

National Assembly for Wales
Finance Committee

Scrutiny of Welsh Government First Supplementary Budget 2015-16

July 2015

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website:
www.assembly.wales

Copies of this report can also be obtained in accessible formats including Braille, large print; audio or hard copy from:

Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 0300 200 6565
Email: SeneddFinance@assembly.wales
Twitter: @SeneddFinance

© National Assembly for Wales Commission Copyright 2015

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

National Assembly for Wales
Finance Committee

Scrutiny of Welsh Government First Supplementary Budget 2015-16

July 2015

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Finance Committee

The Committee was established on 22 June 2011. The Finance Committee's role is to carry out the functions set out in Standing Order 19. This includes consideration of the use of resources by the Assembly Commission or Welsh Ministers, and in particular reporting during the annual budget round. The Committee may also consider any other matter relating to expenditure from the Welsh Consolidated Fund.

Their remit also includes specific statutory powers under the Public Audit Act 2013 relating to new responsibilities for governance oversight of the Wales Audit Office.

Current Committee membership:



Jocelyn Davies (Chair)
Plaid Cymru
South Wales East



Peter Black
Welsh Liberal Democrats
South Wales West



Christine Chapman
Welsh Labour
Cynon Valley



Mike Hedges
Welsh Labour
Swansea East



Alun Ffred Jones
Plaid Cymru
Arfon



Ann Jones
Welsh Labour
Vale of Clwyd



Julie Morgan
Welsh Labour
Cardiff North



Nick Ramsay
Welsh Conservatives
Monmouth

Contents

The Committee’s Conclusions and Recommendations	5
1. Overview	7
2. Future in-year changes to the Welsh Government’s budget for 2015-16 and Programme for Government (Prioritisation and Budget Process)	10
3. NHS Funding (Prioritisation and Affordability)	12
4. Additional mental health funding (Affordability)	16
5. Full devolution of business rates (Prioritisation and Budget Process)	18
6. Additional education allocations (Affordability)	21
Annexe 1 - Witnesses	23

The Committee's Conclusions and Recommendations

Conclusion 1. The Committee will return to the delivery of the Programme for Government when considering the second supplementary budget 2015-16, which should show the reductions associated with the £46 million cuts as well as the impact from the Autumn spending review, and how these allocations impact on the delivery of the Programme for Government. (Page 11)

Recommendation 1. The Committee recommends that the Minister provide the Committee with an update on how work to put NHS finances on a sustainable footing is progressing, and confirms the Government expectations of the financial performance of NHS organisations in 2015-16. (Page 15)

Recommendation 2. The Committee recommends that the Government provide details of the impacts that the additional allocations for reforming the NHS in this supplementary budget have had. Given that the Assembly will have dissolved ahead of the elections by the end of the 2015-16 financial year, the Committee would be grateful if an update could be provided in time for the second supplementary budget 2015-16. This will enable the Committee to be confident that the additional allocations have contributed to the NHS reforms that it was intended to help drive forward. (Page 15)

Recommendation 3. The Committee is pleased to see additional funding provided to mental health, particularly for children and young people. However, the Committee would recommend that firm targets are linked to the additional allocations to ensure that the money directly benefits those that need it most and that service provision is measurably improved. (Page 17)

Conclusion 2. The Committee requests further details from the Minister as to why the cost to the Welsh Government of the Wales Retail Rate Relief Scheme is not affected by full devolution of business rates in the same way that small business rate relief is. It would be particularly useful for the Committee to understand why the use of a grant scheme means that the cost of the scheme is not directly affected by full devolution of business rates. (Page 20)

Recommendation 4. The Committee recommend the Minister provide further detail as to how it is intended to fund Schools Challenge Cymru in 2015-16, given that it is an important initiative to improve performance in underperforming secondary schools across Wales. (Page 22)

Recommendation 5. The Committee recommends that in future budgets the Minister allocates the full budget for Schools Challenge Cymru at Draft Budget stage to avoid uncertainty around future funding arrangements for the programme. (Page 22)

