, Bryn Glas Tunnels, A465 Section 2, have completion due in 2019. The Plan also includes progress design and delivery of a number of schemes across Wales including

along the A55 Corridor; A483 Llandeillo Bypass and the A40 Llandewi Velfrey to Penblewin.

- 5.52** The A465 dualling project (Sections 5 and 6) will also be delivered through the Mutual Investment Model (MIM). The Budget Agreement with Plaid Cymru also includes additional funding which will accelerate delivery of strategic infrastructure: £15m capital in 2019-20 for north-south links, particularly the A487 and the A470; revenue funding for the design and development of the Third Menai crossing and funding to remove the tolls from the Cleddau Bridge.
- 5.53** While funding for a new M4 relief road continues to be held in reserves, subject to the outcome of the independent public inquiry, we will also continue to progress development around Newport which is of importance to the economic prosperity of Wales and has strong backing from Welsh businesses.
- 5.54** Revenue funding of £1m has been reprioritised to support the aviation development framework with Cardiff International Airport, which will help grow inward investment through access to markets, employment, education and services.

Sustainable travel

- 5.55** Investment in public transport reduces the burden of travel costs for many households in need. Evidence for the UK suggests that transport barriers are more heavily concentrated among those in low skill, low wage occupations and disproportionately affect young people who are more reliant on public transport to access job and training opportunities.
- 5.56** The Bus Services Support Grant has been maintained at £25m annually to support local authorities in subsidising bus and community transport services. In view of challenging budget settlements, we are consulting widely with all stakeholders to ensure that there are affordable, sustainable and quality local bus services in the long term. A bus summit was held in January with industry, local authorities, user groups and other Welsh Government departments to discuss sustainable, affordable bus services. Initiatives to support and improve bus and community transport form a pillar of the transport plan.
- 5.57** Annual revenue and capital funding of £60m for the concessionary bus travel scheme offers free travel on local bus services and some trains throughout Wales for older or disabled people, and for seriously-injured service veterans and service personnel, to travel without any worries about cost. Protecting the budget has a positive impact with indirect health and social care benefits which promote greater physical activity and more social interaction, both of which delay the onset of dementia and other related illnesses.
- 5.58** Active travel is a key element of preventative spend. By promoting sustainable modes of transport we can reduce environmental impacts, whilst increasing activity levels, ongoing road maintenance and network management to improve road safety and avoid more significant issues and accidents over the longer term.

- 5.59 Funding of £1m in 2018-19 and 2019-20 has been prioritised for discounted bus travel for 16, 17 and 18-year-olds resident in Wales following the success of MyTravel Pass.
- 5.60 Additional funding from the Budget Agreement with Plaid Cymru of £0.2m in each year has been allocated to upgrade the Traws Cymru network from bus to coach.

Culture

- 5.61 Our aim is to create a Wales of vibrant culture and thriving Welsh language by providing funding to our national culture and heritage institutions. Where appropriate, as well as receiving funding from the Welsh Government, these bodies must generate their own income from commercial and other sources in order to ensure that the organisations are sustainable into the future.
- 5.62 We have undertaken a review of heritage services in Wales, and commissioned a study *Investing in the Future to Protect our Past*, to create a stronger unified identity for the Welsh heritage sector, which is sustainable in the long term. This was undertaken in collaboration with both internal and external stakeholders and identifies opportunities to take steps to prevent issues arising in the future. Bodies are required to collaborate on their activities and marketing strategies and this enables us to have wellbeing objectives that have aims in common across all organisations.
- 5.63 Our budget allocations reflect our commitment to maintain our policy of free access to national museums, which is important in providing inclusive services. We will work with communities to protect local facilities that bring people together, particularly libraries, museums and arts centres.
- 5.64 Additional recurrent funding, as part of the Budget Agreement with Plaid Cymru of £2.2m in 2018-19 and 2019-20 will enable our national cultural bodies – the Arts Council, National Museums, National Library and the Welsh Books Council - to continue their work in promoting a Wales of thriving culture and to protect jobs in the sector.

Strategic leadership for museum, archive and library services

- 5.65 Additional revenue funding of £0.250m for the Fusion programme will enable cultural organisations to contribute to a shared anti-poverty agenda by developing new, exciting opportunities for people living in the most deprived communities in Wales. Eight partnerships link to employability, empowerment, early years and family learning, and health and wellbeing, targeted at those most in need. Additional capital funding of £5m, as part of the Budget Agreement, in 2019-20 will take forward the work on the feasibility studies into a contemporary art gallery and a football museum.

Foster usage and lifelong learning through library services

5.66 The capital maintenance programme for the National Library of Wales was re-assessed in 2017-18 due to timing of works. The unneeded capital budget has been reprioritised to accelerate road infrastructure schemes in 2017-18, which will be reflected in the Second Supplementary Budget. Additional capital budget for the National Library of £5.7m over the three-year period repatriates funding to support the planned delivery of the maintenance programme in future years.

Legislation

5.67 The Historic Environment (Wales) Act 2016 is in the implementation stage and has three main aims, to:

- give more effective protection to listed buildings and scheduled monuments;
- improve the sustainable management of the historic environment;
- introduce greater transparency and accountability into decisions taken on the historic environment.

5.68 The Advisory Panel for the Welsh Historic Environment will be established once the business case examining the options for the future governance arrangements for Cadw has been considered and agreed.

Summary

5.69 In shaping our spending plans, we have aimed to minimise the impact of reduced budgets on sustainable jobs and growth and public transport services. Over the longer term we recognise the need to work in collaboration with our partners to achieve long term efficiencies and better outcomes. We continue to involve all stakeholders, seeking contributions to inform our future decision making to achieve prosperity for all.

