



Llywodraeth Cymru
Welsh Government

Welsh Government

Supplementary Budget 2019-2020

Explanatory Note

February 2020

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1. Introduction

- 1.1** The Welsh Government today tabled the second supplementary budget for 2019-20 in accordance with Standing Order 20. This supplementary budget proposes changes to the first supplementary budget for 2019-20 as approved by the National Assembly for Wales ('the Assembly') on 9 July 2019.
- 1.2** This supplementary budget regularises a number of allocations to and from reserves and transfers within and between portfolios. It includes adjustments to the Wales budget to reflect revised forecasts of devolved tax revenues; plans to borrow; transfers and consequentials received in the UK Government's Supplementary Estimates, 2019; and changes in Annually Managed Expenditure forecasts, in line with the latest details provided to HM Treasury.
- 1.3** The changes proposed in this budget are summarised in the following chapters.
- 1.4** This document supports the detailed 'Budget Expenditure Line (BEL) Tables' available on the Welsh Government's website.

2 Changes to the Wales Budget since the First Supplementary Budget 2019-20

- 2.1** There are a number of changes which reflect revisions since the first supplementary budget 2019-20 was agreed by the Assembly on 9 July 2019. The changes comprise adjustments to resource and capital baselines, transfers between ministerial portfolios and allocations from Reserves.
- 2.2** The supplementary budget builds on the allocations set out in the draft and final budget 2019-20 to progress the commitments in the National Strategy: Prosperity for All incorporating the objectives under the Well-being of Future Generations (Wales) Act.
- 2.3** In late January, the UK Government confirmed both positive and negative adjustments to our budget for 2019-20, which includes a reduction of £(106,023)k Financial Transactions Capital. We do not accept the rationale for these changes and will continue to press the UK Government for further clarity on the changes at a UK level that result in consequential reductions. However, we have agreed we will absorb the Financial Transactions reductions this year which is prudent financial management in the circumstances.

Tables 2.1 to 2.3 set out the net impact of all the changes and table 2.4 summarises the total allocations by MEG in this supplementary budget.

Table 2.1 – Sources of Finance for Welsh Government

COMPONENTS OF WELSH GOVERNMENT FINANCING	2019-20 Supplementary Budget June 2019	2019-20 Changes	2019-20 Supplementary Budget New Plans February 2020
	£000s	£000s	£000s
RESOURCE FINANCING			
Departmental Expenditure Limit (DEL):			
Fiscal	12,000,169	17,175	12,017,344
Non-Fiscal	690,064	285,065	975,129
Drawdown from the Wales Reserve	125,000	0	125,000
Annually Managed Expenditure (AME):			
Fiscal	25,094	6,073	31,167
Non-Fiscal	69,603	258,699	328,302
Wales Devolved Financing:			
Non Domestic Rates	1,061,000	0	1,061,000
Welsh Rate of Income Tax	2,059,000	0	2,059,000
Land Transaction Tax	256,000	3,819	259,819
Landfill Disposals Tax	43,000	-5,000	38,000
Principal repayment of borrowing	-1,228	0	-1,228
TOTAL RESOURCE FINANCING	16,327,702	565,831	16,893,533
CAPITAL FINANCING			
Departmental Expenditure Limit (DEL):			
General	1,844,956	88,757	1,933,713
Financial Transactions	300,219	-16,023	284,196
Drawdown from the Wales Reserve	0	8,433	8,433
Annually Managed Expenditure (AME):			
Capital	774,302	82,626	856,928
Wales Devolved Financing:			
Borrowing	125,000	-125,000	0
TOTAL CAPITAL FINANCING	3,044,477	38,793	3,083,270
TOTAL WELSH FINANCING	19,372,179	604,624	19,976,803

Table 2.2 – Allocation of the Wales Budget

MAIN EXPENDITURE GROUPS (MEGs)		£000s		
		2019-20 Supplementary Budget June 2019	2019-20 Changes	2019-20 Supplementary Budget New Plans February 2020
Health and Social Services		8,495,236	320,938	8,816,174
Housing and Local Government		5,607,571	106,726	5,714,297
Economy and Transport		1,353,374	97,893	1,451,267
Education		2,379,562	512,695	2,892,257
International Relations and the Welsh Language		179,767	7,730	187,497
Environment, Energy and Rural Affairs		300,840	-2,936	297,904
Central Services and Administration		358,913	28,533	387,446
Total Allocation to Welsh Government MEGs		18,675,263	1,071,579	19,746,842
Unallocated Resource	Fiscal Resource	178,355	-80,164	98,191
	Non-Fiscal Resource	155,838	-143,728	12,110
Unallocated Capital	General	100,423	-96,357	4,066
	Financial Transactions	190,743	-146,371	44,372
Assembly Commission *		57,988	-350	57,638
Public Services Ombudsman for Wales		4,954	0	4,954
Wales Audit Office		7,878	0	7,878
Direct Charges to the Welsh Consolidated Fund		737	15	752
TOTAL WELSH BUDGET		19,372,179	604,624	19,976,803

Notes:

* A supplementary budget for 2019-20 will be considered by the Finance Committee on 6th February 2020. It reports a decrease of £500k in its fiscal resource requirements and an increase of £150k in its resource AME requirement.

Table 2.3 – Changes to the Welsh Government MEG Resource Allocations

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	FISCAL			NON-FISCAL		
	2019-20 Supplementary Budget June 2019	2019-20 Changes	2019-20 Supplementary Budget New Plans February 2020	2019-20 Supplementary Budget June 2019	2019-20 Changes	2019-20 Supplementary Budget New Plans February 2020
Health and Social Services	7,811,040	33,863	7,844,903	190,000	15,500	205,500
Housing and Local Government	3,844,001	1,050	3,845,051	200	0	200
Economy and Transport	519,770	7,255	527,025	190,000	63,232	253,232
Education	1,403,699	21,386	1,425,085	107,154	352,146	459,300
International Relations and the Welsh Language	154,894	1,758	156,652	6,677	1,025	7,702
Environment, Energy and Rural Affairs	189,704	-3,049	186,655	21,675	-4,000	17,675
Central Services and Administration	313,698	34,380	348,078	16,000	890	16,890
Total Allocation to Welsh Government MEGs	14,236,806	96,643	14,333,449	531,706	428,793	960,499

Table 2.4 – Changes to the Welsh Government MEG Capital Allocations

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	GENERAL CAPITAL			FINANCIAL TRANSACTIONS		
	2019-20 Supplementary Budget June 2019	2019-20 Changes	2019-20 Supplementary Budget New Plans February 2020	2019-20 Supplementary Budget June 2019	2019-20 Changes	2019-20 Supplementary Budget New Plans February 2020
Health and Social Services	369,096	57,856	426,952	4,000	-4,000	0
Housing and Local Government	604,639	40,310	644,949	72,637	57,760	130,397
Economy and Transport	547,817	-45,831	501,986	33,350	60,237	93,587
Education	218,442	19,600	238,042	-191	10,640	10,449
International Relations and the Welsh Language	15,503	5,017	20,520	-320	-70	-390
Environment, Energy and Rural Affairs	87,061	2,832	89,893	0	1,281	1,281
Central Services and Administration	26,238	-11,237	15,001	0	4,500	4,500
Total Allocation to Welsh Government MEGs	1,868,796	68,547	1,937,343	109,476	130,348	239,824

2.4 An overview of the changes to the sources of finance are provided below and details of transfers between ministerial portfolios and allocations from Reserves can be found in sections 4 and 6 respectively.