1. Overview

1. Jane Hutt AM the Minister for Finance (“the Minister” laid the first supplementary budget motion 2015-16¹ on 23 June 2015. This was accompanied by an explanatory note² and tables showing the main expenditure group (MEG) allocations. This supplementary budget amends the Final Budget 2015-16, approved by the National Assembly in December 2014.
2. The Minister appeared before the Finance Committee (“the Committee”) on 1 July 2015.
3. This supplementary budget confirms the following revenue allocations funded from reserves:
 - £70 million for the Welsh NHS announced in January.
 - £14.6 million for adult mental health services and mental health services for children and young people.
 - £16.5 million to Economy Science and Transport, £15 million for Wales Retail Relief Scheme and £1.5 million for the Enterprise Zone Business Rate Scheme.
 - £8.4 million to Education and Skills for Schools Cymru Challenge, Flexible Skills Programme; the CPD Support for the New Deal; and Care Sector Apprenticeships.
4. There are no changes to capital allocations in the supplementary budget.
5. This supplementary budget includes net additions to the baseline as a result of UK Budgets and Autumn Statements of £167.4 million revenue funding and £9.7 million capital funding, of which £2.3 million is repayable financial transactions funding.
6. On 4 June the UK Government announced in-year departmental spending cuts. These cuts mean a reduction of £50 million funding for the Welsh Government in 2015-16, £43 million revenue and £7 million capital. Following the UK Budget on 8 July £4 million in consequential spend was allocated to Wales, this means the reduction

¹ Welsh Government, [supplementary budget motion 2015-16](#), 23 June 2015

² Welsh Government, [supplementary budget 2015-16 explanatory note](#), June 2015

of funding will be £46 million since the Final Budget 2015-16. These changes are not included in this supplementary budget.

7. The full devolution of business rates has caused a technical change in the budget documentation, moving £956 million funding from local government departmental revenue expenditure to Annually Managed Expenditure.

8. Figure 1 shows the headline figures from this supplementary budget, showing cash movement from the final budget 2015-16.

9. The figures shown within this report are concerned only with in-year changes for the current financial year, and therefore are shown in cash terms; no adjustments have been made for inflation.

Headline figures from the Supplementary Budget (SB), showing cash movements from the Final Budget (FB) 2015-16



		Total Departmental Expenditure Limit (DEL)	
		£14,502m	↑ +£114m* +0.8%
		Total DEL Allocation	Change FB to SB
	Health and Social Services	£6,707m	+£84m +1.3% ↑
	Local Government	£3,453m	+£5m* +0.1% ↑
	Education and Skills	£1,763m	+8m +0.5% ↑
	Economy, Science and Transport	£1,115m	+£17m +1.5% ↑
	Communities and Tackling Poverty	£737m	-£0.6m -0.1% ↓
	Natural Resources	£404m	-£0.2m -0.0% ↓
	Central Services and Administration	£323m	£0m 0% ⇒

*Following full devolution of business rates on 1 April, £956 million has been transferred from Local Government DEL to AME. To ensure meaningful comparisons are shown, we have adjusted Final Budget figures retrospectively to include this change. Figures are rounded, please refer to the Welsh Government Supplementary Budget 2015-16 for exact figures. TME: Total Managed expenditure | AME: Annually Managed Expenditure | FB: Final Budget | SB: Supplementary Budget. DEL is the discretionary part of the budget that the Welsh Government can choose how to spend, AME is non-discretionary.

Figure 1³

³ Research Service calculations from Welsh Government, supplementary budget 2015-16

2. Future in-year changes to the Welsh Government's budget for 2015-16 and Programme for Government (Prioritisation and Budget Process)

10. The Welsh Government recently published their annual report on the Programme for Government.⁴ As the First Minister noted during the Plenary debate on 16 June,⁵ this is the final report of this Assembly term. The First Minister stated during the debate that more than 95 per cent of Programme for Government commitments have either been delivered, or are on track to be delivered. Areas of the Programme for Government with the largest number of commitments still to be delivered during the rest of this Assembly term or beyond include:

- 21st Century Healthcare, where 46 of the 111 commitments are classed as 'will deliver';
- Rural Communities, where 28 of the 47 commitments are classed as 'will deliver'; and
- Environment and Sustainability, where 32 of the 54 commitments are classed as 'will deliver'.

11. On 4 June the UK Government announced in-year departmental spending reductions. This means a reduction of £50 million funding for the Welsh Government in 2015-16, £43 million revenue and £7 million capital. There is potential for further changes when the next UK Budget is announced on 8 July. The supplementary budget documentation makes clear that these changes are not included in this supplementary budget.

