

Scrutiny of the Welsh Government Draft Budget 2020-21

January 2020

1. Background and approach

Each year we consider how the Welsh Government Draft Budget provides for the children and young people of Wales. We focus on how Welsh Ministers prioritise resources, assess the affordability of services, achieve value for money, and whether they do this in a clear and transparent way. This work is informed by the financial scrutiny we mainstream into all our work, throughout the year.

1. Matters affecting children and young people cut across the Welsh Government's portfolios and associated budgets. In recent years, we have focused our scrutiny on the Main Expenditure Groups (MEGs) most relevant to children: Education, Health and Social Services, and Local Government.
2. Last year, in response to our concerns about inadequate attention being paid to the **rights of children and young people as part of the budget process**, we also worked jointly with the Finance and Equality, Local Government and Communities Committees to consider the processes adopted by the Welsh Government to assess the impact of its financial decisions on certain population groups. Our scrutiny this year has again been conducted with children's rights at the forefront of our minds.
3. In all our recent draft budget reports we have highlighted how difficult it is to follow the money as it relates specifically to children and young people. This has been a particular issue for us in relation to **health and social services allocations**. It is an issue that, very worryingly, has not improved despite our numerous cross-



party recommendations. Coupled with the limited time and resource available to us during the draft budget process, this ongoing challenge has led us to adopt a different approach to scrutiny of this area this year. In our scrutiny of the draft allocations as they relate to health and social services, we have focused on three of the areas we identified as priorities during this Assembly: the emotional and mental health of children and young people, looked after children and perinatal mental health. To inform this work, we sought evidence from Health Boards and Directors of Social Services,¹ as well as requesting detailed information from the Welsh Government.²

4. While scrutiny of **education allocations** is more straightforward in terms of its link to children and young people, it is not without its challenges.

5. Most notably, the main delivery of **pre-16 education**—schools’ core budgets—is funded predominantly by the un-hypothecated Local Government Settlement. Our July 2019 report on school funding gave detailed consideration to the sufficiency of resources available to schools and the way these are determined and allocated. Similarly, our June 2018 report on targeted funding to improve educational outcomes sought to assess the extent to which the Pupil Development Grant and the Schools Challenge Cymru programme delivered Welsh Government priorities effectively. We have sought to build on that important work during this budget round.

6. With regard to **post-16 education**, we have undertaken significant work to scrutinise the Welsh Government. In July 2019, we conducted in-year financial scrutiny of new academic year allocations for Higher Education in July 2019 to ensure that we were following progress in relation to the implementation of the Diamond and Reid recommendations closely. As part of this we also scrutinised the oversight of governance in the sector, considering recent issues arising in some Welsh universities.³ In relation to Professor Hazelkorn’s recommendations for reforming the post-16 education sector, the report on our post-legislative scrutiny of the Higher Education (Wales) Act 2015, published December 2019, aimed to ensure that lessons learned from that Act’s implementation—financial and

¹ Papers from Health Boards and the Association of Directors of Social Services were published to inform the [CYPE Committee meeting on 8 January 2020](#).

² [Written information from the Minister and Deputy Minister for Health and Social Services](#) was published to inform the CYPE Committee meeting on 8 January 2020. The [Record of Proceedings from 8 January 2020](#) is also available.

³ See following press coverage: <https://www.bbc.co.uk/news/uk-wales-48609280> and <https://www.bbc.co.uk/news/uk-wales-49129345>.

otherwise—are applied when the tertiary education bill is introduced by the Welsh Government later this year.

7. We have sought to draw on our wider scrutiny of the education portfolio, along with the detailed information provided by the Welsh Government during this budget round,⁴ to inform our scrutiny of education-related allocations for 2020-21.

8. Given the tight timescales involved in the Assembly's scrutiny of the Draft Budget, we have not been able to consider as part of our report any information received after 23 January 2020.

Other committees' scrutiny

9. Given the cross-cutting nature of our committee remit, our scrutiny of the Draft Budget inevitably overlaps with areas of interest to other committees.

10. For **health and social services**, while matters relating to children and young people sit within our portfolio, we recognise that the Health, Social Care and Sport Committee will also take an interest given the all-age nature of many key budget lines. Given the key role played by **local government** in a number of the services provided for children and young people, matters falling within the remit of the Equalities, Local Government and Communities Committee are also of shared interest.

11. With regard to **education**, while some matters relating to skills, research and development sit within the Economy, Infrastructure and Skills (EIS) Committee's remit,⁵ certain allocations relating to these fall within the Minister for Education's budget lines.⁶ To minimise burdens on ministerial and committee time, we therefore agreed with the EIS Committee to gather evidence relevant to its remit as part of our Draft Budget scrutiny this year, particularly in relation to research

⁴ [Written information from the Minister for Education](#) was published to inform the CYPE Committee meeting on 8 January 2020. The [Record of Proceedings from 8 January 2020](#) is also available.

⁵ Business Committee, [Committees in the Fifth Assembly](#), June 2016.

⁶ Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019.

and innovation.⁷ This evidence was referred to the EIS Committee following our session and will be considered and reported on by its members.⁸

⁷ CYPE Committee, Correspondence from the Chair to the Minister for Education requesting information relating to the Draft Budget 2020-21, 31 July 2019.

⁸ CYPE Committee, Correspondence from the Chair to the Chair of the EIS Committee, 15 January 2020.

2. A children's rights approach

12. Throughout this Assembly we have emphasised that the Welsh Government should provide clear information about how it has assessed the impact of its Draft Budgets on children and young people, in accordance with its duty of due regard to the UNCRC under the Rights of Children and Young Persons (Wales) Measure 2011 ('the Measure').

13. The Welsh Government states in its written evidence:

“As in 2019-20, our Strategic Integrated Impact Assessment (SIIA) includes a clear consideration of the impact of budgetary decisions on children's rights.”⁹

14. It adds that Children's Rights Impact Assessments ('CRIAs') will be undertaken as part of ongoing policy development and review and used to inform budget decisions and the assessment of their wider impact.¹⁰ It goes on to say:

“Our new integrated impact assessment tool still requires children's rights to be considered, and where required, a full children's rights impact assessment completed. The CRIA process puts children's rights centre stage when we are developing legislation, new policies and programmes.”¹¹

15. During our session on the budget on 8 January 2020 we asked the Deputy Minister for Health and Social Services to point us to where exactly in the SIIA clear consideration of the impact of budgetary decisions on children's rights is given. The Deputy Minister agreed to respond in writing. Information provided after our session listed references to children in the SIIA,¹² however these do not meet with our expectation of the detailed explanation that should be given of the consideration given to the impact on children of budget decisions.

