

National Assembly for Wales
Finance Committee

**Scrutiny of the Welsh Government
Second Supplementary Budget for
2015-16**

March 2016

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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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.

The Finance Committee's remit also includes specific statutory powers under the Public Audit (Wales) 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

The following Member attended as a substitute member of the Committee during this inquiry



Jenny Rathbone
Welsh Labour
Cardiff Central

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The Committee's Conclusions

Conclusion 1. While the Committee recognises that the supplementary budget is a mechanism to address pressures and needs in year, it was disappointed that there were still commitments within the Programme for Government which had not been met and that there were no adjustments within this final supplementary budget of this Assembly to do so. (Page 10)

Conclusion 2. The Committee support the additional funding provided for the health services but were concerned that additional funding for the NHS should not be used to fund inefficiencies or unplanned overspends. (Page 11)

Conclusion 3. The Committee had concerns during its scrutiny of the draft budget 2016-17 that provision for refuges and specialist domestic abuse and sexual violence services were not being met across Wales. Therefore, the Committee welcomes the additional capital allocation to Domestic Abuse action within the Local Government MEG. (Page 11)

Conclusion 4. The Committee were content with the supplementary budget produced by the PSOW. (Page 14)

1. Overview

1. Jane Hutt AM the Minister for Finance (the Minister) laid the second supplementary budget motion 2015-16¹ on 9 February 2016. This was accompanied by an explanatory note² and tables showing the main expenditure group (MEG) allocations. This supplementary budget amends the first supplementary budget for 2015-16, approved by the National Assembly in July 2015.
2. The Minister appeared before the Finance Committee (the Committee) on 24 February 2016.
3. The main revenue allocations in this budget are additional funding for the NHS, including £45 million to improve NHS services, £45 million to support winter pressures, £13.8 million to fund new drugs for treatment and £1.75 million for the Wales Air Ambulance. Also, there is an additional £11.3 million to fund increased demand for the Welsh Government learning grant.
4. The main capital allocations are £63 million of financial transactions funding to support businesses across Wales, including: £15 million for the new Wales Business Fund; £10 million for the Interim Technology Venture Investment Fund; £7.7 million to support strategic business investment; and £5 million for the Business Growth SME Fund. There is also £23 million to be allocated to 21st Century Schools projects to support the rebuilding and refurbishment of schools and £20 million to build 230 affordable homes through the Social Housing Grant.
5. These investments are funded by a mixture of allocations from reserves and funds carried over from the last financial year and also takes account of changes in funding from the UK Government. The £46 million of reductions from the UK Summer Budget 2015 are included within this budget along with £32 million additional funding from subsequent UK Government decisions.

¹ Welsh Government, [Second Supplementary Budget 2015-16 – Motion](#), 9 February 2016

² Welsh Government, [Second Supplementary Budget 2015-16 – Explanatory Note](#), February 2016

6. Figure 1 shows the headline figures from this supplementary budget, showing cash movement from the first supplementary budget for 2015-16.

7. 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. The supplementary budget is concerned with the current financial year (2015-16), and so does not include the spending commitments announced for 2016-17 during the draft budget debate for 2016-17.³








³ Plenary, [RoP 9 February 2016](#)

Headline figures from the Second Supplementary Budget (SSB), showing cash movements from the First Supplementary Budget (FSB) 2015-16



Total Departmental Expenditure Limit (DEL)

£14,843m ↑ +£342m
 +2.4%

	Total DEL Allocation	Change FSB to SSB
 Health and Social Services	£6,824m	+£118m +1.8% ↑
 Local Government	£3,453m	£0m 0.0% →
 Education and Skills	£1,798m	+£35m +2.0% ↑
 Economy, Science and Transport	£1,267m	+£152m +13.7% ↑
 Communities and Tackling Poverty	£767m	+£30m +4.0% ↑
 Natural Resources	£418m	+£14m +3.5% ↑
 Central Services and Administration	£316m	-£7m -2.2% ↓

Figures are rounded, please refer to the Welsh Government Second Supplementary Budget 2015-16 for exact figures.
 TME: Total Managed expenditure | AME: Annually Managed Expenditure | FSB: First Supplementary Budget | SSB: Second Supplementary Budget.
 DEL is the discretionary part of the budget that the Welsh Government can choose how to spend, AME is non-discretionary.