Evidence from the Minister

12. The Minister acknowledged that meeting the programme for Government commitments was difficult when faced with budget cuts,⁶ but the Minister believed this supplementary budget would contribute to meeting outstanding commitments, the Minister said:

⁴ Welsh Government, [Annual Report on the Programme for Government](#), June 2015

⁵ National Assembly for Wales, Plenary, [Record of Proceedings](#), 16 June 2015

⁶ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 8

“it [the supplementary budget] does fit in very much with our programme for government objectives, particularly relating to health and health services, educational attainment, and also the jobs and growth through the Wales retail rate relief scheme and the business rate scheme.”⁷

13. However, whilst the Minister remained committed to achieving the Programme for Government commitments, it was also recognised that the in-year cuts of £50 million (which are not reflected in this supplementary budget) and the UK budget announcements in July 2015 may impact on the in-year management of the Programme for Government.⁸

14. In relation to the budget cuts the Minister said that decisions had not been taken on how to manage the £50 million cut, but it was being carefully considered. The Minister also stated that unexpected changes to budgets in-year hinders the ability of the Government to forward plan.⁹

Committee view

15. The Committee is pleased to note the Government has delivered, or is on track to deliver, more than 95% of the Programme for Government. However, the Committee is concerned that some elements of the programme will not be met.

16. The Committee recognises the difficulties associated with in-year budget cuts. Whilst recognising that there is the possibility of unexpected cuts happening the Committee hope that a revised budget process will allow more scope for aligning the UK Government budget announcements with the Welsh Governments budget timetable.

The Committee will return to the delivery of the Programme for Government when considering the second supplementary budget 2015-16, which should show the reductions associated with the £46 million cuts as well as the impact from the Autumn spending review, and how these allocations impact on the delivery of the Programme for Government.

⁷ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 6

⁸ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 10

⁹ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 155

3. NHS Funding (Prioritisation and Affordability)

17. This supplementary budget allocates an additional £84.6 million revenue DEL to the Health and Social Services MEG. This is made up of two separate allocations, £70 million to support the Welsh NHS and £14.6 million to support mental health services.

18. Details of the additional NHS allocations were provided in a statement by the Minister for Health and Social Services in January 2015.¹⁰ The £70 million has been allocated to develop specific projects, which will have an identifiable and measurable impact on high-demand services, helping to reform the Welsh NHS. The individual allocations relate to:

- primary care developments –£30 million;
- taking forward the Intermediate Care Fund –£20 million (the fund was allocated £50 million in 2014-15);
- implementing delivery plans –£10 million;
- efficiency through technology fund –£10 million.

19. Reform of the NHS was the subject of a number of recommendations in the Committee's report scrutinising the draft budget 2015-16.¹¹ In that report the Committee also stated its expectation that in 2015-16 all NHS bodies should have agreed three-year plans (recommendation 4 of the report). A Written Statement¹² from the Minister for Health and Social Services on 10 June showed that five of the ten organisations' three year plans had been approved by him. These are Aneurin Bevan and Cwm Taf University Health Boards, Powys Teaching Health Board, Public Health Wales and Velindre NHS Trust.

20. The Minister for Health and Social Services' paper to the Health and Social Care Committee from June 2015¹³ shows provisional outturn for 2014-15 from unaudited accounts. Combined deficits have been

¹⁰ Welsh Government, Mark Drakeford AM (Minister for Health and Social Services), [Using the £70m Autumn Statement consequential to reform NHS services](#), Written Statement, 28 January 2015

¹¹ National Assembly for Wales, [Scrutiny of the Welsh Government Draft Budget 2015-16](#), November 2014

¹² Welsh Government, Mark Drakeford AM (Minister for Health and Social Services), [Medium Term Planning Update](#), Written Statement, 10 June 2015

¹³ National Assembly for Wales, Health and Social Care Committee, [HSC\(4\)-18-15 Paper 4](#), 17 June 2015

reduced to £54.8 million and three Local Health Boards (LHBs) did not break even, Betsi Cadwaladr (deficit of £26.6 million), Cardiff and Vale (£21.4 million) and Hywel Dda (£7.5 million).

Evidence from the Minister

21. The Minister explained that health was a “major priority”¹⁴ and the additional funding forms part of a reform agenda.