Adjustments to Sources of Finance

Fiscal Resource

2.5 The Fiscal Resource baseline has increased by a net amount of £17,175k since the first supplementary budget and includes the following:

- A net increase of £46,891k as a result of consequential and other allocations received from the UK Government which include;
 - An increase of £39,776k in relation to the UK's exit from the EU;
 - An increase of £3,807k for the management of EU structural funds: and
 - An increase of £2,028k in respect of the Coastal Communities Fund;
- An increase of £27,880k from HM Treasury in respect of the increase costs of personal injury claims as a result of changes in the discount rate;
- A net decrease of £(55,589)k as a result of transfers with other government departments including:
 - A transfer out of £(71,800)k to the Department for Transport in respect of the new rail franchise access charge adjustment;
 - An increase of £10,369k in respect of the Immigration Health Surcharge transfer in from the Home Office; and
 - An increase of £3,300k in respect of a transfer from the Ministry of Justice in respect of 'Offender Learning' at HMP Berwyn;
- A net decrease of £(11,275)k as a result of 3 budget switches, comprising:

- A decrease of £(49,256)k as a result of a resource to general capital switch in respect of the reclassification of research and development;
- An increase of £71,800k as a result of a general capital to resource switch to cover the transfer to the Department for Transport in respect of the new rail franchise access charge adjustment; and
- A decrease of £(33,819)k as a result of a resource to general capital switch in respect of the Land Transaction Tax liability on the purchase of the Core Valley Line; and
- A net increase of £9,268k as a result of revisions to the Block Grant Adjustment.

Non-Fiscal Resource

2.6 The non-fiscal resource baseline has increased by £285,065k since the first supplementary budget due to an additional allocation from HM Treasury to meet increased charges in respect of student loans.

Wales Devolved Financing

2.7 There is a total net decrease of £1,181k to the forecasts of devolved tax revenues. As published, and independently scrutinised, alongside the draft budget 2020-21, forecast revenues from Land Transaction Tax have decreased by £30,000k and forecast revenues from Landfill Disposals Tax have decreased by £5,000k. An additional £33,819k has been included to reflect the Land Transaction Tax liability in respect of the purchase of the Core Valley Line.

General Capital

2.8 The general capital baseline has increased by £88,757k since the first supplementary budget and includes the following:

- An increase of £72,605k as a result of consequential and other allocations from the UK Government;

- A net increase of £11,275k as a result of 3 budget switches between Fiscal Resource and General Capital as detailed in paragraph 2.4; and
- A net increase of £4,877k as a result of transfers with other government departments comprising two transfers in from the Department for Business, Energy and Industrial Strategy (BEIS). £2,832k in respect of Energy Efficiency and £2,045k in respect of the National Productivity Investment Fund.

Financial Transaction Capital

2.9 The financial transaction capital baseline has decreased by a net amount of £(16,023)k since the first supplementary budget. This includes a reduction of £(106,023)k as notified by the UK Government in late January, as part of the UK supplementary estimates.

Drawdown from the Wales Reserve

2.10 £8,433k has been drawn from the Wales Reserve to finance general capital expenditure.

Borrowing for capital purposes

2.11 The removal of £125,000k capital borrowing, reflecting the greater use of conventional capital to fund capital expenditure plans.

AME Financing

2.12 Adjustments to AME financing and expenditure are detailed in Chapter 7.

Table 2.5 – Summary of the Welsh Government MEG Total Allocations

2019-20 TOTAL MEG ALLOCATIONS as per SUPPLEMENTARY BUDGET										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Health and Social Services	7,844,903	205,500	8,050,403	426,952	0	426,952	338,819	0	338,819	8,816,174
Housing and Local Government	3,845,051	200	3,845,251	644,949	130,397	775,346	1,093,700	0	1,093,700	5,714,297
Economy and Transport	527,025	253,232	780,257	501,986	93,587	595,573	75,437	0	75,437	1,451,267
Education	1,425,085	459,300	1,884,385	238,042	10,449	248,491	-97,547	856,928	759,381	2,892,257
International Relations and the Welsh Language	156,652	7,702	164,354	20,520	-390	20,130	3,013	0	3,013	187,497
Environment, Energy and Rural Affairs	186,655	17,675	204,330	89,893	1,281	91,174	2,400	0	2,400	297,904
Central Services and Administration	348,078	16,890	364,968	15,001	4,500	19,501	2,977	0	2,977	387,446
TOTAL ALLOCATIONS TO WELSH GOVERNMENT MEGs	14,333,449	960,499	15,293,948	1,937,343	239,824	2,177,167	1,418,799	856,928	2,275,727	19,746,842

3. Government Priorities and Well-Being of Future Generations Act – Key Allocations from Reserves¹

3.1 This supplementary budget proposes changes to the first supplementary budget for 2019-20 which was approved by the Assembly on 9 July 2019. It is the final opportunity to adjust budgets prior to the end of the financial year. Supplementary budgets build on the spending and delivery plans set out and scrutinised within the draft and final Budgets of 2019-20. This second supplementary budget for 2019-20 reflects changes of £1.07bn to the £18.7bn of spending plans agreed in the final budget and first supplementary budget. Many of the allocation decisions set out in this supplementary budget continue to deliver on the strategic objectives and priorities set out in those budgets.

3.2 The Well-being of Future Generations Act (WFGA) continues to provide the foundation that guides our budget process. The budget continues to underpin the delivery of the Programme for Government, Taking Wales Forward and the National Strategy *Prosperity for All*. Our spending plans have been shaped by eight cross-cutting priority areas of early years, social care, housing, employability and skills, better mental health, decarbonisation, poverty and biodiversity. These are the eight areas where together we can have the greatest impact over the longer term and which best contribute to preventing problems occurring or getting worse in the future towards delivery of our well-being objectives.

Budget Improvement Plan

3.3 The Budget Improvement Plan was published as part of the Draft Budget 2020-21. This builds on the journey checker developed by the Future Generations Commissioner, and sets out how we intend to change and improve the way we allocate funding for a more equal, prosperous and greener Wales. In line with the plan, we have developed this explanatory

¹ Figures in this section have been rounded to one decimal place.

note to provide a more comprehensive account of significant allocations made from the reserves. Many of these allocations reflect announcements previously made by Welsh Government during the course of the year.

Childcare Offer

3.4 Prosperity for All identified the role that the childcare sector plays in the social development of Wales. The Childcare Offer is a primary driver of change for the childcare sector. An allocation of £12m has been made to the existing Childcare Offer budget which will enable those families to continue receiving the benefits of the Offer and enable more families to access provision across Wales. Evidence has shown that the provision of affordable, accessible quality early years provision, available at the times parents need it plays an important role in the expansion of the economy, helping parents, especially mothers, to return to work. High-quality early education and childcare also produces greater long-term benefits for our children and strongly influences their life chances in the future. The evidence is clear that well-paid work is the best route out of poverty, and the greatest protection against poverty. *The Evaluation of the early implementation of the Childcare Offer: year two*² published before Christmas shows 84% of parents using the Offer have more disposable income, 57% feel work related decisions are more flexible, there are 45% more opportunities for more training, learning and development and 65% of childcare providers were of the view that the Offer had improved the sustainability of their setting. By supporting working families, the Offer makes it easier for parents to take up and retain employment.