Chapter 6 - Education

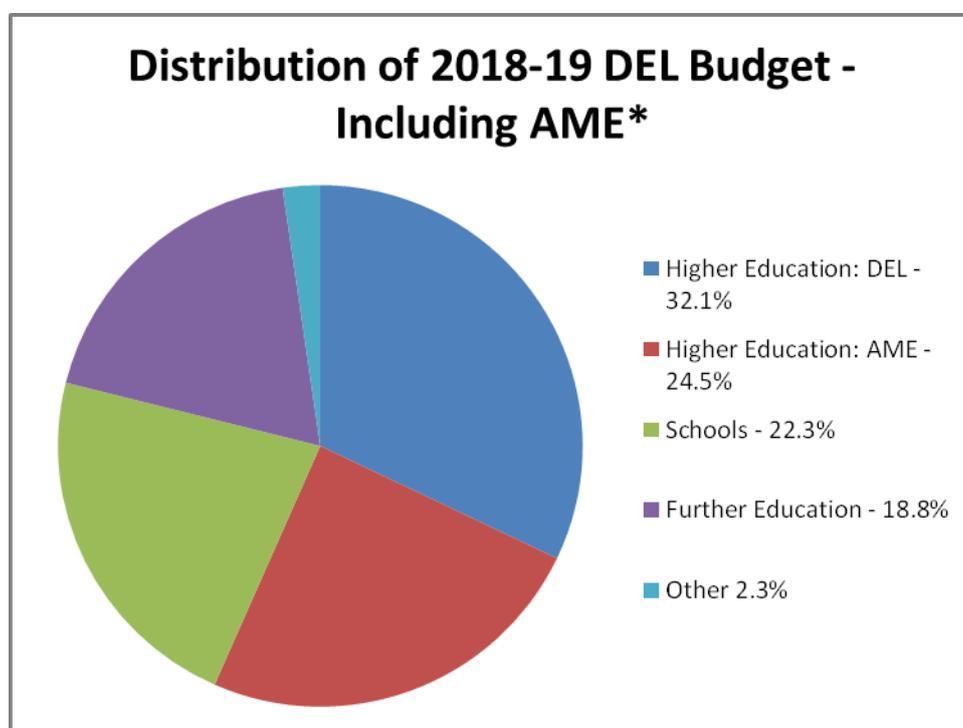
- 6.1 The Welsh Government is committed to the success and wellbeing of every learner, regardless of background or personal circumstance. To do this, we must combine equity with excellence as we raise standards across our education system.
- 6.2 The building of our new curriculum is well underway; it will underpin all our school reforms, which will be the basis for progressing to post-compulsory education and learning throughout life.
- 6.3 New professional standards for teachers; strengthened initial teacher education provision in both languages; formative assessment arrangements; a commitment to identify and support leadership; and reforming our approach to additional learning provision are key priorities, set out in *Prosperity for All*, to support young people to make the most of their potential.
- 6.4 In September, the new action plan [Education in Wales -Our National Mission](#) (2017-21) was published. With implementation of the new curriculum at its heart, the action plan sets out timelines and actions across leadership, professional learning, delivering excellence and equity within a self-improving system. All policies seek to raise standards for all; reduce the attainment gap and deliver an education system which will be a source of national pride and public confidence.
- 6.5 We want children and young people to have the attitudes to learning they need for the rest of their lives; who are able to enter the world of work with confidence and to maximise the opportunities that further education and higher education offer. We are introducing a new strategic planning system for post-16 education, and will deliver a coherent progression through and between further and higher education, so an individual's learning pathway meets their needs and aspirations and provides employers with the skilled staff they need to support the Welsh economy and communities.

Draft Budget 2018-19

- 6.6 In 2018-19, the Education MEG is £1,634m. This comprises £1,466m resource, £168m capital and £530m Annually Managed Expenditure (AME).
- 6.7 Indicative funding for 2019-20 is £1,436m resource, £176m capital and £678m AME.
- 6.8 Indicative capital funding for 2020-21 is £154m.

Key areas of spend

6.9 The chart below shows how the total resource and capital budget for 2018-19 is allocated across key activities in the MEG.



*AME has been included as within this MEG the majority is related to student loans

Schools

6.10 The Education MEG supports delivery of *Education in Wales: Our National Mission*, and is structured against the primary objectives:

- A transformational curriculum;
- Developing a high-quality education profession;
- Inspirational leaders working collaboratively to raise standards;
- Strong and inclusive schools committed to excellence, equity and wellbeing;
- Robust assessment, evaluation and accountability arrangements supporting a self-improving system.

6.11 In delivering this, we will support young people to make the most of their potential, build ambition and encourage learning for life and equip everyone with the right skills for a changing world.

6.12 In addition to the core funding provided to schools through the local government settlement, the Education MEG allocates revenue budget of £314m in 2018-19 and £302m in 2019-20 to schools, regional consortia, local authorities and other key partners. Funding will, by its nature, have a positive impact on young people overall and is important under Article 28 of the United

Nations Convention on the Rights of the Child – children have a right to education. It will also have a positive impact on tackling poverty and socio-economic disadvantage by benefiting protected groups.

Unhypothecated grant funding

6.13 The government-wide decision to move from hypothecated grant funding to unhypothecated grant funding will provide greater flexibility for local government to deliver our shared priorities for schools. The funding delegated to schools this year is budgeted to be £2.142bn, an increase from £2.123bn last year.

Education Improvement Grant

6.14 The Education Improvement Grant (EIG) supports improvements in educational outcomes for all learners across all key stages. The majority of the grant is delegated to schools with regional consortia supporting targeted delivery of *Education in Wales: Our National Mission*.

6.15 Over 2018-19 and 2019-20 the EIG grant element will reduce by £26m - from £133m in 2017-18 to £107m in 2019-20 as part of the government-wide decision to move from hypothecated grant funding to unhypothecated grant funding.

6.16 This decision is being taken in the context of the need to provide local government with greater flexibility to deliver, and to ensure local government uses the resources in the most sustainable way to support priorities and ensure all learners are able to achieve their potential. Following the launch of our action plan, the increased profile of equity, excellence and wellbeing, and after testing the principles and approach through targeted funding, these changes represent a commitment to a core approach to support local government to support our learners.

6.17 The EIG supports the delivery of the Foundation Phase and is a key pillar of support for early years' education, supporting pupils to develop confidence to learn and build resilience to face future challenges. It also supports the Welsh language through Local Authority Welsh in Education Strategic Plans.

Pupil Development Grant

6.18 The Pupil Development Grant (PDG) helps improve learning outcomes for disadvantaged learners. Schools and regional consortia are funded to support interventions that raise the educational attainment of learners from deprived backgrounds and who are eligible for free school meals (e-FSM) and those looked after by local authorities. This tackles the gap in attainment that may otherwise have developed for these learners.

6.19 Having increased the budget significantly in previous years, for the 2018-19 and 2019-20 financial years, the funding has been maintained at current levels with an overall budget of £93.7m.

- 6.20** In line with *Prosperity for All*, which identifies early years as a priority area, we have maintained the increased investment in the early years element of the grant. Research shows that early years' interventions are the most successful way to ensure that a child develops and reaches their full potential and breaks the cycle of underachievement at school and in adult life. Examples of interventions include early language development; parenting support; transition arrangements into the Foundation Phase and whole school approaches such as effective tracking systems that identify individual needs.
- 6.21** Evidence from our evaluation partners, Estyn and our Raising Attainment Advocate (Sir Alasdair Macdonald) supports the view that the majority of schools are making well thought out and appropriate decisions on how to spend the PDG allocations. Ipsos MORI / WISERD have published two evaluation reports which have provided evidence about the changes taking place in schools. The third report will be published shortly. A first evaluation of the early years PDG will also be published in the autumn.
- 6.22** The results of these evaluations are being used to inform policy direction, more focused support and identification of best practice under this significant investment.

Additional Learning Needs

- 6.23** In February 2017 the Minister for Lifelong Learning and Welsh Language announced a £20m package of support for Additional Learning Needs which will facilitate and support the implementation of the Additional Learning Needs and Education Tribunal (Wales) Bill. Not only will it assist partners to transition to and deliver the new system, but also improve working practice and relationships. We have been working closely with stakeholders to develop the approach to supporting the implementation of the Additional Learning Needs Transformation Programme and will continue to do so to ensure the resources we provide are targeted, timely and effective.

Raising school standards

- 6.24** We are committed to investing an additional £100m over this Assembly term to raise school standards.
- 6.25** In 2018-19 and 2019-20, an additional £25m and £25.5m respectively has been invested to raise school standards. The funding will support and enhance a range of actions to deliver a better school system for Wales. It will support improved practice in the classroom as part of a preventative approach to improve learners' future chances. Proposals have been tested collaboratively with key stakeholders.
- 6.26** For the element of this funding directed through consortia, they will be encouraged to identify areas where the four regions can work together for mutual benefit, to gain further efficiencies and access wider expertise, including

linking with industry and higher and further education, for example on coding and digital skills and initial teacher education.