22. In relation to the three year plans the Minister said that the Minister for Health and Social Services has made it “clear he’d only approve plans that he feels are credible in terms of their response to local and national priorities”.¹⁵

23. In terms of health spending the Minister said that it is the responsibility of the Minister for Health and Social Services to ensure he manages his budget within the allocated resources, but it was the Minister’s understanding that the budget for the Health and Social Services Main Expenditure Group (“MEG”) would break even in 2014-15.¹⁶

24. Subsequently, in a Written Statement on 2 July¹⁷ the Health Minister noted that he was confident the health and social services budget will break even overall in 2014-15 following an audit of the Welsh Government’s annual accounts. The written statement clarified that savings and slippage on centrally-held health and social care budgets have been used to offset the anticipated deficits in the three organisations reporting overspends.

25. Looking at using the additional allocations for reform of the NHS, the Minister noted that:

“But it’s very clear and, obviously, through very close monitoring of the spend of that extra funding in terms of how it’s used in this budget—that additional funding—we can see the impact of it and the reform agenda continues. Obviously,

¹⁴ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 13

¹⁵ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 15

¹⁶ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 17

¹⁷ Minister for Health and Social Services (Mark Drakeford AM), Cabinet Written Statement, [NHS Financial Performance 2014-15](#), 2 July 2015

that extra £70 million was very important because it did help the Minister particularly to address the issue of moving towards a more primary care-led service—£40 million for primary care. And £20 million was invested in community based services, keeping people in their homes as much as possible. That’s part of the £70 million, of course. And then, this most recent announcement about the £10 million for cardiac, diabetes, stroke care and cancer is very much welcomed in terms of those particular conditions and needs in terms of health.”¹⁸

26. The Minister was asked what measures were being taken to ensure the NHS becomes more sustainable and won’t need further additional allocations, particularly at the expense of services which support the NHS, such as social services. The Minister said that some of the additional funds, particularly through the allocation to take forward Intermediate Care Fund projects, would be used “to try and drive change in terms of partnership management”.¹⁹

Committee view

27. Members note that three LHBs overspent in 2014-15 and only five of the ten NHS organisations have approved three-year plans for the 2015-16 financial year onwards. Although two of the remaining LHBs are providing updated plans, this gives the Committee cause for concern about NHS organisations’ ability to remain within their 2015-16 budgets.

28. Many of the Committees recommendations from the scrutiny of the draft budget 2015-16 related to the increase in funding to health, and these same issues remain a concern to Members, particularly in relation to the reliance on the findings of one report, namely the Nuffield Report.

29. Additional funding in excess of the funding gap identified in the Nuffield Report was provided to NHS organisations in 2014-15, and three organisations still overspent. The Committee remains concerned that additional funding to the Health portfolio has been provided in isolation and at the expense of other services.

¹⁸ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 21

¹⁹ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 28

The Committee recommends that the Minister provide the Committee with an update on how work to put NHS finances on a sustainable footing is progressing, and confirms the Governments expectations on the financial performance of NHS organisations in 2015-16.

30. While the Committee welcomes the Minister outlining that she will be closely monitoring progress on the impact of the additional allocations to reform the NHS, the Committee will be keeping a close eye on the use of this funding to ensure that it contributes towards the reform that it set out to achieve.

The Committee recommends that the Government provide details of the impacts that the additional allocations for reforming the NHS in this supplementary budget have had. Given that the Assembly will have dissolved ahead of the elections by the end of the 2015-16 financial year, the Committee would be grateful if an update could be provided in time for the second supplementary budget 2015-16. This will enable the Committee to be confident that the additional allocations have contributed to the NHS reforms that it was intended to help drive forward.

4. Additional mental health funding (Affordability)

31. The additional £14.6 million allocation to support mental health services will be invested in supporting people with dementia, improving psychological therapies for adults, improving outcomes for women with perinatal illnesses²⁰ and child and adolescent mental health services.²¹

32. The Children, Young People and Education Committee inquiry into Child and Adolescent Mental Health Services in 2014²² heard that a key concern from stakeholders was the amount of expenditure on CAMHS by LHBs. It was highlighted as disproportionately low compared to adult mental health.

33. The Welsh Government's statistics on spend per head of population in 2013-14 show spending of £205.84 per head on mental health problems and of that:

- £87.15 per head was spent on general mental illness;
- £58.95 per head was spent on elderly mental illness;
- £14.39 per head was spent on child and adolescent mental health; and
- £45.34 was spent on other mental health problems.