The Offer was developed in accordance with the five ways of working established by the WFGA. Undertaking widespread engagement with parents and providers ensured the Offer was developed in an integrated

² <https://gov.wales/sites/default/files/statistics-and-research/2019-12/evaluation-of-the-early-implementation-of-the-childcare-offer-for-wales-year-two.pdf>

and collaborative way, allowing us to highlight risks, issues and barriers and address them constructively; this in turn ensured we developed an Offer that is sustainable in the long term.

Teachers' Pay Award

3.5 *Education in Wales: Our National Mission Action plan 2017-21* is designed to support the delivery of “Ambitious and Learning”, one of the key themes of *Prosperity for All*, and a key action in *Our National Mission* is to develop a new “made in Wales” teachers’ pay and conditions framework, enshrining a national approach to professional learning and standards. The implementation of this supports and looks to benefit young people in Wales by ensuring that we are addressing those issues relevant to the teaching profession in Wales, to maintain the highest quality of teachers within the profession and supporting them to deliver excellent teaching and learning in Wales. In this Supplementary Budget we have allocated £12.9m to support the costs of the 2019-20 teachers’ pay award, including sixth forms, to support a 2.75% pay rise for school teachers and 5% for newly qualified teachers. This funding will be allocated as a specific grant from the Education MEG. Our collaborative approach to establishing a ‘Wales specific’ pay and conditions system with key stakeholders demonstrates our commitment to the principles of the WFGA.

Second Capital Investment Package

3.6 On 4 November 2019 a further injection of funding for key capital investments was announced to provide further confidence in Wales and certainty for Welsh businesses and the public sector as well as taking another step towards maximising the Welsh Government’s capital levers to deliver a greener Wales. This second supplementary budget sees allocations made of £108m additional capital including £33m to support businesses in the face of Brexit and additional funding for a range of projects including housing schemes, support for active travel,

maintenance of schools and colleges, support for the environment including the National Parks and a community asset loan fund to help make community facilities sustainable for the future.

Increased Capital Investments for Schools and Colleges

3.7 In addition to the allocation from the capital investment package referred to above, a further allocation has been made in this budget to supplement the 21st Century Schools and Colleges programme. £10.6m has been allocated to develop a state of the art Science, Technology, Engineering, Art and Mathematics (STEAM) Academy at Bridgend.

While the programme has direct links to one of the key themes of *Ambitious and Learning in Prosperity for All* where the commitment to £2billion investment in school and college buildings sit, it is anticipated that the wider benefits of the programme will also contribute to *Healthy and Active* through the provision of high quality sports facilities which will benefit pupils and the wider community; *Prosperous and Secure* through job creation and training and the provision of efficient and sustainable assets and *United and Connected* through support for Welsh medium education and Learning in Digital Wales which is funded through the programme.

The programme is co-constructed with partners in local authorities and Further Education institutions and all projects are supported by robust business cases. The WFGA is considered as part of the business case process that examines strategic alignment, value for money, commercial practicalities, affordability and deliverability.

Swansea Bay Region City Deal

3.8 £18m general capital has been released from reserves having previously been allocated for the Swansea Bay City Deal as the initial contribution towards the delivery of a 15-year programme of investment to generate

sustainable economic growth in the region. The Economic Action Plan places the development of regional approaches to tackle structural inequalities as one of its four key principles. By their design, city and growth deals align with the sustainable development principle in the WFGA as, at their heart, is an integrated long-term vision developed by the region, for the region. In delivering the Deal, the regional partners – led by the local authorities - need to collaborate together, involving a network of regional stakeholders to address the challenges of the past and present, in a way that prepares the economy of the region for the future. During the development of governance arrangements for the Deal, the region engaged with the Future Generations Commissioner for Wales to ensure its proposals reflect the long-term focus of the WFGA.

Cardiff Capital Region Deal

3.9 We are committed to support the Cardiff Capital Region bid for a Housing Investment Fund and an allocation of £10m Financial Transaction capital and £5m general capital, has been allocated for this purpose. It will support delivery of a ten year Programme to unlock sites for housing development across South East Wales. The Programme proposed to prioritise sites which will deliver the greatest economic value, improving accessibility between workers and jobs. The Programme will see the Region working closely with local authority partners to identify their priority sites, and deliver economic benefits to the Region.

Capital Investment in Housing

3.10 Housing makes a significant contribution to the quality of life and economic well-being of individuals and families, contributing to tackling poverty and is one of our six cross cutting priority areas of Prosperity for All. We want everyone to live in a home that meets their needs and supports a healthy, successful and prosperous life. Good-quality homes are the bedrock of good communities and form the basis for individuals and families to flourish in all aspects of their lives.

This budget continues to support our commitment to provide 20,000 affordable homes with an additional allocation of £17.8m financial transactional capital to Help to Buy and Property Loan funding, in addition to the allocations made as part of the second capital investment package, and the allocation of an additional £6m general capital to the Social Housing Grant programme which plays a critical role in increasing the supply of both social and intermediate housing.

Our investments in housing also ensure that existing and new housing improves energy efficiency, help reduce fuel poverty and improve physical and mental health outcomes. The UK Committee on Climate Change has identified housing and domestic heat as important areas in which governments must deliver firm plans in order to meet decarbonisation targets.

Invest to Save Social Investment Fund

3.11 *Prosperity for All's United and Connected: Build resilient communities, culture and language* priority recognises that the strongest communities have people who want to step forward to get things done. An allocation of £3.5m has been made to a new joint project between the Welsh Government and Social Investment Cymru at Wales Council for Voluntary Action to provide loan funding to incorporated third sector organisations.

The Social Investment Fund is intended to support more innovative projects brought forward by the third sector in Wales. While the type of proposals that will be presented is not yet known, they are expected to have a clear alignment with the Well-Being of Future Generations Act, given the experience of operating similar funds. The criteria for applications will align with the Act's five ways of working.

Improving and Investing in our Transport

3.12 It is widely accepted that some groups with protected characteristics are more likely to rely on public transport and active travel to access jobs and services because of age, poverty, health or because they are disabled. Improvements in the access to, availability, safety and cost of public transport should play a key role in the long-term in reducing disadvantage to protected groups. The second capital investment package included an investment of £14.5m supporting 66 active travel schemes, improving and creating active travel routes and facilities in Wales, as part of efforts to encourage more people to walk and cycle.

Our aim is to increase the number of people using public transport by encouraging travellers to switch from private car use, thereby reducing congestion, carbon emissions and improving air quality and economic performance.

In assessing spend, we have also considered the wider benefits of investments that go beyond solely decarbonisation, which can often be a secondary benefit rather than the sole purpose. For example, the decarbonisation impact of active travel is largely dependent on an overall modal shift from road transportation. However, the promotion of active travel, and the provision of active travel infrastructure also allows for the delivery of wider health benefits.

Cardiff Airport

3.13 Additional financial transaction capital funding of £21.2m, to support an extended loan facility for Cardiff Airport (of which £16.8m is in respect of 2019-20) was announced by the Minister for Economy and Transport in October 2019. This funding will help support its ambitious plans for the future by undertaking further investment in the airport facility. The Minister for Transport also confirmed that the Wales Transport Strategy would be refreshed in which the airport will play a pivotal role in

delivering the high quality, multi-modal, low carbon and integrated transport network for Wales.

Implementing South East Wales Transport Commission Recommendations

3.14 Allocations of £8.2m revenue and £1.9m general capital have been made available in this budget to support the M4 Corridor project recommendations for fast track, motorway-focused measures designed to make an immediate impact on traffic flow. The outcome of the Commission's work will help to deliver modern and connected infrastructure.