⁹ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p2.

¹⁰ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, pp2-3.

¹¹ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p3.

¹² CYPE Committee, [Additional information from the Minister for Health and Social Services following the 8 January Draft Budget session](#), 23 January 2020.

16. The Welsh Government’s Budget Improvement Plan,¹³ which outlines its “vision, including short-term and medium-term ambitions over the next 5 years”, does not refer to the requirements of the Measure, to children and young people, or to the United Nations Convention on the Rights of the Child. Reference is made to the Well-being of Future Generations (Wales) Act.

OUR VIEW

17. The way governments allocate funding is one of the most powerful tools they have. Some of the most significant decisions they make are contained in their annual budgets.

18. We have consistently questioned whether the requirements of the Measure are being delivered in relation to Welsh Government spending across its portfolios. The Draft Budget 2020-21 and the information that accompanies it does nothing to allay our concerns.

19. We have previously recommended that the Welsh Government reconsider its position in relation to children’s budgeting and assessing the impact of its budgetary decisions on children’s rights. We also worked jointly last year with the Finance and Equalities, Local Government and Communities Committees to seek to ensure that robust and transparent processes are in place to assess the impact of all its financial decisions.

20. We are very disappointed that the Welsh Government’s Budget Improvement Plan, despite referring to the Future Generations Act, does not refer to the Measure, children’s rights, or the UNCRC. That this is the case after the publication of our joint report recommendations last year is particularly frustrating and unsatisfactory.

21. Whilst we acknowledge the explanations given by the Welsh Government about why it has moved to publishing integrated impact assessments, we are not convinced that as currently drafted these demonstrate compliance with the Measure. Whilst it may be a presentational issue, they do not give us confidence that Draft Budgets are being developed in a way which has explicitly considered “due regard”.

22. On this basis we recommend that, until we can be reassured that the Welsh Government’s duty of due regard to the UNCRC has been clearly taken into

¹³ Welsh Government, [Budget Improvement Plan](#), 2019.

account as part of the SIIA, it should return to publishing an individual CRIA on its Draft Budget to evidence compliance with the Measure.

Recommendation 1. That the Welsh Government return to publishing an individual CRIA on its Draft Budget to evidence compliance with the Measure, until we can be reassured that the SIIA accompanying a Draft Budget demonstrates the duty of due regard to the UNCRC has been clearly taken into account.

3. Health, social care and children

The overall total in the Health and Social Services MEG for 2020-21 is £8.9 billion.¹⁴ This represents approximately half of the Welsh Government Draft Budget 2020-21. As with previous Draft Budgets, scrutiny of these allocations from a children and young people's perspective is a significant challenge given the continued lack of detail about them, particularly in relation to funding for the delivery of core NHS services.

This year, to try to overcome the problem, we have adopted a different approach to our scrutiny, focusing on three areas we have prioritised over the course of this Assembly: perinatal mental health, emotional and mental health, and looked after children. The majority of public expenditure on looked after children is from the Revenue Support Grant in the Housing and Local Government MEG, however the Minister and Deputy Minister for Health and Social Services are responsible for outcomes for this group of children.

The relative position of health, social services and children

23. In its Draft Budget 2020-21 the Welsh Government states:

“We continue to prioritise investment in the Welsh NHS and we are investing an extra £385m revenue funding in the health and social care system and £40m capital funding.”¹⁵

24. The Welsh Government refers to its commitment to “protecting health and social care in the round”. It argues that this is demonstrated by HM Treasury figures which show that Wales spent more on health and social services per

¹⁴ Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019, Table 7.1.

¹⁵ Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019, p3.

person than any other part of the UK in 2018-19.¹⁶ A separate figure for spend on children and young people is not provided.

25. The overall total for the **Health and Social Services MEG** (£8.9 billion) represents a 2.9% real terms increase from the 2019-20 supplementary budget.¹⁷ It contains the core revenue allocation for NHS Wales (supporting all ages), as well as funding for public health, social care and supporting children.

26. In relation to children specifically, additions to the Supporting Children BEL within the Health and Social Services MEG include:

- £20 million to meet demand for the childcare offer;
- £2.3 million to continue support for adoption services; and
- £0.6 million for communication relating to the Children (Abolition of Defence of Reasonable Punishment) (Wales) Bill.¹⁸

27. No changes are made in 2020-21 to funding for children's rights or the Children's Commissioner for Wales.¹⁹

28. In terms of looked after children, the Welsh Government states that the statutory responsibility for delivery of social services rests with local authorities. It adds that the vast majority of that funding sits in the Revenue Support Grant (in the **Housing and Local Government MEG**), which is un-hypothecated (to enable local authorities to exercise autonomy and responsibility in accordance with their status as democratically accountable bodies).²⁰ **Specific funding is also provided beyond the RSG** to support looked after children, including—for example—through the St David's Day Fund (part of the Children and Communities Grant within the Housing and Local Government MEG), and the Pupil Development Grant for Looked After Children (part of the Education MEG).

¹⁶ Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019, pp 27-28.

¹⁷ Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019, p60.

¹⁸ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p2.

¹⁹ Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019, p2.

²⁰ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p28.

Mental health

29. Two of the focus areas for our scrutiny of the Health and Social Services MEG this year—perinatal mental health and the emotional and mental health of children and young people—relate to mental health, and build on the reports we published into these areas in 2017 and 2018 respectively.²¹

30. Funding for mental health is increased in the Draft Budget 2020-21, with a further £13 million invested in mental health to support the Welsh Government's *A Healthier Wales* strategy. The Welsh Government states that this brings the total **ring-fenced allocation** to more than £700 million in 2020-21.²²

31. In addition, some mental health funding is provided via the **Mental Health Improvement Fund** and, for example, through **Regional Partnership Boards** to deliver on the whole-system approach to emotional and mental health and well-being.