Curriculum reform

6.27 In 2018-19 and 2019-20 overall funding of £10m will be made available each year for curriculum reform. Funding will support early pioneer schools and national and international expertise to design and develop the new curriculum. Collaboration and involvement from those within schools is the foundation of developing the new curriculum. The Budget Agreement with Plaid Cymru includes £1m in each year for funding for music in schools initiatives.

6.28 Through a more inclusive, broad and balanced curriculum, children and young people will be more resilient and adaptable to the changes and challenges likely to be faced in the future. They will be more digitally and bilingually competent and they will better understand their place in the world and their impact on it. As healthy and confident individuals, children and young people in Wales will be respected and challenged to achieve the best they can be capable of, whilst being supported to overcome barriers.

21st Century Schools and Education Programme

6.29 The 21st Century Schools and Education Programme represents the largest investment in educational infrastructure since the 1960s. The Programme will ensure that schools and colleges are fit for purpose to deliver effective education. The programme contributes to the aspirations of *Prosperity for All* and *Education in Wales: Our National Mission*.

6.30 The investment in our educational infrastructure is being delivered in waves of investment:

- Band A represents an investment of more than £1,400m over the five-year period ending 2018-19. All 22 local authority areas will benefit from this major schools improvement programme, which will see more than 150 schools and colleges either rebuilt or refurbished.
- Band B is currently under development and this wave will start in 2019.

6.31 The programme will reduce poor physical conditions in schools and colleges; reduce surplus capacity and address sufficiency of places; and will increase the efficiency of building stock. This capital programme is 50% funded by Welsh Government with the remainder provided by local authorities and other partners.

6.32 All of the projects that are funded require our partners to demonstrate alignment with the Well-being of Future Generations Act and provide additional opportunities to derive wider benefits through flexible use of assets. Community benefits are very important and we have set targets and benchmarks to monitor areas such as job creation, apprenticeships, training, STEM engagement; local labour and local supply chain use.

- 6.33** An additional allocation of £40m over 2018-19 and 2019-20 in Band A will provide greater capacity to allow for an accelerated start to the new wave of funding. From 2018-19, the budget includes an allocation of £20m in respect of the childcare offer for additional infrastructure support.
- 6.34** In keeping with the requirements of the Well-being of Future Generations Act and the Environment (Wales) Act, all our new-build schools and colleges are designed to be energy efficient. It is a requirement of grant funding that all new build projects achieve an EPC rating of A, which demonstrates energy efficiency and BREEAM Excellent accreditation, which demonstrates sustainability. Our contracts also specify the use of 15% recyclates during construction.
- 6.35** The programme has driven down surplus capacity, ensuring schools and colleges are in the right condition, in the right location and for the right number of students. This means a more efficient estate, where schools and colleges are the right size, so energy is not being consumed in buildings that are too big for the pupil demand.
- 6.36** The programme focusses on the provision of long-term assets. We operate a programme of co-construction, working collaboratively and are fully involved with our partners. Wider benefits are sought by the programme, through the provision of high-quality sports facilities in schools and colleges, contributing to health and wellbeing of both students and the wider community; through community benefits that provide job creation and training and the provision of efficient and sustainable assets; and through support of Welsh medium education and learning in digital Wales.
- 6.37** The investment in school and college buildings ensures a long-term future for students and teachers in communities in Wales and provides the facilities to create opportunities for those learning in these environments whatever their socio-economic background.

Post- 16 education

- 6.38** Post- 16 education is important in helping to reduce the number of young people not in employment, education or training (NEET) and increasing the skills levels of young people before they enter the world of work or progress into higher education. It directly supports our ambitions for employability and is central to our whole-government approach to increasing prosperity and addressing the root causes of poverty in a more effective, joined-up way.
- 6.39** There is an allocation of £406.4m in 2018-19 and £396.6m in 2019-20 for post-16 education.
- 6.40** Further education supports a long-term view of Wales' economic needs through the key provision of skills development. With this in mind, we are maintaining the revenue funding for further education institutions at 2017-18 funding levels, whilst investing an extra £10m capital funding in both 2018-19 and 2019-20,

£5m to support essential maintenance in further education institutions and £5m to provide industry-standard equipment. It is important for learners to train and practice on equipment that is similar to that which they will find in the workplace, especially in areas such as computer aided design or 3D printing. This investment will help colleges improve the quality of their delivery and its relevance in a modern world.

- 6.41 As part of the local government grants rationalisation exercise, we have identified a reduction of £9.8m to the schools sixth form budget in 2019-20, and £0.4m for adult community learning in 2018-19 and 2019-20. We will work closely with all sectors to ensure any reductions have minimal impact on the choices offered; the quality of provision and the outcomes for learners.

Higher education

- 6.42 Higher education has a key role to play in breaking the cycle of poverty by raising skills levels and improving employability and employment opportunities. Graduates can expect a good return on their investment, earning a wage premium over the course of their working lives.
- 6.43 There is an allocation of £1,226m in 2018-19 consisting of £696m resource funding and £530m AME, which funds student loans and £1,366m in 2019-20 consisting of £688m resource funding and £678m AME.
- 6.44 Higher education directly supports skills and employability, as reinforcing research excellence will continue to develop a workforce with high-level skills and increase the employability of the Welsh workforce. Investing in research has wide-reaching benefits for Wales from business investment, job creation and business growth to health and wellbeing benefits, and environmental improvements. Welsh research is internationally recognised and serves to boost the international reputation of Wales, by maximising opportunities for others to work, study and invest here.
- 6.45 Professor Ian Diamond's review of higher education and student finance arrangements recommended an overhaul of the current support system. We are implementing the Diamond package, with only minor modification, introducing a whole system approach across mode and level of study. An additional £5m has been allocated for 2018-19 and a further £5m in 2019-20 to the student support BEL to implement the first phase of the Diamond reforms and to ensure cohort protection. The review was completed with evidence involving a wide range of stakeholders and the implementation of the review provides longer term stability for the system.
- 6.46 As part of the Budget Agreement with Plaid Cymru funding of £20m for higher education and further education has been allocated in each of 2018-19 and 2019-20 to maintain funding at 17-18 levels and allow the sectors to prepare for the implementation of the Welsh Government's response to the Diamond review. In line with the findings of the Diamond review, this money will encourage closer collaboration between the sectors in preparation for reforms to post-compulsory education and training (PCET).

- 6.47 We are increasing funding levels by £4.1m in 2018-19 and £20.4m in 2019-20 to the higher education action compared to the first supplementary budget. This increase is consistent with the Welsh Government's response to Diamond and will enable HEFCW and higher education institutions to prepare for and to implement the second phase of the reforms.
- 6.48 Despite the additional funding in other areas, there has been an overall decrease of £3.2m in 2018-19 and a further £24m in 2019-20 compared to the first supplementary budget for the post-16 learner support. This reduction reflects the latest information on demographic trends for the number of 18-year-olds in Wales, which suggests that will continue to be a reduction in overall numbers and our estimates of the demand for grants.
- 6.49 A total of £30m - £10m in each year - has been allocated to higher education to reduce surplus capacity as it moves towards a more energy-efficient estate. The scheme will enable universities to reduce overheads associated with old estates. It will also help prepare our institutions for a period of significant regulatory and financial reform as well as changes in students' behaviour.
- 6.50 In setting the remit for HEFCW we have set out our expectation, that as a significant sector within Wales, universities will sign up to the ethical procurement code and commit to move towards becoming living wage employers as Cardiff University and the Open University in Wales have done.