As well as reflecting the importance we place on supporting a more prosperous Wales we are also delivering a more greener Wales. The UK Committee on Climate Change (UKCCC), our statutory advisor on climate change has advised that emissions in Wales must be reduced by 95 per cent by 2050 compared to 1990 levels in order for the UK to reach net zero emissions as decarbonisation of road transport is essential to delivering a net zero target.

The measures recommended by the Commission also provide wider benefits as a result of smoother traffic flow which include supporting reduced CO2 emissions and improved air quality.

Micro Business Loan Fund

3.15 The Economic Action Plan is the guiding policy and strategy document for all of our activities across the economy. At the heart of the Plan are the twin aims of reducing inequality and spreading prosperity, embodied by the economic contract and a place-based approach to economic development. It recognises regional variations in wealth and well-being, and recognises that different parts of Wales have different opportunities and challenges.

£6m has been allocated for micro business loans delivered through the Development Bank of Wales (DBW). Launched in October 2017, the DBW is a core component of our economic policy and delivery in support of businesses. The additional allocation will support the DBW's remit to improve Small and Medium Enterprises' ability to access finance, in order to start-up, to strengthen and grow, thereby supporting job creation and safeguarding, which will allow people to take advantage of the wealth generated through securing or remaining in decent work.

The DBW is committed to the long-term, integrated and collaborative approach to investment, involving people of all demographics for sustainable growth in Wales.

European Transition Fund

3.16 This budget sees a further allocation of £3.5m revenue, £2.5m general capital and £5m financial transaction capital from the European Transition Fund for a number of projects (details of which are set out in Chapter 6, table 6.1) announced in January 2018 as part of Welsh Government's Brexit plans and designed to help private, public and third sector organisations prepare for Brexit and the significant changes associated with leaving the European Union. The ways of working set out in WFGA are employed in the development of proposals, and engagement and consultation with stakeholder organisations is part of the process. The proposals have to clearly identify and are evaluated on how they contribute to Welsh Government's strategic priorities.

Digital Investment in Welsh Revenue Authority

3.17 An allocation of £0.5m has been made to WRA to support the development of the tax authority's digital requirements in relation to the collection and management of devolved taxes. The investment will support improved services that contribute to the delivery of their strategic

objectives, including helping people to pay the right amount of tax at the right time.

Other Key Allocations from Reserves

3.18 By their nature supplementary budgets are also focused on the pressures and opportunities that emerge during the financial year. Not all will have arisen as a result of the Welsh Government's strategic objectives, but may require the Welsh Government's intervention with a resulting impact on the budget. Examples of these are set out below.

Brexit Related Resource Pressures

3.19 Brexit has created additional pressures on resources within Welsh Government and activities being undertaken include contingency planning, negotiating future partnerships preparing for the exercise of new powers and managing legislation. An allocation of £19.9m has been made in this budget to support this.

Additional Pressures and Priorities in Health and Social Services

3.20 £17.3m has been allocated to the Health and Social Services MEG to meet priorities and pressures that have arisen during 2019-20. This includes the repayment of funding set aside from the MEG in 2018-19 to purchase the warehouse to store health and social care supplies as part of Brexit preparations. This funding has been used to support a number of priorities that have arisen during the year within the MEG. It also includes £5m to address a shortfall of funding from the Pharmaceutical Pricing Regulation Scheme (PPRS).

Winter Pressures on Health and Social Care Services

3.21 December 2019 saw record high demand on the ambulance service and emergency departments and record numbers of emergency admissions for over 75 year olds. While there has been a welcome reduction in delayed transfers of care, in this supplementary budget we are making a

further £10m funding available to add to the £30m previously allocated from within the Health and Social Services MEG and this funding will be allocated to address delays in the transfer of care, enabling Health Boards and their partners to work together to improve the flow of patients through the hospital system and out into the community.

Bovine TB Eradication Programme

3.22 The Welsh Government has a statutory requirement to pay Bovine TB compensation which is financed from a demand led budget and therefore difficult to forecast, and an allocation of £6.4m has been made to address the pressure within the budget in 2019-20.

The investment in animal disease eradication programmes are preventative in nature. For example, the ultimate outcome of the TB Eradication Programme is the successful eradication of bovine TB, which will bring with it a reduction on eradication spend and compensation spend as well as a reduction to the consequential losses faced by the industry, thereby boosting the Welsh economy.

4. Transfers between Ministerial Portfolios

4.1 This section details the transfers of £1,000k and above which have taken place between MEGs.

Fiscal Resource

4.2 Fiscal resource transfers totalling £22,909k have taken place between MEGs and these include:

- A net transfer of £177k to the Central Services and Administration MEG in relation to Invest-to-Save, including:
 - A net transfer of £(2,632)k to Health and Social Services;
 - £2,010k from Housing and Local Government; and
 - £1,080k from Education;
- £3,700k from Housing and Local Government to Education for the early identification and intervention for the prevention of youth homelessness, via education; and
- £1,050k from Health and Social Services to Education due to the extension of the NHS Wales Bursary arrangements for students electing to study health related subjects in Wales.

General Capital

4.3 General capital transfers totalling £16,457k have taken place between MEGs and these include:

- £3,862k from Central Administration and Services to Health and Social Services in respect of Invest-to-Save;
- £3,200k from Economy and Transport to International Relations and the Welsh Language in respect of 'Surf Snowdonia';
- £2,670k from Central Services and Administration to Housing and Local Government to utilise an underspend in support of the Empty Homes housing project;

- £2,500k from Central Services and Administration to Economy and Transport relating to the part repayment of £4,000k transferred in 2018-19 in respect of the purchase of IT equipment;
- £1,858k from Housing and Local Government to Health and Social Services in respect of the Integrated Care Fund; and
- £1,700k from Housing and Local Government to International Relations and the Welsh Language in respect of tourism and the 'Attractor Destination' project.

5. Transfers within Ministerial Portfolios

5.1 In addition to the transfers between Ministerial Portfolios detailed in section 4 there are a number of transfers between BELs within the same portfolios which are included within the published BEL Tables. These are generally administrative in nature and have no net effect on the individual MEG totals.

Health and Social Services MEG

5.2 Multiple resource transfers between BELs have taken place within the Health and Social Services MEG to correctly align the allocations made to Local Health Boards and to fund specific commitments. Included in these transfers were the following movements over £1,000k:

- £11,286k transferred from the Core NHS Allocation BEL into the Other Direct NHS Allocations BEL in respect of General Medical Practice Indemnity; and
- £1,300k transferred from the Sustainable Social Services BEL to the Social Care Wales BEL to provide additional funding to support the body in its work to drive and lead service improvement across the social care sector.

Housing and Local Government MEG

5.3 Multiple resource and capital transfers between BELs have taken place within the Housing and Local Government MEG. These comprise:

- £1,000k resource transferred from the Homelessness BEL to the Children and Communities BEL to strengthen the availability of direct financial support to care leavers to support the transition towards sustainable independent living;
- £5,993k capital transferred from the Resource Efficiency and Circular Economy BEL relating to in year underspends which will be repaid in 2020-21, comprising:
 - £2,997k to the Social Housing Grant BEL; and

- £2,996k to the Regeneration BEL; and
- £2,000k capital transferred from the Social Housing Grant BEL to the Regeneration BEL relating to the repayment of funding transferred in 2018-19.