Evidence from the Minister

34. The Minister was asked whether the additional allocations to mental health funding will provide value for money and reduce the inequality in mental health spending between children and young people, and adults. The Minister said the funding would "be targeted at specific areas, which, in terms of assessing and monitoring that spend and the impact of it, should be more transparent".²³

²⁰ Welsh Government, [Additional £8m a year for adult mental health services in Wales](#), 5 June 2015

²¹ Welsh Government, [£7.6m funding boost for children and young people's mental health services in Wales](#), 22 May 2015

²² National Assembly for Wales, Children and Young People Committee, [Inquiry into Child and Adolescent Mental Health Services](#), November 2014

²³ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 44

35. When asked if the additional money for CAMHS would be linked to targets, particularly in relation to referral to treatment times the Minister acknowledged it was an important point but said it was a matter for the Health Minister to decide “how he’s going to drive up the changes”.²⁴

Committee view

36. The Committee is pleased to see that additional funding is being provided in the important field of mental health, particularly in relation to the mental health for children and young people.

The Committee is pleased to see additional funding provided to mental health, particularly for children and young people. However, the Committee would recommend that firm targets are linked to the additional allocations to ensure that the money directly benefits those that need it most and that service provision is measurably improved.

²⁴ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 53

5. Full devolution of business rates (Prioritisation and Budget Process)

37. Non-domestic (business) rates (“business rates”) were fully devolved to Wales on 1 April 2015. This has led to a technical change in this supplementary budget where £956 million has been transferred from Revenue DEL to AME. However, the £956 million is a slight reduction from the £962 million that was anticipated to be transferred at the time of the Final Budget 2015-16.²⁵

38. There have also been a number of Barnett consequentials received by the Welsh Government in respect of business rates policy in England. These include £37.8 million arising from the Autumn Statement 2013 following full devolution of business rates and £36.8 million from the Autumn Statement 2014.

39. This supplementary budget allocates £15 million for the expansion of the Wales Retail Relief Scheme and £1.5 million to the Enterprise Zone Business Rate Scheme.

40. Recommendations 2 and 3 of the Committee’s report scrutinising the draft budget 2015-16 related to business rates.²⁶ The recommendations called for the Welsh Government to monitor and improve the accuracy of forecasts for business rates receipts, and to provide details of arrangements in place to minimise tax volatility. In response the Welsh Government stated:

“Whilst there is already a system in place to forecast and monitor NDR receipts in-year, consideration of information requirements for accurate forecasts of NDR revenues following the full devolution of NDR to Wales forms a major part of the on-going Non Domestic Rates devolution work programme. The NDR devolution work programme will identify changes needed to this system in the light of full NDR devolution.”²⁷

41. Full devolution also changes the financial effects of Wales mirroring English business rates policy. When the UK Government makes a change to business rates in England, the grants given to

²⁵ Welsh Government, [Final Budget 2015-16](#), December 2014

²⁶ National Assembly for Wales, [Scrutiny of the Welsh Government Draft Budget 2015-16](#), November 2014

²⁷ Welsh Government, [Response to Recommendations in Finance Committee Report](#)

Wales, Scotland and Northern Ireland under the Barnett Formula change. Under partial devolution of business rates, if Wales wanted to replicate the UK Government's policy it could hand back this addition to the block grant, even if the actual cost of implementing the policy in Wales was higher. This provided strong incentives for Wales to follow UK Government policy in the past, because if a policy would cost more to implement in Wales any additional cost has been met by the UK Government.

42. Following devolution, Wales now bears the actual cost of changes in business rates policy, including those that replicate changes made in England. Replicating some English business rates policies such as small business rate relief therefore becomes more expensive under full devolution, however it provides greater opportunity for Wales to develop distinct business rates policies that meet the needs of Welsh businesses.

Evidence from the Minister

43. The Minister was asked about the work being done to monitor and improve the accuracy of business rates forecasts. The Minister said:

“... there is a forecasting system in place for non-domestic rates. It uses the latest available information that local authorities supplies. They, obviously, forecast expected revenues, and also there are assumptions about growth and prices. That forecast is supplemented by monitoring information that we receive that covers in-year changes.”²⁸

44. The Minister said that forecasts would be presented to the Committee but she was considering how to make the information provided “most meaningful”.²⁹

45. The Minister said the change between the anticipated amount indicated in the final budget and the figure in the supplementary budget was due to the changes in forecasts.³⁰