Welsh language

- 6.51 The Welsh Government's strategy *Cymraeg 2050: A million Welsh speakers* was published in July 2017 and includes a cross-government commitment to reach a million Welsh speakers by 2050. The budget allocated is £38.3m in each financial year.
- 6.52 This budget supports:
- The planning of Welsh-medium education;
 - The delivery of practitioner training through the Sabbaticals Scheme;
 - The delivery of Welsh-language training through the National Centre for Learning Welsh;
 - The commissioning of teaching and learning resources;
 - Research, evaluation and marketing in respect of Welsh-medium education;
 - Funding for the Welsh Language Commissioner;
 - Funding of the Coleg Cymraeg Cenedlaethol.
- 6.53 Progress against the objectives and targets within the strategy are monitored and as contracts and agreements end, full consideration of value for money and options for alternative ways of delivery are given consideration.
- 6.54 By developing opportunities for people to learn Welsh, we are supporting individuals to improve their work prospects as a route out of poverty. The

budget supports the teaching of Welsh language in statutory education, in post-16 education and adults; ensuring that all who wish to develop their Welsh language skills have the opportunity to do so.

- 6.55** The Budget Agreement with Plaid Cymru includes recurrent funding of £5m to promote and raise awareness of the Welsh language in 2018-19 and 2019-20 and additional funding for Mudiad Meithrin and improved provision of bilingual education resources

Summary

- 6.56** A nation's prosperity, cohesion and wellbeing are built on a successful education system. We are committed to the success and wellbeing of every learner, regardless of background or personal circumstance. This is a Budget that will help to support everyone's aspirations, whether vocational or academic, and work with businesses and education and skills providers to put in place the right range of opportunities for all.

Chapter 7 – Environment and Rural Affairs

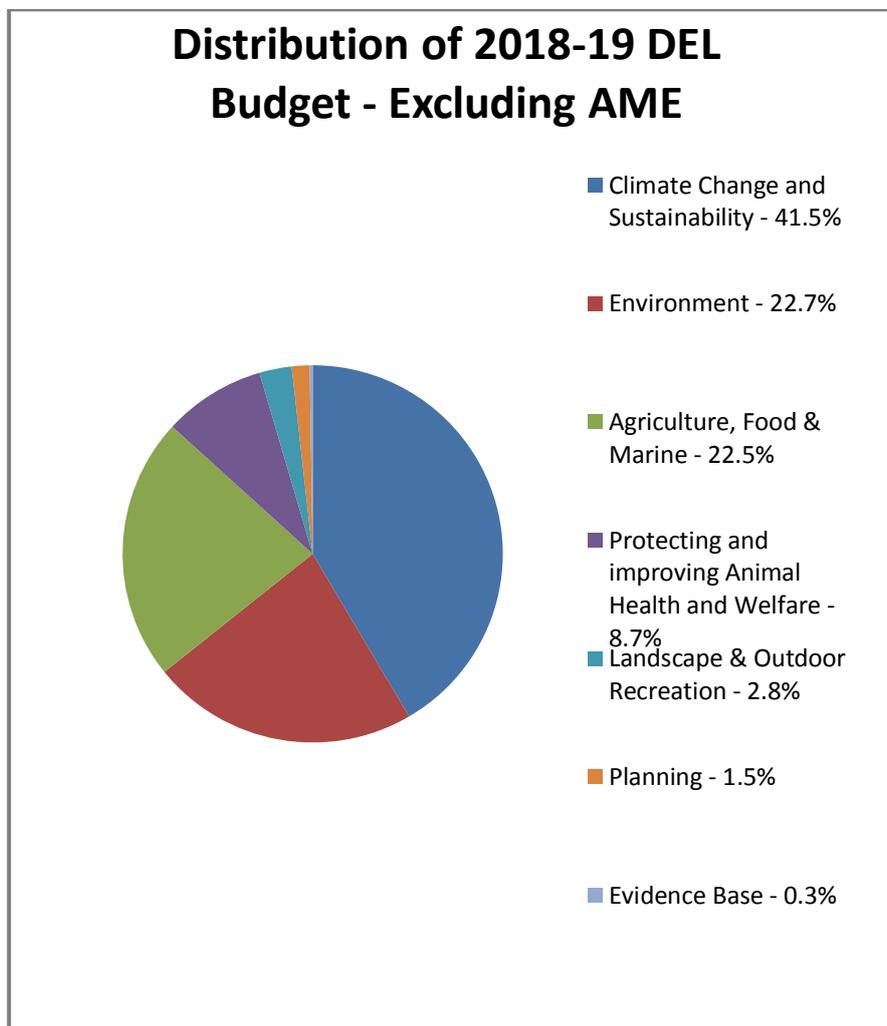
- 7.1 Our focus is on helping Wales to become an energy efficient, low carbon and low waste society. Climate change is set to continue and this means we will have to reduce carbon emissions further, actively managing the risks that climate change presents to health, wellbeing and communities.
- 7.2 We are committed to the ambitions set out in [Energy Wales](#), which is to use energy more efficiently; reduce our reliance on energy generated from fossil fuels and actively manage the transition to a low carbon economy.
- 7.3 Protecting and enhancing our natural and historic environment and using land sustainably is important for the long-term wellbeing of Wales. Our Wales Rural Development Programme enables us to fund activities which support the countryside and rural communities to encourage the sustainable management of agriculture and the environment as part of the Common Agricultural Policy (CAP).
- 7.4 Our seas and coasts are an important natural resource. They support a wealth of wildlife and many commercially viable fisheries. They contribute significantly to sectors of our economy such as tourism, ports, shipping and alternative energy production.

Draft Budget 2018-19

- 7.5 In 2018-19, the Environment and Rural Affairs MEG is £346m. This comprises £243m resource, £101m capital, and £2.4m Annually Managed Expenditure (AME).
- 7.6 Indicative funding for 2019-20 is £234m revenue, £88m capital and £2.4m AME.
- 7.7 Indicative capital funding for 2020-21 is £78m.
- 7.8 In line with the drive to reduce the administrative costs associated with specific grants and to provide greater flexibility to authorities in using these resources, this budget includes the transfer of £35m in 2018-19 from the environment single revenue grant to the local government revenue support grant.

Key areas of spend

7.9 The chart below shows how the total resource and capital budget for 2018-19 is allocated across key activities in the MEG.



Waste and resource efficiency

7.10 We have a strong track record in driving up recycling rates across Wales – Wales has the best recycling rates in the UK; the second best in Europe and third best in the world.

7.11 Reflecting the ongoing budget pressures, we have reduced the revenue funding retained within the MEG for the environment strategic revenue grant to local government by £1.5m in 2018-19 and by £3m in 2019-20. To mitigate these reductions, we will continue to invest in more facilities to help Wales meet the challenge of a zero waste strategy. We will also continue to invest and procure support for food waste and residual waste treatment, including energy from waste. To achieve this, we have allocated £4m in the waste capital baseline over the next three years to fund the collaborative change programme and waste procurement programme.