Economy and Transport MEG

5.4 Following a mid-year review multiple resource and capital transfers between BELs have taken place within the Economy and Transport MEG in order to reprioritise budgets. Included in these are the following transfers of £1,000k and over:

- A net transfer out of £2,592k resource from the Business Development BEL including:
 - £2,763k resource from the Regional Economic Development BEL as a result of its merger into the Business Development BEL in order to consolidate business and regional activities;
 - £2,000k to the Business Wales BEL;
 - £2,000k to the Entrepreneurship BEL; and
 - £1,000k to the Tech Valleys BEL.
- £2,800k resource from the Network Asset Management BEL to the Network Operations BEL;
- £1,000k resource from the ICT Infrastructure BEL to the Property Infrastructure BEL;
- A net transfer of £1,200k resource from the Aviation BEL;
- A net transfer of £8,371 capital from the Business Development BEL comprising:
 - £6,100k to the Property Infrastructure BEL;
 - £3,271k financial transaction capital to the Strategic Infrastructure Development BEL; and
 - £1,000k from the Tech Valleys BEL;
- £10,000k from the Transport for Wales BEL to the Network Operations BEL; and

- £6,250k capital from the ICT Infrastructure Operations BEL to the Public Sector Broadband Aggregation BEL.

Education MEG

5.5 Multiple resource transfers between BELs have taken place within the Education MEG in order to reprioritise funding. Included in these transfers were the following movements over £1,000k:

- £16,380k from the Student Support Grant BEL to the HEFCW Programme Expenditure BEL comprising:
 - £15,000k to support ministerial commitments on the Diamond Review; and
 - £1,380k to support post graduate incentives scheme and bursary scheme for Masters students aged 60+; and
- £1,650k from the Welsh in Education BEL to the Teacher Development and Support BEL as a result of the transfer of responsibilities for the Welsh Language Practitioner Training.

International Relations and the Welsh Language MEG

5.6 There were a small number of low value transfers between BELs within the International Relations and the Welsh Language MEG in order to reprioritise budgets.

In addition there was one capital transfer of £1,000k from the National Library of Wales BEL to the Tourism BEL in order to accelerate tourism projects.

Environment, Energy and Rural Affairs MEG

5.7 Multiple resource and capital transfers between BELs have taken place within the Environment, Energy and Rural Affairs MEG. Included in these transfers were the following movements over £1,000k:

- The transfer of £8,500k capital into the Fuel Poverty Programme BEL in respect of the Warm Homes Scheme consisting of:

- £4,200k from the Flood Risk Management and Water Revenue BEL;
- £2,700k from the Rural Development Plan 2014-20 BEL; and
- £1,600k from the Radioactivity and Pollution Prevention BEL; and
- The transfer of £5,748k non-fiscal resource from the Common Agriculture Policy BEL, £4,948k of which transferred to the Single Payment Scheme Administration BEL.

Central Services and Administration MEG

5.8 Multiple resource and capital transfers between BELs have taken place within the Central Services and Administration MEG in order to reprioritise funding. These include the following movements over £1,000k:

- A net transfer in of £2,665k resource to the Staff Costs BEL, including £2,638k transferred from the IT Costs BEL in respect of the Transfer of Undertakings (Protection and Employment) Regulations 2006 (TUPE);
- £1,576k resource from the Enabling Government BEL; and
- £3,512k capital from the Gypsy Travellers Sites BEL including:
 - £2,000k to the Female Offending and Youth Justice Blueprints BEL; and
 - £1,417k to the Communities Facilities Programme BEL; and
- £2,114k capital from the Invest to Save Fund Repayment BEL to the Invest to Save BEL.

6. Changes to Reserves

- 6.1** In addition to the baseline and portfolio changes detailed in sections 2 and 4, this supplementary budget contains a number of changes to Reserves.
- 6.2** The key allocations from reserves and how they contribute towards the Welsh Government's priorities and the Well Being of Future Generations Act is covered in section 3.

This section details all transfers of £1,000k and above and table 6.1 at the end of the section lists all transfers to and from Reserves.

Allocations from Fiscal Resource Reserves

- 6.3** The following allocations have been made from fiscal resource reserves:
- Health and Social Services:
 - £28,449k to the Other Direct NHS Allocations BEL including:
 - £27,880k in respect of the increase in personal injury claims as a result of changes in the discount rate;
 - £27,327k to the Core NHS Allocations BEL including:
 - £17,300k to meet in-year priorities and pressures in the NHS; and
 - £10,000k in respect of support for managing winter pressures in social care.
 - £12,000k to the Support for Childcare and Play BEL in respect of the demand led 'Childcare Offer' programme; and
 - £10,419k to the Other NHS Budgets BEL including £10,369k in respect of the Immigration Health Surcharge.

- Housing and Local Government
 - £2,028k to the Regeneration BEL in respect of the Coastal Communities Fund; and
 - £1,700k to the Financial Inclusion BEL to cover the forecast overspend in the demand led Discretionary Assistance Fund.

- Economy and Transport
 - £71,800k to the Transport for Wales BEL as a result of the capital to resource switch in respect of the rail franchise access charge adjustment; and
 - £8,200k to the National Transport Infrastructure BEL in respect of the M4.

- Education:
 - £12,018k to the Teacher Development and Support BEL to fund the additional costs of the teachers' pay award; and
 - £3,300k to the Offender Learning BEL in respect of HMP Berwyn (reflecting the transfer from the Ministry of Justice).

- International Relations and The Welsh Language:
 - £1,200k to the Strategic Leadership for Museum Archive and Library Service BEL to cover increased pay and pension costs.

- Environment, Energy and Rural Affairs:
 - £6,400k to the TB Slaughter Payments, Costs and Receipts BEL in respect of demand led pressures relating to TB Eradication.

- Central Services and Administration:
 - £19,862k to the Central EU Transition Costs BEL in respect of the increased costs of resourcing Brexit;
 - £3,000k to the Matched Funding BEL in respect of EU structural funds;

- £2,988k to the Invest to Save BEL in respect of a capital to resource switch;
 - £2,040k to the Devolved Taxes BEL in respect of the residual implementation costs of the Welsh Rate of Income Tax;
 - £1,375k to the Equality and Prosperity BEL including £1,123k in respect of Tampon Tax funding; and
 - £1,000k to the National Procurement Services BEL in respect of running costs.
- Details of other fiscal resource transfers from Reserves relating to EU transitional funds can be found in table 6.1 below.

Transfers to Fiscal Resource Reserves

6.4 The following transfers have been made to fiscal resource reserves:

- Health and Social Services:
 - £(42,075)k from the Research and Development BEL in respect of the resource to capital switch regarding the reclassification of R&D expenditure; and
 - £(1,661)k from the Core NHS Allocations BEL relating to the repayment from Cardiff and Vale HB of the funding provided in 2018-19 for the purchase of Woodlands House.
- Economy and Transport:
 - £(71,800)k from the Transport for Wales BEL to cover the Budget Cover Transfer (BCT) paid to the Department for Transport (DfT) in respect of the Rail Franchise access charge adjustment.
- Environment, Energy and Rural Affairs:
 - £(8,263)k from the Natural Resources Wales BEL in respect of windfarm income.

Allocations from Non Fiscal Resource Reserves

6.5 The following allocations have been made from non fiscal resource reserves:

- Health and Social Services:
 - £15,500k to the Core NHS Allocations BEL in respect of additional non fiscal cover for depreciation, stock write-off and impairment charges within the NHS.