32. Coupled with Health Boards being responsible for setting their budgets for mental health services (in line with their own population needs assessments and the requirements of the mental health ring-fence), the funding picture for mental health—including arrangements for monitoring it—is complex.

33. The Welsh Government states that funding for mental health services will be monitored through the agreed arrangements for the Together for Mental Health Delivery Plan 2019-22. At the time of our consideration of the Draft Budget 2020-21, the plan had not been published. When asked when the plan will be published, the Minister replied:

“After I’ve signed it off and agreed it. So, it’s in my in-tray, it’s imminent. I’ve got a range of things to look at and I’ll make a decision [...] we’re not talking about months and months in the future; you can expect that to be – I would expect that to be within the first half of this term.”²³

²¹ CYPE Committee, [Perinatal Mental Health Report](#), October 2017 and [Mind over Matter Report](#), April 2018.

²² Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019, p30.

²³ CYPE Committee, [Record of Proceedings \[para 388\]](#), 8 January 2020.

Perinatal mental health

34. We published our report on perinatal mental health in October 2017.²⁴ We have been monitoring progress since then and will undertake the next phase of our follow-up work in February 2020.

35. From 2015-16 to 2018-2019 the Welsh Government allocated £1.4-£1.5 million to health boards annually for perinatal mental health services.²⁵ However, during the 2019-20 Draft Budget round, the Welsh Government acknowledged that more resources were needed to improve perinatal mental health services.²⁶

36. No additional funding is allocated specifically for perinatal mental health in the Draft Budget 2020-21. Instead, the Welsh Government states that Health Boards continue to have “the discretion to invest in a number of predetermined priority areas” via the Mental Health Improvement Fund (formerly the Mental Health Transformation Fund).²⁷ The Welsh Government acknowledges that this has resulted in some, but not all, health boards allocating additional funding to **perinatal mental health community services**.²⁸

37. A table including “cumulative funding allocations which will form part of the Mental Health ring-fence”, amounting to £2.36 million for 2020-21, is provided as part of the Welsh Government’s written information about perinatal mental health.²⁹ It is unclear how these allocations have been calculated and what status they have.

38. When asked about arrangements for **monitoring spend**, the Minister for Health and Social Services explained that he would be looking at “outputs and outcomes”³⁰ rather than investment when holding Health Boards to account, and that:

²⁴ CYPE Committee, [Perinatal Mental Health Report](#), October 2017.

²⁵ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p27.

²⁶ CYPE Committee, [Report on the Draft Budget 2019-20](#), November 2018.

²⁷ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p27.

²⁸ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p27.

²⁹ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, pp27-28.

³⁰ CYPE Committee, [Record of Proceedings \[para 202\]](#), 8 January 2020.

“The impact of this funding will be monitored through the agreed arrangements for the Together for Mental Health delivery plan 2019-2022. We have made it clear through the award of the service improvement funding the expectation that this will include adherence to the All Wales Perinatal Mental Health Standards by March 2020 and the Royal College of Psychiatrist’s Perinatal Community Standards by March 2021. This expectation is the same for health boards who did not choose to allocate their money for this priority area and this has also been made clear to them.”³¹

Specialist Mother and Baby Unit provision

39. Since our report on perinatal mental health was published in October 2017 we have called consistently for work on the delivery of specialist mother and baby unit (MBU) provision to be completed. Two and a quarter years later, there is no MBU in place.

40. Written information received from the Welsh Government in December 2019 indicated that a specific figure allocated for specialist MBU provision is not yet available as the finalisation of expected costs is still underway. However, it stated:

“[...] this is a priority area and we have formally committed to establish a unit and to provide the necessary capital funding to do so.”³²

41. When asked in our session on 8 January 2020 if an update on the funding required to establish MBU provision in Wales was available, the Minister responded:

“No’ is the straight answer [...]

[...] the work isn’t fully complete and I need to have the business case for that to be able to do that. But we do expect there to be an interim service that is up and running whilst the business case on a permanent mother and baby unit is provided.”³³

³¹ CYPE Committee, Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21, December 2019, p28.

³² CYPE Committee, Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21, December 2019, p27.

³³ CYPE Committee, Record of Proceedings [para 209], 8 January 2020.

42. When asked whether there is money in the Draft Budget 2020-21 for the interim service, the Minister said:

“You see, the money for the interim solution – we’ve given health boards a fair chunk of additional money and I haven’t held back a sum of money in Welsh Government reserves to simply go into that.”³⁴

OUR VIEW

43. We are deeply concerned that, 27 months after our report into perinatal mental health was published, there is still no figure identified for permanent MBU provision in Wales, let alone an MBU in place.

44. Furthermore, while we acknowledge that an interim service is being developed, it is our understanding that even this is not yet functioning. Neither is it clear how much money is available to—and needed in—Health Board budgets to provide it.

45. We have made repeated calls for the pace of progress in this area to be increased, and remain unclear about why it has taken so long to address this urgent need. As noted in our original 2017 report, we believe a strong invest-to-save argument can be made for specialist perinatal mental health support, not only in relation to the treatment and care of mothers, but in terms of minimising the impact of perinatal mental ill health on children and families. These are issues we will follow up rigorously next month when we continue our ongoing scrutiny of this policy area.

Recommendation 2. That the Welsh Government clarify how the cumulative funding allocations for perinatal mental health on page 28 of the Minister and Deputy Minister for Health and Social Services’ draft budget paper have been calculated and what their status is.

Recommendation 3. That the Welsh Government announce its intentions in relation to specialist mother and baby unit provision in Wales by the end of the 2019-20 financial year.

³⁴ CYPE Committee, Record of Proceedings [para 214], 8 January 2020.

Emotional and mental health of children and young people

46. The complexity of the funding picture for mental health referred to above is particularly relevant in relation to allocations that support children and young people. This makes it difficult to scrutinise the Draft Budget as it relates to children and young people's emotional and mental health specifically.