- 7.12** The capital budget for waste for 2019-20 also includes an investment in the circular economy capital investment fund of £6.5m. A key policy priority to maximise the contribution towards the wellbeing goals is to increase the reuse and recycling elements of the circular economy approach for Wales.
- 7.13** In this budget, we are transferring £35m from the specific local government environment single revenue grant to the un-hypothecated local government Revenue Support Grant (RSG) to give local government greater flexibility.
- 7.14** The Budget agreement with Plaid Cymru includes funding of £0.5m in 2018-19 to test the feasibility of a glass and can deposit scheme.

Flood and coastal risk management

- 7.15** Investment in flood risk management is preventative. Using revenue money to undertake maintenance work reduces the risk of failure of assets and therefore the need for emergency preventative spend on repairs; reduces the cost of the replacement of an asset or the costs associated with a flood, including damage to property and business and potential loss of life.
- 7.16** We are investing in flood and coastal risk management through a range of different funding streams.
- 7.17** We have protected the revenue budget over the two years for the flood and coastal risk management programme giving a total budget of £22.3m in 2018-19 and £24.7m in 2019-20.
- 7.18** We are allocating an additional £7.5m capital for flood which will guarantee progression of coastal adaptation schemes right across Wales, including vital work on Newport's waterfront. This brings our total planned capital investment on flood and coastal risk management to £89.5m over the next three years.
- 7.19** In addition, in 2019-20, our innovative coastal risk management programme becomes operational, delivering £150m investment over its lifetime. The additional revenue funding of £2.4m in 2019-20 is the start of a long-term revenue stream through the local government borrowing initiative.

Fuel poverty

- 7.20** Improving the energy efficiency of houses brings health benefits, creates jobs and supports local businesses. In recent years there has been a great deal of change in the help and support available for people and organisations seeking to use resources more efficiently. A number of services previously provided through Resource Efficient Wales have now been integrated into other services, reducing duplication and ensuring consistency of information. As a result, the Resource Efficient Wales service ceased during 2017-18. This led to a saving of £1m in 2018-19 in the expenditure on energy efficient programmes.
- 7.21** We have continued to support our flagship fuel poverty schemes, including NEST and Arbed, which are an important part of our work to help reduce the

number of households in Wales struggling to keep their homes warm and cope with high-energy bills. The most effective way in which we can tackle fuel poverty in the long term is to improve the energy efficiency of homes. By tackling fuel poverty, we are contributing to tackling a range of impacts, including: cold-related health conditions; excess winter deaths; educational attainment of children and time off school and work due to sickness.

7.22 NEST has been supported at circa £18m capital each year to ensure sustainability and value for money. The EU-funded Arbed 3 domestic match funding of £4m each year ensures a total scheme value of £34m over the term of this government.

Animal health and welfare – Tuberculosis eradication and compensation

7.23 We are responsible for the control and, where possible, the eradication of animal disease in Wales to improve the health and welfare of our animals.

7.24 We have protected investment in TB eradication and the animal health and welfare budgets. It is recognised that no single approach will lead to TB eradication and we need to tackle bovine TB from all angles.

7.25 Following a consultation earlier this year, a range of measures will be introduced in each of the new TB regions in Wales, designed to improve the TB programme and make it more sustainable. The expenditure will be realised from the current fieldwork commitment budget.

7.26 Along with these new measures, we must be prudent with our budgets, especially with the imminent loss of European funding as the UK prepares to leave the European Union.

7.27 It is important we prevent slaughtered animals becoming over-valued because it increases the cost to the taxpayer and provides little incentive for farmers to prevent TB.

7.28 With the new measures, we have taken care to protect both the Eradication and Compensation budgets.

Green Infrastructure

7.29 Our ambition is to realise the economic opportunities of Wales' natural resources whilst building their resilience to support future generations. The Green Infrastructure Capital Fund supports the delivery of commitments and actions linked to implementation of the Environment (Wales) Act.

7.30 The programme, through a budget of £3.2m will deliver a range of nature-based interventions that will address reduced life expectancy, promote tourism and lever in wider investment. The main areas of investment will be landscape-scale restoration and improvement; action for urban health and quality; access and tourism facility investment; and remediation of contamination.

- 7.31** Tackling the legacy of poor health outcomes clearly requires individuals to take greater responsibility for their lifestyles. Among other government levers, providing corridors for walking and cycling is a proven action that can be taken to directly address respiratory conditions, obesity and mental health problems. Provision of green infrastructure has been highlighted by Public Health Wales as one of the most cost-effective measures that can be taken by government in improving health outcomes.
- 7.32** Organisations are required to produce their grant applications with clear reference to how they will deliver the Well-being of Future Generations Act goals and principles and, in doing so, demonstrate the delivery of multiple benefits.

Natural Resources Wales

- 7.33** Natural Resources Wales (NRW) is responsible for making sure the environment and natural resources of Wales are sustainably maintained, sustainably enhanced and sustainably used, now and in the future.
- 7.34** The funding to NRW provides grant in aid for all activities other than those relating to flood protection and coastal risk management. This budget is used to deliver its ongoing programmes, fulfilling its statutory obligations, undertaking its regulatory role, delivering ministerial priorities and providing grants for environmental projects.
- 7.35** After adjusting for Invest to Save project repayments, the grant-in-aid baseline for NRW will reduce by £3m in 2018-19 to £68m and by a further £3m in 2019-20 to £65m reflecting a 5% revenue reduction per annum. We will work with NRW to ensure that it continues to deliver on its statutory and regulatory obligations and ministerial priorities while realising efficiencies.

Landscapes and outdoor recreation

- 7.36** By promoting and supporting designated landscapes, we will realise the benefits of wider access to green spaces.
- 7.37** The National Park Authority strategic grant covers key areas linked to natural resource management such as: climate change; affordable housing; education; cultural heritage; sustainable development; corporate governance; outdoor recreation; planning and biodiversity. The revenue budget has been reduced by £0.5m in 2018-19 and 2019-20, a 5% reduction to the strategic grant per annum.
- 7.38** The Welsh Government will continue to work with the National Park authorities to realise efficiency savings while protecting their statutory functions and continue to support the links between outdoor recreation activities and physical and mental health the benefits for communities.

Agriculture

- 7.39** Agriculture budgets have been largely maintained as we continue to invest in measures, which include livestock identification, County Parish Holdings (CPH), Electronic ID Cymru and technical advice services. The CPH budget has been reduced by £0.5m in 2018-19 and £0.4m in 2019-20 due to a reduced profile of spend.
- 7.40** The CPH reference number underpins a number of control systems to identify farmed holdings. A primary purpose is to identify and trace the location of livestock, as required by European regulation, for cattle, sheep and goats and pigs. Through improving the way farms are registered we have the ability to respond quickly and effectively to any disease outbreak mitigating compromise to public health.
- 7.41** The EID Cymru budget has been re-profiled with additional capital of £1.6m to continue to develop the system which enables sheep movements to be traced between farms, markets and abattoirs. The system provides Wales with a modern robust movement reporting and traceability system to respond quickly and effectively in any disease outbreak.
- 7.42** As part of the two-year Budget Agreement between the Welsh Government and Plaid Cymru, there has been a £6m allocation for a young farmers grant scheme over two years to ensure that we have new entrants into the industry to support the long-term future of the sector.