- Economy and Transport:
 - £60,589k to the Network Operations BEL comprising:
 - £43,000k in respect of the impairment provision for the M4; and
 - £17,589k in respect of additional maintenance and depreciation cover for the roads network;
 - £1,191k to the ICT Infrastructure Operations BEL in respect of additional depreciation costs relating to Fibrespeed and
 - £1,452k in respect of Careers Wales additional non-fiscal requirement.

- Education:
 - £352,146k to the Student Loans Resource Budget Provision BEL including £351,952k in respect of additional non fiscal requirement to meet increased RAB and stock charges and the partial cancellation policy in respect of student loans:

Transfers to Non Fiscal Resource Reserves

6.6 The following transfer was made to non fiscal resource reserves:

- Environment, Energy and Rural Affairs
 - £(4,000)k from the Single Payment Scheme Administration BEL due to a reduction in the in-year non fiscal resource requirement.

Allocations from General Capital Reserves

6.7 The following allocations made from general capital reserves include the regularisation of previous announcements:

- Health and Social Services
 - £42,075k to the Research and Development BEL in respect of the resource to capital switch regarding the reclassification of R&D expenditure; and
 - £10,000k to the Core NHS Allocations BEL in respect of additional support for NHS Bodies.

- Housing and Local Government:
 - £18,000k to the City and Growth Deals BEL in respect of the Swansea City Deal;
 - £9,000k to the Help to Buy and Other Schemes BEL comprising:
 - £6,000k in respect of the Social Housing Grant; and
 - £3,000k in respect of the Physical Adaptation Grant.
 - £9,000k to the Regeneration BEL comprising:
 - £5,000k in respect of the Cardiff City Deal; and
 - £4,000k in respect of the Empty Homes Fund.
 - £3,948k to the Landscape and Outdoor Recreation BEL in respect of funding for National Park Authorities; and
 - £1,250k from the European Transition Fund for tackling food poverty and addressing food insecurities.

- Economy and Transport:
 - £33,819k to the Transport for Wales BEL in respect of the Core Valley Line land transaction tax adjustment;
 - £14,500k to the Sustainable and Active Travel BEL in support of active travel schemes;
 - £4,700k to the Network Operations BEL including:

- £2,500k in respect of transport improvements to the M4 Junction 48 at Hendy; and
 - £2,000k in respect of the A55 Resilience project;
 - £1,900k to the National Transport Infrastructure BEL in respect of the M4; and
 - £1,000k from the European Transition Fund for Brexit resilience.
- Education:
 - £20,000k to the Education Infrastructure BEL in respect of part of the second capital investment package for the maintenance of schools and colleges.
- Environment, Energy and Rural Affairs:
 - £2,832k to the Green Growth Wales BEL in respect of funding received from BEIS relating to the Energy Efficiency Strategy.
- Details of other general capital transfers from Reserves relating to EU transitional funds can be found in table 6.1 below.

Transfers to General Capital Reserves

6.8 The following transfers have been made to general capital reserves:

- Economy and Transport:
 - £(71,800)k capital to resource switch from the Transport for Wales BEL in respect of the rail franchise access charge adjustment;
 - £(19,100)k in respect of underspends comprising:
 - £(16,000)k from the National Transport Infrastructure BEL;
 - £(10,000)k from the Business Development BEL;
 - £(2,100)k from the Tech Valleys BEL and
 - £(1,000)k from the Valleys Task Force BEL.

- Central Services and Administration:
 - £(2,988)k from the Invest to Save BEL in respect of a capital to resource switch.

Allocations from Financial Transaction Capital Reserves

6.9 The following allocations have been made from financial transaction capital reserves:

- Housing and Local Government:
 - £35,010k to the Help to Buy Wales Fund and Other Schemes BEL including:
 - £20,000k in respect of Help to Buy; and
 - £15,000k in respect of property loans;
 - £12,750k to the Regeneration BEL comprising:
 - £10,000k in respect of the Cardiff City Deal; and
 - £2,750k in respect of property loans; and
 - £10,000k to the Social Housing Grants BEL in respect of Modular factories investment.

- Economy and Transport:
 - £40,000k to the Business Finance Funds comprising:
 - £25,000k in respect of the Wales Flexible Investment Fund;
 - £6,000k in respect of the Micro Business Loan Fund;
 - £5,000k from the European Transition Fund for Brexit resilience; and
 - £4,000k in respect of the Wales Rescue and Restructuring Fund;
 - £16,400k to the Aviation BEL in respect of finance for Cardiff Airport; and
 - A net transfer of £3,837k to the Business Development BEL including £4,000k in respect of Repayable funds for SMEs.

- Education:
 - £10,640k to the Education Infrastructure BEL in respect of the Science, Technology, Engineering, Art and Mathematics Academy (STEAM), Bridgend College.

- Environment, Energy and Rural Affairs:
 - £1,281k to the Decarbonisation and Energy BEL in respect of Local Energy Service.

- Central Services and Administration:
 - £3,500k to the Invest to Save BEL in respect of the Social Investment Fund; and
 - £1,000k to the Community Facilities Programme in respect of the Community Asset Fund.

Transfers to Financial Transaction Capital Reserves

6.10 The following transfers have been made to financial transaction capital reserves:

- Health and Social Services:
 - £(4,000)k from the Core NHS Allocations BEL in respect of unspent funding.

Table 6.1 below reflects all the movements on Reserves:

Table 6.1 - Changes to the 2019-20 Reserves since First Supplementary Budget and the Movements on Reserves in this Supplementary Budget

	£000s						
	Fiscal Resource	Non-Fiscal Resource	Total Resource	General Capital	Financial Transaction Capital	Total Capital	Total
Reserves at First Supplementary Budget	178,355	155,838	334,193	100,423	190,743	291,166	625,359
Adjustments to Sources of Finance	15,994	285,065	301,059	-27,810	-16,023	-43,833	257,226
Revised Reserves	194,349	440,903	635,252	72,613	174,720	247,333	882,585
Changes:							
HEALTH & SOCIAL SERVICES							
Increase in personal injury claims as a result of changes in discount rate	-27,880	0	-27,880	0	0	0	-27,880
NHS in year priorities and pressures	-17,300	0	-17,300	0	0	0	-17,300
Childcare Offer	-12,000	0	-12,000	0	0	0	-12,000
Immigration Health Surcharge	-10,369	0	-10,369	0	0	0	-10,369
Winter pressures in social care	-10,000	0	-10,000	0	0	0	-10,000
Health innovation fund, individual placement support scheme	-990	0	-990	0	0	0	-990
Contaminated blood	-569	0	-569	0	0	0	-569

European Transition Fund – Promoting family stability and relationship quality	-400	0	-400	0	0	0	-400
European Transition Fund – Farmers and fishers mental health	-60	0	-60	0	0	0	-60
Air Ambulance Service	-27	0	-27	0	0	0	-27
Repayment of funding provided in 2018-19	1,661	0	1,661	539	0	539	2,200
Resource to capital switch in respect of Research and Development	42,075	0	42,075	-42,075	0	-42,075	0
NHS Depreciation, stock write-off and impairment charge	0	-15,500	-15,500	0	0	0	-15,500
NHS Bodies	0	0	0	-10,600	0	-10,600	-10,600
Return of unspent funding	0	0	0	0	4,000	4,000	4,000
HEALTH & SOCIAL SERVICES	-35,859	-15,500	-51,359	-52,136	4,000	-48,136	-99,495
HOUSING & LOCAL GOVERNMENT							
Coastal Communities Fund	-2,028	0	-2,028	0	0	0	-2,028
Discretionary assistance Fund	-1,700	0	-1,700	0	0	0	-1,700
European Transition Fund – Tackling food poverty and addressing food insecurity	-750	0	-750	-1,250	0	-1,250	-2,000
European Transition Fund – Migration impact and response challenge fund for Wales	-250	0	-250	0	0	0	-250