Relevant allocations

47. As well as the all-age mental health ring fence, the Welsh Government has pointed to allocations relevant to children and young people's emotional and mental health elsewhere, including (but not limited to):

- funding to support the **whole-school approach**;
- service improvement funding, for Health Boards to provide additional support for **CAMHS and early intervention**;
- funding for **Regional Partnership Boards** to provide early intervention and community-based low level preventative support;
- the Integrated Care Fund, to support prevention and early intervention services for **care experienced children and young people**; and
- the Youth Support Grant, part of which is provided to tackle mental/emotional health and wellbeing issues through **youth work approaches**.³⁵

48. In response to questions about specific allocations for areas of particular concern to us, the Minister for Health and Social Services responded as follows:

- in relation to **sustainable reductions in waiting times** for primary and secondary care CAMHS, that he was:

“[...] not particularly sympathetic to any argument that says that it's impossible to improve further the responsibilities they already have and priorities they already recognise without more money

³⁵ See the [Welsh Government update to the CYPE Committee on Mind over Matter](#), 2 May 2019 and CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p22-23.

going in over and above the significant uplift that we've announced to health board budgets.”³⁶

- in relation to **in-patient services**, that he did not know how much additional funding would be available from the Welsh Government to support health boards in what they anticipate will be an expansion to services:

“I can't really allocate a sum of money for a service that I don't know about, because the work hasn't been completed yet in terms of the Welsh Health Specialist Services Committee, in terms of the work that is under way to understand exactly what that provision would require. So, once that work is completed, if health boards themselves, given the investment we've made, are not able to do that, I'd then be in a position to come back and say when I would expect that to be done, and if there is a sum of money that we would make available or not.”³⁷

- in relation to **crisis and out of hours care**, that recruitment and retention were both issues but that this was not unique to this area of healthcare, and that the support of wider public services also needed to be considered.³⁸

Tracking investment and impact

49. In line with the spirit of recommendation 27 of our *Mind over Matter* report (that health boards should be required to report expenditure on emotional and mental health services for children and young people in a uniform way to increase accountability and transparency), we asked the Minister for Health and Social Services to provide us with details of:

- the **overall level of investment** in children and young people's mental health services in the Draft Budget 2020-21; and
- how the Welsh Government is **tracking that expenditure** to ensure the investment is delivering improved outcomes.

50. The Minister responded by:

³⁶ CYPE Committee, [Record of Proceedings \[para 231\]](#), 8 January 2020.

³⁷ CYPE Committee, [Record of Proceedings \[para 260\]](#), 8 January 2020.

³⁸ CYPE Committee, [Record of Proceedings \[paras 233 and 235\]](#), 8 January 2020.

- referring to investments in the whole school approach and school counselling service;
- stating that children and young people were one of the priorities for the funding put into the mental health ring-fence (but it was a matter for health boards to determine how and where their funding is allocated against these predetermined priority areas); and
- emphasising that “it isn't about saying there's a specific sum of money that I have set aside for children's mental health and well-being, but there is an investment choice that's being made into services and there's a clear policy priority that's been there”.³⁹

51. Responding to repeated questions about how expenditure is tracked and impact measured, the Minister referred to joint executive team meetings and regular engagement between Ministers and health board chairs and vice-chairs.⁴⁰ He added:

“[...] there'll be much more scrutiny about [whether improvement is occurring] when we get to publish more data and information about achievement.”⁴¹

52. When probed about the available **data**—particularly the level of inconsistency in the information produced by health boards and how that impacts on his confidence that policy is being implemented—the Minister:

- agreed that it was important to track what is happening on mental health delivery;⁴²
- sought to reassure us that we will “see more of that in the year when we get to publish, finally, over this next year, some of the data around achievement against the Measure”;⁴³

³⁹ CYPE Committee, [Record of Proceedings \[paras 218-220\]](#), 8 January 2020.

⁴⁰ CYPE Committee, [Record of Proceedings \[para 224\]](#), 8 January 2020.

⁴¹ CYPE Committee, [Record of Proceedings \[para 224\]](#), 8 January 2020.

⁴² CYPE Committee, [Record of Proceedings \[para 222\]](#), 8 January 2020.

⁴³ CYPE Committee, [Record of Proceedings \[para 222\]](#), 8 January 2020.

- stated that he did not start from the position that there should be a uniform approach across health boards as long as they are transparent in explaining their differences;⁴⁴ and
- acknowledged that transparency is lacking currently.⁴⁵

53. As noted in paragraph 33, the Minister also pointed to the role of the **Together for Mental Health Delivery Plan 2019-20** in tracking investment and impact,⁴⁶ however we were unable to explore that in detail as the plan was not published at the time of our scrutiny of the Draft Budget 2020-21. Overall, little evidence was provided to demonstrate the link between the money invested by the Welsh Government and the outcomes achieved as a result of it.

OUR VIEW

54. We recognise and welcome the significant funding the Welsh Government has made available to support services for children and young people's mental health and emotional well-being. We also acknowledge that health has received a greater uplift than any other public service in the Draft Budget 2020-21 and agree with the Minister for Health and Social Services that it would be very difficult—in light of acute pressures elsewhere—to take additional resources from other parts of the Welsh Government or reserves to further increase this MEG.

55. Nevertheless, despite this significant amount of funding, stakeholders have continued to express concerns over the last year about service delivery. As such, we sought to use our draft budget scrutiny to explore the detail of investments made in children and young people's emotional and mental health services and support, and the monitoring arrangements in place to ensure that they are delivering against their stated objectives. We wrote to health boards for information to support that scrutiny, as well as exploring the matter with the Minister for Health and Social Services in the hope that we would be presented with strong evidence of rigorous and transparent accountability arrangements. The information we received did not reassure us.

56. At the end of this process we are no clearer about how much exactly is being spent on the different service areas to support children and young people's emotional and mental health, how this is monitored, and how its impact is

⁴⁴ CYPE Committee, [Record of Proceedings \[paras 253-254\]](#), 8 January 2020.

⁴⁵ CYPE Committee, [Record of Proceedings \[para 254\]](#), 8 January 2020.

⁴⁶ CYPE Committee, [Record of Proceedings \[para 388\]](#), 8 January 2020.

measured. As such, we do not have the confidence that improved outcomes for children and young people are being delivered at the pace we expect for our children and young people and at a rate proportionate to the levels of money being invested. We do not doubt the Welsh Government's commitment to this area, but transparency of process underpins the ability to prioritise, measure affordability and assess value for money. In our view, this is severely lacking.