Common Agricultural Policy and Rural Development Plan

- 7.43** The total domestic budget for the Common Agricultural Policy (CAP) administration of £9.7m has been maintained at current levels to manage direct payments to farmers of £220m per annum.
- 7.44** Rural Payments Wales administers the CAP direct payment scheme and Rural Development Agri-environment and Forestry Schemes in Wales and manages all aspects of accreditation as the paying agency in line with the governing European regulatory requirements. These scheme payments are important in maintaining employment in farming and its supply chains.
- 7.45** It is important that we move ahead at pace with the additional capital funding of £5m in 2018-19 and 2019-20 for ICT to develop our rural payments systems to ensure we are able to continue to function once the UK leaves the European Union.
- 7.46** The Wales Rural Development Plan (RDP) is a multi-year, demand-led budget funded by the European Union. Activity can vary and is determined by the number of schemes opening in any given period along with the estimated demand. Our co-financing domestic budgets need to be flexible and we have to ensure that we maximise our spend and lever in EU contributions over the programme period 2014-2020.

7.47 The RDP revenue budget has been re-profiled and revenue savings of £0.2m in 2018-19 and £6m in 2019-20 are expected to be delivered. Additional capital funding of £5.4m has been allocated over the three-year period to match the expected RDP capital profile and ensure full drawdown of European funding.

Food

7.48 We are supporting the food industry to develop and move in new directions, embracing new technology and advances in research and development to put Wales at the forefront of food production.

7.49 The budget of £4.7m has been maintained and supports implementation of commitments in the *Towards Sustainable Growth* strategy through the development and growth of food production and food and drink industries in Wales. We continue to work with partners throughout the industry to build on the strengths of the industry and to add value to Welsh food at every point in the supply chain.

Marine

7.50 Our marine and fisheries budget covers a wide spectrum of activities, ranging from fisheries science and research, statutory marine and fisheries policy, priority programmes delivery through to operational enforcement and funding some partner organisations (Welsh Fisherman's Association, NRW).

7.51 We are developing a broad range of policy initiatives in close liaison with stakeholders and partners to deliver on this vision. This includes the development of Wales' first National Marine Plan; our ongoing role in setting marine licensing policy; continued implementation of the Marine Strategy Framework Directive; the sustainable management of our fisheries and the contribution to a network of well-managed marine protected areas. The budget in 2018-19 has been bolstered by an additional £0.5m.

Decarbonisation and clean energy

7.52 The Environment (Wales) Act provides a robust governance structure which helps to monitor and provide progress on meeting the emission reduction targets. We are developing the regulations to set the emissions targets and carbon budgets, which will allow us to guide delivery, better evaluate progress and provide certainty and clarity for investment and business. In this Budget we are allocating an additional £1m to support this agenda bringing our total investment to £2.6m in both 2018-19 and 2019-20.

7.53 To decarbonise Wales, Welsh Government action on its own will not be enough, we will require other partners to take action. As we develop the programme further, we will undertake a programme of external communications to involve others to raise awareness and help others to take action.

7.54 Green Growth Wales shows how our thinking is making budgets go further across Welsh Government. We are making investments, which not only reduce emissions, but result in cash savings as public bodies spend less on their energy bills. The investments are repayable from the savings made, enabling a fund that recycles cash into further energy saving investments.

Landfill disposals tax

7.55 The operating budget of £1.5m for the Landfill Disposals Tax Communities Scheme (LDTCS) has been added to our budgets from 2018-19. The LDTCS is a grant scheme which will support community and environmental projects in areas affected by the disposal of waste to landfill. The budget will be allocated to a third party, appointed via a procurement exercise, who will distribute the money directly to projects.

Legislation

Agriculture Sector Wales Act 2014

7.56 The Agriculture Sector Wales Act 2014 safeguards employment conditions and allowances unique to the agricultural sector. This support is deemed necessary due to the distinct nature of agricultural employment, including seasonality, dominance of casual employment and the use of on-farm accommodation. The Agricultural Advisory Panel for Wales (the Panel) was established in 2016 under the Act. The Panel has a dual remit to: a) draft agricultural wages orders, consult on them and submit them for the approval of Welsh Ministers and b) to work to develop careers in the agriculture sector. Agricultural Wages orders set minimum rates of pay for six grades of agricultural worker according to their qualifications and experience, encouraging career development. The Panel has established a statutory sub-committee on Skills and Training which is working to assess the available evidence needed to inform improvement in skills provision in the sector. The work of the Panel and its sub-committee is designed to help deliver a sustainable future for the industry and our communities by ensuring a fairly paid, well-informed and motivated workforce. The costs associated with the Act include the establishment and operation of the Panel and are included in BEL 2865.

Planning (Wales) Act 2015

7.57 The majority of the Act was implemented in 2016 / early 2017 and is now embedded in the Planning Directorate budget. The Regularity Impact Assessment (RIA) costs only cover the implementation of the National Development Framework (NDF) and Strategic Development Plan (SDP) provisions. The cost associated with introducing optional direct applications to the Welsh Ministers has not been included, because this is a one off cost generated when an LPA is formally designated as poorly performing. The RIA estimates this cost to be £96k per designation. The remaining provisions to be implemented with associated cost to the Welsh Ministers include: The production of a NDF; providing financial assistance to local planning authorities (LPAs) who have sought the approval of Welsh Ministers to produce a SDP and

introducing the ability for planning applications to be made directly to the Welsh Ministers where they have formally designated a local planning authority due to its poor performance – identified in the RIA as “optional direct applications”. All funding for implementing the Planning (Wales) Act will be met through existing Planning Directorate running costs budget and under Planning and Regulation programme budget within BEL 2250.

Summary

- 7.58** The budget for Environment and Rural Affairs remains challenging in the economic climate and the impending withdrawal of the UK from the European Union. Continued pressures on the Welsh revenue budget as a result of the UK Government’s austerity agenda remain but, wherever possible, reductions to revenue budgets are being managed to ensure minimal impact to frontline services and to ensure our investments remain in line with our priorities highlighted in *Prosperity for All*.
- 7.59** The budget also ensures we will continue to work closely with our delivery partners such as Natural Resources Wales, local authorities, WRAP, Hybu Cig Cymru, which are instrumental in helping us develop our policies and deliver the programmes for the people of Wales.