²⁸ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 51

²⁹ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 93

³⁰ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 96

46. When discussing the additional allocation to the Wales Retail Relief Scheme, the Minister stated that:

“The Wales retail relief scheme is managed through a system of grant support, so it’s separate from the main non-domestic rates pool. So, it’s not actually directly affected by the full devolution of business rates... but we are estimating what that will mean in terms of costs relief because we’ve got to. And, in fact, we think it probably is in line with what we’ve allocated.”³¹

Committee view

47. The Committee looks forward to receiving further updates on the forecasting of business rates. However, it would like further clarification on why the cost to the Welsh Government of extending the Wales Retail Relief Scheme is not affected by the full devolution of business rates. This appears to be different to the conclusions of the Business Rates Panel’s report³² that the cost to the Welsh Government of providing reliefs such as small business rate relief may differ as a result of full devolution of business rates.

The Committee requests further details from the Minister as to why the cost to the Welsh Government of the Wales Retail Rate Relief Scheme is not affected by full devolution of business rates in the same way that small business rate relief is. It would be particularly useful for the Committee to understand why the use of a grant scheme means that the cost of the scheme is not directly affected by full devolution of business rates.

³¹ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraphs 98 and 102

³² Business Rates Panel for Welsh Government, [Devolution of Business Rates](#), page 11, February 2015

6. Additional education allocations (Affordability)

48. The supplementary budget allocates an additional £8.4 million to the Education and Skills MEG for the following areas:

- Schools Challenge Cymru (£3.5 million);
- Flexible Skills Programme (£2.4 million);
- CPD Support for the New Deal (£2 million);
- Care Sector Apprenticeships (£500,000).

49. There have also been a number of transfers within the Education and Skills MEG. The largest one of these is £231.6 million from the Higher Education action to the Post-16 Learner Support action. This is not a cut in the higher education budget allocation, but rather a transfer of funding due to the change in responsibility for paying the tuition fee grant from HEFCW to the Welsh Government.

50. The Children, Young People and Education Committee scrutinised the Minister for Education and Skills about Schools Challenge Cymru during its inquiry into Educational outcomes for children from low income households.³³

51. The programme will require £20 million funding for three years made up of a £12.1 million Barnett consequential from the Autumn Statement 2013 with the remaining £7.9 million being funded from other sources. The Minister's paper to the Children, Young People and Education Committee in respect of scrutiny of the Draft Budget gave no further detail on where this £7.9 million will be found for 2015-16. In 2014-15, the £7.9 million was reprioritised from other areas of the Education and Skills MEG in allocations made during the second supplementary budget. In 2015-16, the current position is that the additional allocation from this supplementary budget covers £3.5 million of the £7.9 million funding required. However, it is not clear where the remaining £4.4 million funding required will come from.

Evidence from the Minister

52. In relation to the gap in funding for Schools Challenge Cymru the Finance Minister told us she was unable to answer or indicate level of

³³ National Assembly for Wales, Children and Young People Committee, [Educational outcomes for children from low income households](#), February 2015

funding for specific schools,³⁴ but she was supportive of Schools Challenge Cymru “as a priority”.³⁵ The Minister also commented that:

“But it is a very important question in terms of asking, ‘Is this going to meet the needs of the whole Schools Challenge Cymru programme?’, and he [the Minister for Education and Skills] is now looking at the school development plans. They are going to be monitored, I understand, as all the programmes are, to consider whether they are adequate and fit for purpose, and then what the budgetary implications are.”³⁶

Committee view

53. The Committee is supportive of the additional allocations to the education portfolio, but remains unsure as to how the funding shortfall will be addressed in relation to Schools Challenge Cymru.

The Committee recommend the Minister provide further detail as to how it is intended to fund Schools Challenge Cymru in 2015-16, given that it is an important initiative to improve performance in underperforming secondary schools across Wales.

The Committee recommends that in future budgets the Minister allocates the full budget for Schools Challenge Cymru at Draft Budget stage to avoid uncertainty around future funding arrangements for the programme.

³⁴ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 96

³⁵ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 111

³⁶ National Assembly for Wales, Finance Committee, Draft Record of Proceeding, 1 July 2015, paragraph 109

Annexe 1 - Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at:

www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Ild=1243

<i>1 July 2015</i>	<i>Organisation</i>
Jane Hutt AM	The Minister for Finance and Government Business
Matt Denham Jones	Welsh Government
Jeff Andrews	Welsh Government