Swansea City Deal	0	0	0	-18,000	0	-18,000	-18,000
Social Housing Grant	0	0	0	-6,000	0	-6,000	-6,000
Cardiff City Deal	0	0	0	-5,000	-10,000	-15,000	-15,000
Empty Homes Fund	0	0	0	-4,000	0	-4,000	-4,000
National Parks	0	0	0	-3,948	0	-3,948	-3,948
Physical Adaptation Grant	0	0	0	-3,000	0	-3,000	-3,000
Help to Buy	0	0	0	0	-20,010	-20,010	-20,010
Property Loans	0	0	0	0	-17,750	-17,750	-17,750
Modular factories investment	0	0	0	0	-10,000	-10,000	-10,000
HOUSING & LOCAL GOVERNMENT	-4,728	0	-4,728	-41,198	-57,760	-98,958	-103,686
ECONOMY & TRANSPORT							
Capital to Resource switch in respect of the rail franchise access charge adjustment	-71,800	0	-71,800	71,800	0	71,800	0
Funding in respect of the M4	-8,200	0	-8,200	-1,900	0	-1,900	-10,100
Brexit resilience fund	-120	0	-120	0	0	0	-120
European Transition Fund – return of underspend	864	0	864	0	0	0	864
Transfer to cover the payment made from reserves to the Department of Transport to cover the rail access charge adjustment	71,800	0	71,800	0	0	0	71,800

M4 Impairment provision	0	-43,000	-43,000	0	0	0	-43,000
Depreciation and maintenance cover for the roads network	0	-17,589	-17,589	0	0	0	-17,589
Careers Wales depreciation cover	0	-1,452	-1,452	0	0	0	-1,452
Fibrespeed depreciation cover	0	-1,191	-1,191	0	0	0	-1,191
Core Valley Line land transaction tax adjustment	0	0	0	-33,819	0	-33,819	-33,819
Active Travel	0	0	0	-14,500	0	-14,500	-14,500
M4 Junction 48 Hendy transport improvements	0	0	0	-2,500	0	-2,500	-2,500
A55 resilience project	0	0	0	-2,000	0	-2,000	-2,000
European Transition Fund – Brexit Resilience Fund	0	0	0	-1,000	-5,000	-6,000	-6,000
Cleddau Bridge	0	0	0	-200	0	-200	-200
In-year underspends	0	0	0	29,100	0	29,100	29,100
Wales Flexible Investment Fund	0	0	0	0	-25,000	-25,000	-25,000
Cardiff Airport Loan Finance	0	0	0	0	-16,400	-16,400	-16,400
Micro Business Loan Fund	0	0	0	0	-6,000	-6,000	-6,000
EFF – Repayable fund for SMEs	0	0	0	0	-4,000	-4,000	-4,000
Wales Rescue and Restructuring	0	0	0	0	-4,000	-4,000	-4,000
FT repayment	0	0	0	0	163	163	163
ECONOMY & TRANSPORT	-7,456	-63,232	-70,688	44,981	-60,237	-15,256	-85,944

EDUCATION							
Teachers' Pay Award	-12,018	0	-12,018	0	0	0	-12,018
Offender learning in respect of HMP Berwyn	-3,300	0	-3,300	0	0	0	-3,300
Teachers' Pay Award – 6 th Forms	-864	0	-864	0	0	0	-864
European Transition Fund – Action Learning pilot scheme, Colegau Cymru	-335	0	-335	0	0	0	-335
Student Loans RAB stock and partial cancellations	0	-351,952	-351,952	0	0	0	-351,952
Medical expansion programme in Wales	0	-194	-194	0	0	0	-194
Part of Second Capital Investment package for the maintenance of schools and colleges	0	0	0	-20,000	0	-20,000	-20,000
Science, Technology, Engineering, Arts and Mathematics Academy (STEAM), Bridgend College	0	0	0	0	-10,640	-10,640	-10,640
EDUCATION	-16,517	-352,146	-368,663	-20,000	-10,640	-30,640	-399,303
INTERNATIONAL RELATIONS & THE WELSH LANGUAGE							
Additional pay and pension costs	-1,200	0	-1,200	0	0	0	-1,200
European Transition Fund – Securing Wales' Future Relations	-320	0	-320	0	0	0	-320
Depreciation Costs – Cadw	0	-525	-525	0	0	0	-525

Depreciation Costs – National Museums of Wales	0	-500	-500	0	0	0	-500
Adjustment for early repayment of loan	0	0	0	0	-66	-66	-66
Repayment of Sports Facilities loan capital	0	0	0	0	136	136	136
INTERNATIONAL RELATIONS & THE WELSH LANGUAGE	-1,520	-1,025	-2,545	0	70	70	-2,475
ENVIRONMENT, ENERGY & RURAL AFFAIRS							
TB Eradication	-6,400	0	-6,400	0	0	0	-6,400
European Transition Fund – towards a global food nation Wales International Partnerships and Innovation	-690	0	-690	0	0	0	-690
European Transition Fund – Business planning support for farmers (sheep sector)	-190	0	-190	0	0	0	-190
Wind farm income	8,263	0	8,263	0	0	0	8,263
Coastal Risk Management Programme – return of unspent funding	930	0	930	0	0	0	930
European Transition Fund – return of unspent funding in respect of fisheries evidence requirements	603	0	603	0	0	0	603
Reduction in non fiscal resource requirements	0	4,000	4,000	0	0	0	4,000
Transfer from BEIS in respect of the Energy Efficiency Strategy	0	0	0	-2,832	0	-2,832	-2,832

Local Energy Service	0	0	0	0	-1,281	-1,281	-1,281
ENVIRONMENT, ENERGY & RURAL AFFAIRS	2,516	4,000	6,516	-2,832	-1,281	-4,113	2,403
CENTRAL SERVICES & ADMINISTRATION							
Increased costs of resourcing Brexit	-19,862	0	-19,862	-150	0	-150	-20,012
EU Structural funds	-3,807	0	-3,807	0	0	0	-3,807
Capital to Resource Switch	-2,988	0	-2,988	2,988	0	2,988	0
Welsh Rate of Income Tax residual implementation costs	-2,040	0	-2,040	0	0	0	-2,040
Funding from HMT in respect of Tampon Tax receipts	-1,123	0	-1,123	0	0	0	-1,123
National Procurement Services Running Costs	-1,000	0	-1,000	0	0	0	-1,000
Annual cost of renting Cloud Services	-500	0	-500	0	0	0	-500
Experimental Fund Lessons Learned	-420	0	-420	0	0	0	-420
European Transition Fund – Tackling hate crime and racism in schools	-350	0	-350	0	0	0	-350
Tribunals overspend due to increased demand	-250	0	-250	0	0	0	-250
European Transition Fund – Data Advisory Service	-200	0	-200	0	0	0	-200
Cost of investigations	-200	0	-200	0	0	0	-200
Cyber resilience funding	-184	0	-184	0	0	0	-184