57. We acknowledge that the Together for Mental Health Delivery plan, once published, may assist in this regard. Nevertheless, in the meantime, significant amounts of money are already being invested. While we welcome the Minister's emphasis on the importance of outcomes, there was little robust or specific evidence presented to us to demonstrate how these are being monitored and measured, and how they are delivering sustainable improvements. Furthermore, with little detail about what is being spent on specific services, and very little published data available from health boards, it is unclear how improvements are driven and accountability maintained.

58. Recommendation 27 of our *Mind over Matter* report called for health boards to be required to report expenditure on emotional and mental health services for children and young people in a uniform way to increase accountability and transparency. We also raised concerns about the availability and transparency of data. As we approach the two year anniversary of the publication of *Mind over Matter*, we believe that little progress has been made in terms of this funding's transparency and accountability. While we recognise the steps being taken to provide published data, we remain concerned about the pace of these developments and seek reassurances from the Welsh Government that the timetables they have set for publishing this data remain on track.

Recommendation 4. That the Welsh Government re-consider fundamentally its position in relation to monitoring and accountability arrangements for the funding of children and young people's emotional and mental health services. This should be underpinned by a review of spending on these services (across the whole system) in order to improve clarity, transparency and the ability to measure impact effectively.

Recommendation 5. That the Welsh Government provide an outline of the timescale(s) for the publication of the mental health data set and confirm that these are on track to be met.

The whole-school approach to emotional and mental health

59. The Draft Budget 2020-21 includes £3 million from the Health and Social Services MEG for the whole school approach, rising from £2.5 million. This is also supplemented by £2 million which is allocated to a new Whole School Approach to Wellbeing BEL in the Education MEG.⁴⁷ While not within the whole-school approach explicitly, further education and higher education are also allocated £2 million each to support learners' mental health and wellbeing. The Minister for Education stated that this demonstrated:

“[...] it's not just a whole-school approach, it's a whole-systems approach.”⁴⁸

60. When asked to provide more detail on the funding available for the whole-school approach, the Minister for Education confirmed:

- as this is only a 1-year budget, commitment beyond 2020-21 could not be given but stated that “the focus on mental health and well-being in education remains an important one for me”,⁴⁹ and
- that decisions relating to this funding will be made collectively, and will draw on the advice of the Joint Ministerial Task and Finish Group on the whole-school approach, “[...] demonstrating the cross-cutting nature of this work and a commitment across Government to work together to be able to create that fund”.⁵⁰

61. The Minister for Health and Social Services' written evidence stated that the money for the whole-school approach “will support the extension of schools counselling to an additional school year (year 5) and further extend the existing in-reach pilots for the Child & Adolescent Mental Health Service for the whole of 20-21” adding that such services acted as a preventative, or early, intervention.⁵¹

⁴⁷ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p5.

⁴⁸ CYPE Committee, [Record of Proceedings \[para 101\]](#), 8 January 2020.

⁴⁹ CYPE Committee, [Record of Proceedings \[para 97\]](#), 8 January 2020.

⁵⁰ CYPE Committee, [Record of Proceedings \[para 98\]](#), 8 January 2020.

⁵¹ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p5.

62. However, in her oral evidence, the Minister for Education cautioned against assuming that school counselling was appropriate for primary school age children:

“[...] when you think about what counselling entails, whether counselling is appropriate for a younger child, we have to question—traditional counselling. Because, if you go to a traditional counselling session, it assumes that you are able to reflect internally and be able to change circumstances around you. Well, that's really difficult to do if you're six years old [...] So, maybe traditional one-to-one counselling isn't necessarily appropriate, but support within the primary school sector is something that I anticipate that money will be used for.”⁵²

63. When questioned about rolling out school counselling to primary school age children in the Health, Social Care and Sport Committee's draft budget scrutiny session on 15 January 2020, the Minister for Health and Social Services could not point to an existing evidence base.⁵³

OUR VIEW

64. We warmly welcome the funding allocated for further development of the whole-school approach to emotional and mental health, and commend the Welsh Government for its cross-ministerial action in this area. We believe the whole-school approach is crucial to the delivery of the whole-system approach which we called for in our 2018 *Mind over Matter* report.

65. We note the Minister for Education's caution about the appropriateness of traditional school counselling for younger children. It is crucial that initiatives rolled out in schools are based on good evidence and best practice. As such, we would seek assurances that any decision to fund the roll out of school counselling to the primary sector is grounded in evidence.

Recommendation 6. That the Welsh Government provide assurances that, if there is insufficient evidence for the roll out of traditional school counselling to primary schools:

- the available resources will be used towards interventions proven to be effective in the primary school setting; and

⁵² CYPE Committee, [Record of Proceedings \[para 100\]](#), 8 January 2020.

⁵³ HSCS Committee, [Record of Proceedings \[para 286\]](#), 15 January 2020.

- the expert advice of the Joint Ministerial Task and Finish Group on the Whole-School Approach will be sought in order to inform decisions about the use of this money.

Looked After Children

66. Support for looked after children is a theme that has run through a number of our inquiries during the Fifth Assembly, including our *Mind over Matter* and *On the Money?* reports.

67. We decided to take a closer look at this area as part of our scrutiny of the Draft Budget 2020-21 for a number of reasons, not least:

- looked after children being one of the most vulnerable groups in society (with a much higher prevalence of mental health issues than other groups and, when leaving the care system, five times more likely than their peers to attempt suicide);⁵⁴
- the number of looked after children rising 19.2% in the last five years;⁵⁵
- the number of looked after children per 10,000 population varying across local authorities, from 49 in Carmarthenshire to 216 in Torfaen;⁵⁶
- social services revenue expenditure on looked after children increasing 44.3% since 2011-12;⁵⁷ and
- expenditure per looked after child varying significantly across local authorities (e.g. Newport spent £58,772 per looked after child in 2018-19 compared with £31,431 per looked after child in Torfaen, with the Wales average at £45,373).⁵⁸

⁵⁴ CYPE Committee, [Mind over Matter](#), April 2018, p113.

⁵⁵ From 5,743 looked after children in 2013-14 to 6,846 by March 2019 - see Welsh Government, [Experimental Statistics: Children looked after by local authorities, 2018-19, 30 October 2019](#).