Chapter 8 – Central Services & Administration

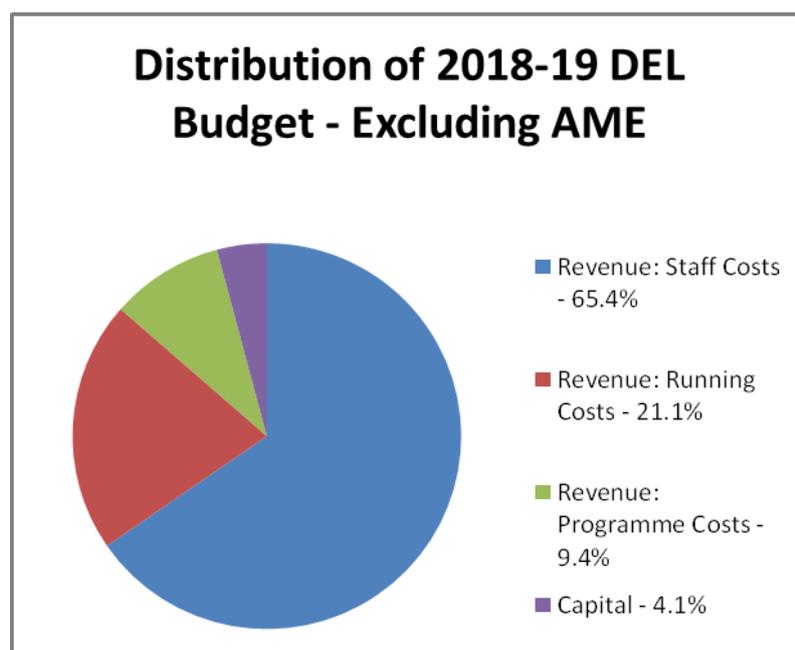
- 8.1 The focus of the Central Services and Administration MEG is delivering an effective, accountable, devolved government. The budget includes a broad range of functions, including running costs for the Welsh Government (staff; office; and ICT); central service costs; and pan-government information services and programmes. It also includes funding to support the delivery of outcomes which are the direct responsibility of either the First Minister or the Cabinet Secretary for Finance and Local Government, such as International Relations; International Development and Invest-to-Save.
- 8.2 The CS&A MEG supports portfolios to deliver on their commitment to improve the quality of life for the people of Wales by supporting the delivery of the Programme for Government *Taking Wales Forward* and the national strategy *Prosperity for All*.

Draft Budget 2018-19

- 8.3 In 2018-19, the CSA MEG is £300m. This comprises £285m revenue, £12m capital, and £3m Annually Managed Expenditure (AME).
- 8.4 Indicative funding for 2019-20 is £274m resource, £12m capital and £3m AME.
- 8.5 Indicative capital funding for 2020-21 is £12m.

Key areas of spend

- 8.6 The chart below shows how the total resource and capital budget for 2018-19 is allocated across key activities in the MEG.



- 8.7 Two thirds of the CSA MEG budget is used to fund civil servant pay costs and two thirds of the remaining budget is used to fund Welsh Government running costs (mainly the costs of Welsh Government office accommodation, corporate ICT systems and central services such as translation, staff training, records management and security). The AME budget funds a notional pension liability along with legacy early retirement costs.

Welsh Government staff costs

- 8.8 In managing the reductions required by ongoing austerity, the focus has remained on protecting the delivery of the Government's priorities as set out in *Prosperity for All*, by maintaining staffing levels in key areas. We are reducing the staff costs budget by £5.5m in 2018-19 and a further £8.4m in 2019-20.
- 8.9 Whilst the reductions are likely to result in a reduction to the size of the Welsh Government's workforce, the scale and timing of any reductions will depend upon a number of factors, notably the rate of staff turnover. As such it is not possible at this stage to estimate the full scale and timing of any reductions to staffing.
- 8.10 The draft Budget introduces the operational budget for the Welsh Revenue Authority, with an allocation of £4.5m for 2018-19 and £3m in 2019-20 for the implementation and running costs of the new body. The Welsh Government has developed a new approach to tax policy for Wales which embeds the Well-being of Future Generations approach and includes the important principle that Welsh taxes should contribute directly to the Well-being of Future Generations Act goal of creating a more equal Wales. Furthermore, applications for funding under the Landfill Disposals Tax Communities Scheme, which is being established alongside landfill disposals tax, will be expected to demonstrate alignment with the goals in WBFGA.
- 8.11 The Welsh Government has set the rates and bands for devolved taxes, land transactions tax and landfill disposals tax within the framework of the Well-being of Future Generations Act. The rates and bands are designed to be consistent with the tax policy principles, including to raise revenue as fairly as possible, and to deliver Welsh Government policy objectives, including supporting jobs and growth.

Revenue running costs

- 8.12 Within the wider Welsh Government running costs, we have sought to protect budgets which support procurement (Value Wales and e-Procurement) and also decarbonisation associated with the Welsh Governments administrative office estate.
- 8.13 The budget reductions are being designed to minimise impact on statutory functions, such as Welsh language translation (to ensure we can comply with the Welsh Language Standards), records management, and health and safety.

- 8.14 Overall the reduction to non-staff running costs is £1.6m in 2018-19 and a further £3.9m in 2019-20.
- 8.15 We will need to explore how we can deliver the ICT systems more efficiently and reduce the size of the administrative (office) estate.
- 8.16 Our commitment to sustainable development can be demonstrated through policies on open, fair and ethical procurement, which ensure the goods we purchase come from renewable resources, and also from energy and carbon reduction initiatives across the administrative estate which reduce overall power requirements and seek to increase the proportion of renewable energy we use. The total gross CO₂ emissions have reduced by around 40% between 2011-12 and 2016-17, and energy consumption (electricity and gas) has decreased by around 30%. During the same period total waste has reduced by around 15%, whilst the proportion of waste that has been sent for recycling/reuse has increased from 67% to 70%.
- 8.17 This budget includes our new borrowing powers and we are managing the repayment of the borrowing within the CSA MEG with an allocation of £0.4m in 2018-19 and £2.4m in 2019-20. In addition we have transferred £1.6m from the Economy and Infrastructure MEG reflecting the transfer of responsibility for National Loans Fund liabilities.

Revenue programme costs

- 8.18 The revenue programme budget funds Welsh Government activities overseas, the management of European funding in Wales, and pan-Wales information and statistical services. This is in line with our strategy, *Prosperity for All*, which aims to build a united and connected Wales.
- 8.19 As part of the Well-being of Future Generations approach we have sought to prioritise and protect investment in areas that deliver services either: directly to the public (e.g. Wales Tribunals Service, Welsh Revenue Authority); or to the wider public sector (e.g. Future Generations Commissioner, statistical and geographical information services). We are maintaining funding for external bodies or services, either because they are newly formed like the office of the Future Generations Commissioner for Wales and the Welsh Revenue Authority, or they have just been allocated additional funding such as the Welsh Tribunal Service or the Public Policy Institute.
- 8.20 Where funds have been cut, reductions to staff cost will, where possible, be focused on minimising implications for programme delivery. Reductions to running costs will focus on non-essential internal services, including the continued reduction to the size of the administrative estate, which will have the corresponding benefit of reducing the carbon impact of the estate.
- 8.21 EU exit marks a fundamental shift in our international environment. As part of *Prosperity for All* we have pledged to ensure Wales remains outward-looking and fully engaged on the European and global stage. Therefore, in order to promote and protect Wales' place in the world, we are safeguarding the funding

for International Development and International Relations in this draft Budget. As part of the budget agreement reached with Plaid Cymru we are also providing an additional £5m over two years for Brexit preparedness.

8.22 The Wales for Africa programme is a key component of the Welsh Government's activity to demonstrate its global responsibility and be united and connected. We fund Hub Cymru Africa which works specifically with the African diaspora and with disability groups to ensure their full participation in the wider programme. We are also encouraging community-to-community linking between Wales and Africa, helping to build community cohesion at home.

Invest to Save and Innovate to Save

8.23 The Invest to Save fund plays an important part in encouraging and promoting new practice to make cost savings across public services throughout Wales and to promote the Welsh Government's public service agenda. Since the introduction of the Fund, over £170m has been invested in over 160 projects benefiting all parts of the public sector.

8.24 The Invest to Save budget recycles funding and is made up of transfers to and from the CSA MEG to portfolio MEGs, depending on the level of repayments and allocations. There is a net £1.6m transfer out in 2018-19 (£0.1m in 2019-20) to other MEGs resulting from Invest to Save Fund investments and repayments.