Cost of borrowing adjustment	-177	0	-177	0	0	0	-177
Women's pathfinder project	-153	0	-153	0	0	0	-153
Gender Review	-117	0	-117	0	0	0	-117
Disability Wales	-90	0	-90	0	0	0	-90
Windrush Grant Scheme	-40	0	-40	0	0	0	-40
Asylum Justice	-25	0	-25	0	0	0	-25
Period Poverty	-20	0	-20	0	0	0	-20
European Transition Fund – underspend iro Settled Status and Immigration Advice	87	0	87	0	0	0	87
European Transition Fund – underspend iro Data Advisory Service	190	0	190	0	0	0	190
European Transition Fund – underspend in preparations for successor arrangements to EU Structural Funds	190	0	190	0	0	0	190
Welsh Revenue Authority	0	-890	-890	0	0	0	-890
European Transition Fund – WCVA Third Sector Knowledge	0	0	0	-200	0	-200	-200
Invest to Save – Social Investment Fund	0	0	0	0	-3,500	-3,500	-3,500
Community Asset Fund	0	0	0	0	-1,000	-1,000	-1,000
CENTRAL SERVICES & ADMINISTRATION	-33,079	-890	-33,969	2,638	-4,500	-1,862	-35,831

OTHER CHANGES AFFECTING RESERVES							
Assembly Commission reduction in fiscal requirement	500	0	500	0	0	0	500
Direct Charges	-15	0	-15	0	0	0	-15
Reserves in this Budget	98,191	12,110	110,301	4,066	44,372	48,438	158,739

7. Adjustments to Annually Managed Expenditure (AME) Budgets

- 7.1** AME budgets detailed in this supplementary budget reflect the latest forecasts provided to HM Treasury. Adjustments made since the first supplementary budget was approved comprise:
- An increase of £217,719k in the Health and Social Services AME budget to reflect the latest forecasts for impairments and provisions relating to the NHS in Wales;
 - An increase in the Housing and Local Government AME budget of £7,606k comprising:
 - An increase of £6,073k to reflect the latest forecasts for the fire service pensions; and
 - A new provision of £1,533k in respect of impairments relating to the 'Help to Buy' scheme.
 - An increase of £13,000k in the Economy and Transport AME budget in respect of the latest forecasts comprising:
 - An increase of £3,000k in the pension provision for Careers Wales; and
 - An increase of £10,000k in respect of impairments for property related infrastructure; and
 - A net increase of £54,484k in the Education AME budget to reflect the latest Student Loans forecasts comprising:
 - An increase in Resource AME of £25,835k; and
 - An increase in Capital AME of £28,649k.

Table 7.1 below sets out the net impact of all the AME changes listed above.

Table 7.1 – Changes to the Welsh Government MEG AME Allocations

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	RESOURCE			CAPITAL		
	2019-20 Supplementary Budget June 2019	2019-20 Changes	2019-20 Supplementary Budget New Plans February 2020	2019-20 Supplementary Budget June 2019	2019-20 Changes	2019-20 Supplementary Budget New Plans February 2020
Health and Social Services	121,100	217,719	338,819	0	0	0
Housing and Local Government	1,086,094	7,606	1,093,700	0	0	0
Economy and Transport	62,437	13,000	75,437	0	0	0
Education	-123,844	26,297	-97,547	774,302	82,626	856,928
International Relations and the Welsh Language	3,013	0	3,013	0	0	0
Environment, Energy and Rural Affairs	2,400	0	2,400	0	0	0
Central Services and Administration	2,977	0	2,977	0	0	0
Total Allocation to Welsh Government	1,154,177	264,622	1,418,799	774,302	82,626	856,928

Annex 1 – Reconciliation between the Portfolio Budgets in the Action Tables and those the Budget Motion

The Explanatory Note supports the Supplementary Budget Motion published alongside this document, which sets out the changes to both the resources that the Welsh Government is proposing to use in 2019-20 and the cash it is seeking authority to draw from the Welsh Consolidated Fund.

The figures in the Supplementary Budget Motion align with the Statement of Resource Outturn which is used in the Welsh Government Accounts.

The Welsh Government's budget includes items which do not score as part of the 'Resources Requested' by Welsh Ministers. This annex provides a reconciliation between the two by each portfolio.

2019-20 SUPPLEMENTARY BUDGET								
£000s								
	Health and Social Services	Housing and Local Government	Economy and Transport	Education	International Relations and the Welsh Language	Environment, Energy, and Rural Affairs	Central Services and Administration	TOTAL
Resource	8,050,403	3,845,251	780,257	1,884,385	164,354	204,330	364,968	15,293,948
Capital	426,952	775,346	595,573	248,491	20,130	91,174	19,501	2,176,967
Resource AME	338,819	1,093,700	75,437	-97,547	3,013	2,400	2,977	1,418,799
Capital AME	0	0	0	856,928	0	0	0	856,928
TOTAL MANAGED EXPENDITURE	8,816,174	5,714,297	1,451,267	2,892,257	187,497	297,904	387,446	19,746,642
Reconciliation to Resources								
Resource Consumption - Welsh Government Sponsored Bodies	-230	-200		-305	-6,781	-12,400		-19,916
Supported Borrowing		-88,800	-10,666					-99,466
National Insurance Fund Receipts Collection Costs	-906							-906
National Non-Domestic Rates Payable (and Collection Costs)		-1,066,172						-1,066,172
Interest Repayments on Borrowing							-2,571	-2,571
PFI			-8,982					-8,982
RESOURCES REQUESTED	8,815,038	4,559,125	1,431,619	2,891,952	180,716	285,504	384,875	18,548,829

Annex 2 – Glossary

Action	Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions.
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 and Supplementary Budget Motions. 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.
Budget Motion	The means by which the National Assembly for Wales authorises Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.
Budget Expenditure Line (BEL)	Within each Action budgets are allocated to a number of sub-expenditure groups known as BELs. Tables showing budgets at BEL level are available at: http://gov.wales/funding/budget/?lang=en
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 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.

Direct Charges on the Welsh Consolidated Fund	Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct Charges include the remuneration of the Presiding Officer and Auditor General.
Financial Transactions	Financial transactions can only be used for loans and equity purposes. A proportion of the funding also has to be repaid to the Exchequer.
Fiscal Resource DEL (sometimes referred to as revenue)	The Fiscal Resource DEL budget scores most of the department's current expenditure. Expenditure is recorded on an accruals basis. It includes expenditure on pay, current procurement, current grants and subsidies.
Main Expenditure Group (MEG)	The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently 7 MEGs: Health and Social Services; Housing and Local Government; Economy and Transport; Education; International Relations and the Welsh Language, Environment, Energy and Rural Affairs and Central Services and Administration.
Non-Fiscal Resource DEL (sometimes referred to as 'non cash')	The Non-Fiscal Resource DEL budget scores the department's current expenditure in respect of impairment of student loans and depreciation. Non-Fiscal Resource DEL is ring-fenced and 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 Review	HM Treasury periodically reviews expenditure for each UK Government Department and sets budgets for the forthcoming years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula, which is the mechanism used to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.
Total Managed Expenditure (TME)	This is an HM Treasury control total which is made up of the total Departmental Expenditure Limit plus Annually Managed Expenditure.
Welsh Consolidated Fund	The account into which the money voted by the UK Parliament for use by the Welsh Government, the Assembly Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.
WGSB	Welsh Government Sponsored Body. Examples include the Higher Education Funding Council for Wales and the Arts Council of Wales.