⁵⁶ StatsWales, [Children looked after at 31 March per 10,000 population aged under 18 by local authority and year](#).

⁵⁷ StatsWales, [Social services revenue expenditure by client group \(£ thousand\)](#).

⁵⁸ StatsWales, [Children looked after at 31 March per 10,000 population aged under 18 by local authority and year](#) and [Social services revenue outturn expenditure by client group \(£ thousand\)](#).

Number of looked after children and edge of care services

68. The First Minister’s 2018 Welsh Labour Leadership manifesto proposed that “new, binding targets” be set by the Welsh Government to reduce the number of looked after children in Wales.⁵⁹

69. During 2019, we sought assurances from the Welsh Government that such targets would not lead to unsafe reductions in the number of looked after children in Wales,⁶⁰ particularly in light of a 2019 assessment from Care Inspectorate Wales concluding that it “did not find evidence of children becoming looked after who should not have done so”⁶¹.

70. When asked whether local authorities had been given additional funding to support the “bespoke reduction expectation plans” for looked after children, the Deputy Minister for Health and Social Services responded by stating that there has not been a requirement for them to cost reduction expectations, but that considerable money had been placed into the RSG and via regional partnership boards to support social services and looked after children.⁶²

Social impact bonds⁶³

71. The Draft Budget 2020-21 narrative states that the Welsh Government is working with the Future Generations Commissioner’s office to explore:

“[...] social impact bonds as an outcomes-based investment model to reduce entry into care for Looked After Children.”⁶⁴

72. When asked about this approach, the Deputy Minister for Health and Social Services stated that work was still “very exploratory”, with no commitments yet made. Responding to concerns about the ethics of involving private companies in this area, the Deputy Minister stated her personal view that it would be better to

⁵⁹ [Mark Drakeford Manifesto for Welsh Labour Leader](#), 2018.

⁶⁰ CYPE Committee, [Correspondence relating to Looked After Children](#), 2019.

⁶¹ Care Inspectorate Wales, [National overview report in relation to care experienced children and young people in Wales](#), 19 June 2019, p7.

⁶² CYPE Committee, [Record of Proceedings \[paras 285-286\]](#), 8 January 2020.

⁶³ Social impact bonds are described as a commissioning tool that can enable organisations to deliver outcomes contracts and make funding for services conditional on achieving results. Social Investors pay for the project at the start, and then receive payments based on the results achieved by the project - see UK Government, [Guidance: Social Impact Bonds](#), as at 18 January 2020.

⁶⁴ Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019, p26.

work with the voluntary and third sector but that she would not dismiss anything.⁶⁵

Social services funding and preventative spend

73. The Welsh Government’s paper on the Draft Budget 2020-2021 states that of the £311 million spent by local authorities on looked after children in 2018-19:

“[...] the majority is spent on the more expensive end of the spectrum rather than on preventative services.”⁶⁶

74. In March 2019, 9.2% of children being looked after by Welsh local authorities (630 children) had three or more placements in the preceding year. Information provided to the Public Accounts Committee’s 2018 inquiry on care experienced children and young people showed costs for one placement running to £16,500 per week, with the average annual cost of an independent agency placement almost double that of a local authority placement.⁶⁷

75. The Association of Directors of Social Services told us:

“[...] the huge financial pressures councils are under, coupled with the spike in demand for child protection support, mean that the limited money councils have available is increasingly being taken up with the provision of urgent help for children and families already at crisis point, leaving very little to invest in early intervention.”⁶⁸

76. The Deputy Minister for Health and Social Services stated that the plans to address these issues are three-year plans, “so we’re not expecting this to happen overnight”. She added:

“We’ve seen some encouragement—although, you know, it’s very, very early days—in terms of there are fewer children for the last two years actually coming into care, which I think is a reflection of the money

⁶⁵ CYPE Committee, [Record of Proceedings \[paras 300-305\]](#), 8 January 2020.

⁶⁶ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p28.

⁶⁷ Public Accounts Committee, [Care experienced children and young people](#).

⁶⁸ CYPE Committee, [Correspondence from the ADSS about the Draft Budget 2020-21](#), 19 November 2019.

that we've put forward for preventative services. But, as I say, it is a long haul and we don't expect any quick results.”⁶⁹

Emotional and mental health support for looked after children

77. In our 2018 *Mind over Matter* report we called for all children entering care to have their emotional and mental health needs assessed and met. For the same reasons as outlined above, following the money in relation to this is a complex process.

78. Information from the Welsh Government pointed to Regional Partnership Boards being provided with a ring-fenced £15 million for 2020-21 for children at risk of being looked after as part of the Intermediate Care Fund. Its purpose is described as being to “help strengthen integrated arrangements between local authorities, health boards and the third sector, in relation to better prevention and early intervention with children and their families”.⁷⁰

79. The Deputy Minister for Health and Social Services confirmed that this was for “therapeutic services” but did not elaborate on whether the Welsh Government would be more prescriptive about its use by Regional Partnership Boards.

80. When asked in Public Accounts Committee on 13 January 2020 about progress with our *Mind over Matter* recommendations on looked after children, the Welsh Government’s Deputy Director for Enabling People pointed to a number of broad investments including in CAMHS waiting times, the CAMHS in-reach pilot, and the whole school approach.⁷¹

Suicide

81. Four of the young people in the 33 cases considered in the 2019 Public Health Wales thematic review of the death of children and young people through probable suicide found had been looked after.⁷²

82. Responding to a question about what investment in being made to support the emotional and mental health needs of this group of children specifically, the

⁶⁹ CYPE Committee, [Record of Proceedings \[para 291\]](#), 8 January 2020.

⁷⁰ CYPE Committee, [Written information from the Minister and Deputy Minister for Health and Social Services on the Draft Budget 2020-21](#), December 2019, p29.

⁷¹ Public Accounts Committee, [Record of Proceedings \[para 205\]](#), 13 January 2020.

⁷² Public Health Wales, [Thematic review of deaths of children and young people through probable suicide \(2013-2017\) – Main report](#), December 2019.