Figure 1⁴

⁴ Research Service calculations from the Welsh Government Second Supplementary Budget for 2015-16

2. Consideration of the Second Supplementary Budget 2015-16

8. During the scrutiny session, the Committee considered a number of significant policy areas which had been subject to additional allocations or transfers in this supplementary budget. These questions were based around the key themes of prioritisation, affordability, budget process, and value for money.

Programme for Government (Prioritisation)

9. During the Committee's scrutiny of the first supplementary budget for 2015-16, it noted that the Government had delivered, or was on track to deliver, more than 95% of the Programme for Government. However, the Committee was concerned that some elements of the programme would not be met.

10. The Committee undertook to return to the delivery of the Programme for Government when considering the second supplementary budget for 2015-16.

11. When the Committee questioned the Minister on how the allocations within the supplementary budget would help to meet the Programme for Government commitments that had not been achieved, the Minister told the Committee that:

“last June, when the First Minister reported on the programme for government in his annual report, he reported that we'd met 95 per cent of our programme for government commitments. Clearly, we have delivered, and in-year management of budget enables us to move forward in terms of any further way in which we can reach the programme for government.”⁵

Committee view

12. Overall, the Committee was content with the proposals in the draft budget.

13. The Committee commented on the difficulty of timing issues in relation to the second supplementary budget. The scrutiny of this supplementary budget was made more difficult by being aware of the

⁵ Finance Committee, [RoP 24 February 2016](#), paragraph 146

draft budget for 2016-17 as the decisions made for the future budget did not always correspond with the decisions made in the supplementary budget. As an example, the Committee was concerned that looking forward there had been little consideration given to the risks around going against the advice of the Wales Audit Office and the change in direction for the tuition fees given the transfer being made in this supplementary budget to cover the tuition fee grant.

While the Committee recognises that the supplementary budget is a mechanism to address pressures and needs in year, it was disappointed that there were still commitments within the Programme for Government which had not been met and that there were no adjustments within this final supplementary budget of this Assembly to do so.

NHS and Social Care Funding (Prioritisation and Affordability)

14. The main revenue allocations in the supplementary budget are additional funding for the NHS, including:

- £45 million to improve NHS services;
- £45 million to address winter pressures;
- £13.8 million to fund new drugs for treatment; and
- £1.75 million for the Wales Air Ambulance.

15. However, the overall capital allocation available to the Health and Social Services portfolio has decreased by £8.8 million. Of this, £9.6 million has been transferred to revenue as a result of programme slippages to capital projects. The difference of £0.8 million is as a result of an inward transfer due to an Invest-to-Save allocation.

16. The narrative document published alongside the supplementary budget notes the Welsh Government's view that these allocations contribute to a sustainable NHS in Wales based on the reforms outlined in the Nuffield Trust report, *A decade of austerity in Wales?*⁶

17. The Minister told the Committee that the £45 million additional funding announced in September, including £13.8 million funding for new treatments, which is recurrent funding. The £45 million to address winter pressures was a non-recurrent adjustment, the Minister gave an example of increased admissions to emergency care services

⁶ Nuffield Trust, [A decade of austerity in Wales?](#), June 2014

in Wales in January. How this funding is allocated will be decided by the Health Minister based on needs and pressures.

18. The supplementary budget details a number of transfers within different areas of the Health and Social Services portfolio. These included reductions in funding for specific preventative health initiatives and to manage in-year pressures and transfers within social services programmes. The Minister stated to the Committee that there would be little or no negative impact from these transfers and that there needed to be flexibility to manage risk and deliver commitments.

The Committee support the additional funding provided for the health services but were concerned that additional funding for the NHS should not be used to fund inefficiencies or unplanned overspends.

Domestic Abuse (Affordability)

19. The supplementary budget included an increase of £273,000 (nearly 30%) to the Domestic Abuse action within the Local Government MEG, to relieve the pressures on the budget.

The Committee had concerns during its scrutiny of the draft budget 2016-17 that provision for refuges and specialist domestic abuse and sexual violence services were not being met across Wales. Therefore, the Committee welcomes the additional capital allocation to Domestic Abuse action within the Local Government MEG.