8.25 Projects funding for 2018-19 include funding for the emergency community network, pharmacy access, National Museum income generation and education on line adaptive tests.

8.26 In February, the Welsh Government entered a partnership with Nesta, Cardiff University and the Wales Council for Voluntary Action to deliver Innovate to Save. This innovation fund has a budget of £5m in 2017-18 and is currently working with a number of recipient organisations to help them research, develop and test their ideas before they become eligible for repayable finance to support the full implementation of their proposals.

Capital costs

8.27 The capital budget funds the maintenance and replacement of administrative assets mainly office refurbishments and repairs and replacement ICT equipment or software.

Legislation

8.28 The CSA MEG funds two Acts:

- the Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Act (LTTA); and
- the Tax Collection and Management (Wales) Act.

8.29 The CSA MEG also funds the Landfill Disposals Tax (Wales) Bill (LDT Bill).

8.30 In total, these were originally estimated to cost between £4.8m and £6.3m over the period 2016-17 to 2018-19 (this does not include the cost of HMRC switching off the collection of Landfill Tax and Stamp Duty Land Tax in Wales). To date costs are in line with the estimates provided in the relevant Regulatory Impact Assessment (RIA).

8.31 The impact of Tax policy on Welsh Language Standards, Equality and Human Rights, the United Nations Conventions on the Rights of the Child and the Tackling Poverty Agenda has been assessed as part of the overarching impact assessment undertaken for the LTTA Act and LDT Bill. An updated RIA was published for the LTTA Act prior to Stage 3 proceedings.

Summary

8.32 To deliver the reductions to staff and running costs budgets set out in this budget will require a re-focussing of our workforce. This will require engagement with both internal and external stakeholders to help shape our workforce to best deliver the Government's key priorities.

Annex A: Costs of enacted legislation during implementation phase for period covered by Draft Budget

Acts	Implementation phase duration	Actions funding the legislation	2016-17 RIA cost	2016-17 Actual cost	2017-18 RIA cost
Health, Well-being and Sport	e.g. April 2017-Sept 2020				
Regulation and Inspection of Social Care (Wales) Act 2016	2016 – April 2019	Sustainable Social Services	£2.126m	282,000*	£1.77m
Public Health (Wales) Act 2017	July 2017 - March 2022	Health Improvement & Healthy Working	-	-	198,400
Finance and Local Government					
Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act**	Until April 2018, when the Welsh Revenue Authority becomes operational	Welsh Treasury	£4.8m - £6.3m implementation costs over the period 2016-17 to 2018-19 And HMRC 50,000	Implementation £1.3m And HMRC 50,000	£4.8m - £6.3m implementation costs over the period 2016-17 to 2018-19 And HMRC 780,000
Tax Collection and Management (Wales) Act 2016					
Landfill Disposals Tax (Wales) Act 2017					
Landfill Disposals Tax (Wales) Act 2017	Until April 2018 when the Welsh Revenue Authority becomes operational	Welsh Treasury	-	-	-

Continued

Acts	2017-18	2018-19	2018-19	2019-20	2019-20
	Forecast cost	RIA cost	Budgeted cost	RIA cost	Budgeted cost
Health, Well-being and Sport					
Regulation and Inspection of Social Care (Wales) Act 2016	£1.5m	£1.77m	£1.5m approx	£1.77m	
Public Health (Wales) Act 2017	£198,400	£727,700	£42,300	£374,000	£11,500
Finance and Local Government					
Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act**	Implementation £3.5m And HMRC 780,000	£4.8m - £6.3m implementation costs over the period 2016-17 to 2018-19 And HMRC 120,000	Implementation £1.5m And HMRC 120,000	-	-
Tax Collection and Management (Wales) Act 2016**					
Landfill Disposals Tax (Wales) Act 2017**					
Landfill Disposals Tax (Wales) Act 2017	-	£1.5m	£1.5m	£1.5m	£1.5m

* Due to the phased approach adopted to implementation, costs to the service regulator have been staggered rather than concentrated in the first year as indicated in the RIA. Costs for 2018-19 are indicative: it is forecast that a similar funding level to 2017-18 will be required to continue implementation but these have not yet been fully quantified. Costs for 2019-20 will be considered in due course.

** In 2017-18 and 2018-19, there will be operational costs totalling £5m (£1m in 2017-18 and £4m in 2018-19). The anticipated operational cost from 2018-19 onwards is expected to cost £4m per year. The RIA estimate for 2017-18 did not make provision for an operational budget in 2017-18 but did make provision for £4m per year from 2018-19.

Acts	Implementation phase duration	Actions funding the legislation	2016-17 RIA cost	2016-17 Actual cost	2017-18 RIA cost
Communities and Children					
Renting Homes (Wales) Act 2016	Jan 2016 - Apr 2019	Policy Development and Implementation (Action and BEL)	£140,000	-	£65,000
Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	Oct 2015 – Oct 2021	Policy Development and Implementation	£179,387	£331,500	£331,500
Economy and Infrastructure					
Historic Environment (Wales) Act 2016	2016 - 2021	Conserve, protect, sustain and promote access to the historic and natural environment	£230,000	£220,887	£220,000
Environment and Rural Affairs					
Agricultural Sector (Wales) Act 2014	July 2014 - July 2018	Develop and deliver overarching policy and programme on Agriculture, Food and Marine.	£30,000	£55,000	£15,000
Planning (Wales) Act 2015	2016 - 2020	Planning and Regulation	£180,238	£160,278	£40,922
Environment (Wales) Act 2016	2016 - 2019	Develop and implement climate change policy, energy efficiency and Green Growth and environmental protection	£69,000	£135,511	£33,000

Continued

Acts	2017-18 Forecast cost	2018-19 RIA cost	2018-19 Budgeted cost	2019-20 RIA cost	2019-20 Budgeted cost
Communities and Children					
Renting Homes (Wales) Act 2016	-	£35,000	£140,000	£20,000	£65,000
Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	£331,500	£331,500	£331,500	£331,500	£331,500
Economy and Infrastructure					
Historic Environment (Wales) Act 2016	£200,000	£197,000	£217,000	£197,000	£197,000
Environment and Rural Affairs					
Agricultural Sector (Wales) Act 2014	£150,000	£15,000	£150,000	£10,000	£150,000
Planning (Wales) Act 2015	£79,785	£30,222	£68,598	£87,095	£73,871
Environment (Wales) Act 2016	£310,380	£75,000	£139,000	£15,000	£140,000

Annex B: Glossary

Action	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: http://gov.wales/funding/budget/?lang=en
Ambits	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.
Annually Managed Expenditure (AME)	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.
Capital	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.
Departmental Expenditure Limit (DEL)	The multi-year budget limit for the Welsh Government set by the HM Treasury. DEL is planned and controlled on a multi-year basis in Spending Reviews.
Depreciation	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.
Financial Transactions Capital	Financial transactions are part of the capital DEL settlement that can only be used for loans and equity investments to third parties. A proportion of the funding must to repaid to the Exchequer.
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 seven MEGs: Health, Well-being and Sport; Local Government; Communities and Children; Economy and Infrastructure; Education; Environmental and Rural Affairs; 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 budgeting 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 SPA according to the kind of services they will deliver.
WGSB	Welsh Government Sponsored Body.