Deputy Minister for Health and Social Services stated that “help is needed through the whole of the system for those children”.⁷³

OUR VIEW

83. We acknowledge the work underway to seek to address the significantly increased number of looked after children in Wales. However, as looked after children are one of the most vulnerable groups in our society, we are deeply worried about the pace of change and the pressure under which our children’s services are operating.

84. The safety of children and young people must be paramount in any plans to reduce in the number of looked after children. We are unconvinced that the plans can be achieved safely, especially without a sense of the costs involved.

Recommendation 7. That the Welsh Government work with local authorities to provide an outline of the estimated costs of implementing their bespoke reduction estimation plans safely, to reassure us of their affordability.

85. We welcome all efforts to explore innovative ways of reducing entry into care. While we note developments in England in relation to the use of Social Impact Bonds, we urge the Welsh Government to guard against any ethical issues that could arise in relation to private investment.

Recommendation 8. That the Welsh Government remain vigilant to the ethical issues that could arise as it explores with the Future Generations Commissioner’s office the use of Social Impact Bonds to reduce entry into care.

86. The vital importance of emotional and mental health support for looked after children is tragically illustrated by the higher rate of suicide among care leavers than their peers. As noted earlier in our report, we welcome the investments made by the Welsh Government in relation to the emotional and mental health of all children and young people. It is unclear to us, however, how much exactly is being targeted at looked after children specifically, and how this is being monitored in terms of its impact on delivering our *Mind over Matter* recommendations. The Minister for Health and Social Services’ latest update to us on progress (October 2019) failed to mention looked after children once.⁷⁴ We plan

⁷³ CYPE Committee, [Record of Proceedings \[para 315\]](#), 8 January 2020.

⁷⁴ CYPE Committee, [Response from the Welsh Government to the CYPE Committee’s follow-up work on Mind over Matter](#), 22 October 2019.

to pursue this matter vigorously as part of our follow-up work on *Mind over Matter* later this term.

Recommendation 9. That the Welsh Government provide a more detailed update on how emotional and mental health support—including support to prevent suicide — for looked after children specifically is being funded in 2020-21 and its impact monitored.

87. With regard to investing in preventative support for looked after children, we are concerned by the contradiction in the evidence provided by the Deputy Minister (who pointed to money being invested in early intervention and prevention services) and the ADSS (who stated that little money is available for early intervention due to the demands placed on budgets by urgent crisis support).

Recommendation 10. That the Welsh Government develop improved ways of demonstrating that current investment choices as they relate to looked after children are effective.

Other issues

Third Sector

88. A number of concerns have been raised with us in relation to the Sustainable Social Services Third Sector Grant, particularly from Adoption UK Cymru.⁷⁵ We raised these with the Minister and Deputy Minister for Health and Social Services, who stated:

- 30% of the Grant (£25.9 million from April 2020-23) is for children;
- Ministers have increased the original allocation by over £4 million in recognition of the work that is taking place in some of the proposals; and
- that the Welsh Government is committed to adoption work (demonstrated by an investment of £2.3 million per year for local authorities to work on post-adoption support), but that the issue raised by Adoption UK Cymru would be looked at in more detail.⁷⁶

⁷⁵ CYPE Committee, [Correspondence from Adoption UK Cymru](#), 2 January 2020.

⁷⁶ CYPE Committee, [Record of Proceedings \[paras 358-359 and 369-372\]](#), 8 January 2020.

89. When we asked about the £0.36 million and £1 million allocated in 2020-21 to Play Wales and Young Wales respectively, very little detail was provided about the outcomes that are expected from this relatively substantial amount of money.⁷⁷

Recommendation 11. That the Welsh Government provide:

- a more comprehensive outline of the outcomes expected of the investment in Play Wales and Young Wales and how this is monitored; and
- reassurances about how the impact of not funding services previously provided via the Sustainable Services Third Sector Grant (e.g. in the case of Adoption UK Cymru) have been measured and will be mitigated.

Child poverty

90. The Draft Budget narrative for 2020-21 recognises that of all groups, relative income poverty remains highest amongst children at 29% of children in Wales,⁷⁸ the highest in the UK.

91. Our concerns about a lack of strategy and leadership in relation to child poverty have been clear in previous draft budget reports. While we accept that a number of the main levers to address child poverty relate to non-devolved areas—particularly welfare—we believe that more could be done to improve the situation in Wales using the powers in our gift. The evidence we received as part of our scrutiny this year did not allay our concerns nor reassure us that the levers at the Welsh Government’s disposal were being used to full effect.

92. We remain of the view that the most likely way of achieving the level of cross-departmental work necessary is to develop a refreshed child poverty strategy which:

- indicates clearly where individual responsibilities lie within Cabinet; and
- sets the foundations for future budgets to reflect clearly allocations to deliver this strategy and improve outcomes.

Recommendation 12. That the Welsh Government develop a refreshed child poverty strategy to give direction to the levers within its powers to reduce the

⁷⁷ CYPE Committee, [Record of Proceedings \[paras 349 and 367\]](#), 8 January 2020.

⁷⁸ Welsh Government, [Draft Budget 2020-21 Narrative](#), December 2019, p69.

impact of child poverty. This strategy should be developed in a way that enables future draft budgets to reflect clearly the allocations available to improve outcomes in this regard.

4. Education

The 2020-21 Draft Budget includes an allocation of £1.567 billion resource (revenue) and £218 million capital within the Education Departmental Expenditure Limit (DEL).⁷⁹

Education-related funding is also contained in other budget lines, not least the Local Government Settlement which provides schools' core budgets via local authorities.

The relative position of education

93. With the main delivery of pre-16 education (schools' core budgets) predominantly funded by the Local Government Settlement, the majority of the Education MEG funds the further and higher education sectors (£1.156 billion of the total £1.567 billion).

94. The funding for pre-16 education within the Education MEG (approximately £400 million) is allocated to support specific Welsh Government priorities. These include curriculum, assessment and Additional Learning Needs (ALN) reform, teacher development and support, the Pupil Development Grant and school improvement.

95. Education Resource DEL increases by £56 million (3.7%) in the draft 2020-21 budget compared to 2019-20 (First Supplementary Budget), which is marginally below the 4.1% increase to the overall Welsh Government Resource DEL. The increase includes:

- £23 million increase to the Further Education Budget Expenditure Line (BEL);
- £13 million increase to the Pupil Development Grant BEL; and
- £8 million increase to the Additional Learning Needs (ALN) BEL.