Welsh Government Learning Grant (Affordability and Prioritisation)

20. An additional £11.3 million was allocated in the supplementary budget to fund increased demand for the Welsh Government learning grant. £6.1 million of this was contributed by other ministerial portfolios and £5.2 million from reserves. The Committee questioned the Minister on how the contributions from each portfolio were decided. The Minister confirmed that each Minister had agreed to contribute and that it was based on the size of portfolio budgets.

Tuition Fee Grant (Budget Process)

21. The Minister confirmed to the Committee that £5.1 million would be transferred from HEFCW to the Welsh Government as the

second part of the funding for the tuition fee grant in 2015-16. The Minister stated that this transfer was historical, and confirmed that there would no longer be a transfer of £21.1 million as the final element of the tuition fee grant from HEFCW to the Welsh Government in the final budget for 2016-17. The Welsh Government plans to carry forward £10 million funding through the Budget Exchange System to be allocated in the 2016-17 to higher education for the part-time provision and research.

22. The Committee expressed concerns that given the transfer from HEFCW to the Welsh Government made up a significant part of both supplementary budgets for 2015-16. The Committee were keen to explore the link between these allocations and announcements in 2015-16 and decisions around the Wales Audit Office recommendation that the Welsh Government transfer £21 million on the basis of an assessment of risk relating to the tuition fees grant. The Committee were unconvinced by the Minister's explanation and look forward to a clearer explanation in the Final Budget 2016-17.

Other portfolio changes (Prioritisation and Affordability)

23. The process of transfers from within portfolios was apparent in a number of areas. For example, the additional £8.6 million revenue allocation for the CAP Reform IT system in the Natural Resources portfolio was funded by transfers from elsewhere in the portfolio. Funding would be found from flexibilities or re-profiling existing programmes. In each instance raised by the Committee, the Minister gave a view that there would be little or no impact on any projects.

24. The Committee understands the need for in-year flexibility and reprioritisation, but felt that we received little reassurance from the Minister on the actual impact of these transfers on other projects, either in terms of delays or reductions in scope of programmes and projects.

Capital allocations and the Wales Infrastructure Investment Plan (Prioritisation and Value for Money)

25. A number of allocations in the supplementary budget were made according to the Wales Infrastructure Investment Plan (WIIP) priorities. The main capital allocation is £63 million of financial transactions funding to support businesses across Wales. The Committee questioned the Minister on the strategic approach to prioritisation of

projects within the WIIP, how targets are achieved and how communities across Wales benefit from the investment.

26. The Committee welcomed the response from the Minister that decisions were made on a clear business case basis and that there was a need to know how many jobs each investment created. The Committee also welcomed the Minister's assurance that the capital loan scheme for Sports and Leisure Facilities will continue despite the £4.5 million transfer from the delivery of sports and physical activity programmes action to fund the new Wales Business fund. As the reason for this transfer is a low uptake to the loan scheme by local authorities.

Invest to save (Prioritisation and Value for Money)

27. The supplementary budget made a number of allocations to Invest to Save projects including projects in the NHS, Natural Resources Wales and investment in LED lighting on motorways and trunk roads.

28. The Committee questioned the Minister about the savings made through these schemes, and particularly how the money saved through health projects was reinvested into health care. The Minister committed to provide a written response to these questions which will be made available online on the Committee's webpages.⁷

⁷ Finance Committee, [Welsh Government Budget 2015-16](#)

3. Public Service Ombudsman Wales Supplementary Budget

29. The Committee considered the Public Service Ombudsman for Wales (PSOW) supplementary budget on 3 December 2015.

30. The supplementary budget dealt with the resources needed for:

- dilapidation provisions associated with the building at Bocam Park;
- capital fit out costs of additional space at Bocam Park.

The Committee were content with the supplementary budget produced by the PSOW.

Annexe - Witnesses

The following witnesses provided oral evidence to the Committee on the date noted below. A transcript of the oral evidence session can be viewed in full at

www.senedd.assembly.wales/documents/s49325/24%20February%202016.pdf

Name

Organisation

Wednesday 24 February 2016

Jane Hutt AM	Minister for Finance and Government Business
Margaret Davies	Head of Budget Delivery
Jeff Andrews	Specialist Policy Advisor
Matt Denham-Jones	Deputy Director of Financial Controls