⁷⁹ CYPE Committee. Written information from the Minister for Education on the Draft Budget 2020-21, December 2019, Annex B.

96. Other budget lines have seen changes which broadly aggregate to a further £12 million increase overall to the Education MEG, including £2 million for a new Whole School Approach to Wellbeing BEL.

Pre-16 education

School funding

97. Local authorities are receiving a provisional 4.3% increase between 2019-20 and 2020-21 in their un-hypothecated funding from the **Local Government Settlement**.⁸⁰ Each local authority will decide how much funding to allocate to education and within that to **schools' core budgets**.

98. The 'School Services' Indicator Based Assessment (IBA) provisionally increases in 2020-21 by 7.3% from 2019-20, whilst the 'Other Education' IBA provisionally increases by 3.7%. To put this into context, the overall Standard Spending Assessment (SSA) across all service sectors increases by 5.4% in the provisional 2020-21 settlement, compared to 2019-20. However, SSAs and IBAs are predominantly notional as the Welsh Government confirmed during our school funding inquiry:

“IBAs are not a guide to how much authorities *must, should or need to* spend on individual services.”⁸¹

99. Responding to questions on schools' core budgets on 8 January 2020, the Minister for Education stated that local authorities will receive a real terms increase in their budget (with cash increases ranging between 3% to over 5%) which she expects them to invest in education:

“[...] we had some very robust discussions with council colleagues, and they were very, very clear to me and to Julie James and to the Finance Minister that, if local government were given the resources, they would prioritise school and social services funding. And they gave that commitment. They continue to give that commitment, and you will be aware that WLGA has welcomed the settlement that has been made available to them. And we will continue to have those discussions with

⁸⁰ Welsh Government, **Local Government Settlement**, 16 December 2019.

⁸¹ Welsh Government, **Letter to the CYPE Committee: request for further information in response to the school funding report**, 16 December 2019. NB. IBAs and SSAs represent the total estimated need for expenditure by local authorities and include assumptions about income from council tax and other local fees and charges.

WLGA leadership around ensuring that that money that has been available to them finds its way into school budgets.”⁸²

The ‘make up’ of school funding within the Local Government Settlement

100. In 2019-20 a one-off grant was given in-year to local government, in addition to the agreed settlement, to cover the **cost of teachers’ pay rises and pensions**. This one-off in-year grant was given for the portion of the academic year 2019/20 that falls in the 2019-20 financial year. For the remaining part of academic year 2019/20, rather than providing a separate grant, resources to meet the additional costs of the current teachers’ pay round and pensions will be added to the 2020-21 Revenue Support Grant. The Minister for Education stated:

“I don't want to prejudge or anticipate anything that the teachers' pay review body may or may not do with the processes that they are currently in, but we believe that we have put into the RSG resources that will allow local government to respond to the costs of teachers' pay and pensions, as they currently stand.”⁸³

101. When asked about **Barnett consequentials arising from UK Government announcements about funding for education in England** and how they have been reflected in the Welsh Government Draft Budget, the Minister for Education responded by describing the process as “complicated”:

“[...] in Westminster, certainly with regard to education spend, there is a mixture of that money that's being made available in-year, and then there are significant figures being bandied around that relate to spending supposedly over the next three, four—you know, longer term. So, we're not in a position to respond to that, because we only have the budget we do for one year.”⁸⁴

102. In information received following our 8 January scrutiny session, the Minister confirmed that—of the £596 million increase in the Welsh Government’s budget between 2019-20 and 2020-21 resulting from UK Government’s Autumn Spending Round—£196 million was attributable to increases in education spending in England. The Minister added that, of this £196 million Barnett

⁸² CYPE Committee, [Record of Proceedings \[para 6\]](#), 8 January 2020.

⁸³ CYPE Committee, [Record of Proceedings \[para 15\]](#), 8 January 2020.

⁸⁴ CYPE Committee, [Record of Proceedings \[para 24\]](#), 8 January 2020.

consequential for education, around £150 million specifically related to expenditure on schools.⁸⁵

103. In oral evidence, the Minister explained that, in the context of Barnett consequentials, local government representatives were anticipating a “like for like move into their responsibilities” of “around £220 million”. She said:

“[...] we have been able to use the money going into local government—that’s for social care and education—and we’ve been able to approximately match that [£220 million] going in.”⁸⁶

104. The information provided after our session stated:

- the £220 million put into the Local Government Settlement exceeded the £150 million and £59 million Barnett consequentials in 2020-21 for schools and social care respectively; and
- in addition to the £150 million which the Welsh Government has given to local authorities for school budgets, resource funding in the Education MEG has risen by £56 million.

105. While the Welsh Government has allocated the £196 million education Barnett consequential for education in Wales, we note that this is un-hypothecated, subject to predominantly notional IBAs (see paragraph 98), and depends on local authorities using the funding for this purpose.⁸⁷

106. Following the session with the Minister for Education, we requested details of the amount of the allocation for education contained within the Local Government Revenue Support Grant 2020-21, with a breakdown that includes details of how much is intended to cover the increased costs of teachers’ pay and pensions and how much remains to provide a genuine uplift to schools. The Minister for Education’s response said that the Minister for Housing and Local Government would provide this information,⁸⁸ however this was not received in time for us to consider as part of our report.

⁸⁵ CYPE Committee, [Additional information from the Minister for Education following the 8 January Draft Budget session](#), 23 January 2020.

⁸⁶ CYPE Committee, [Record of Proceedings \[para 27\]](#), 8 January 2020.

⁸⁷ CYPE Committee, [Additional information from the Minister for Education following the 8 January Draft Budget session](#), 23 January 2020.

⁸⁸ CYPE Committee, [Additional information from the Minister for Education following the 8 January Draft Budget session](#), 23 January 2020.

OUR VIEW

107. In previous reports on Welsh Government Draft Budgets we have raised concerns about the funding available for schools. In our 2019 report on school funding we reflected on the complexities associated with how schools receive their money and made a number of important recommendations about how the very real challenges faced by our schools should be addressed. We look forward to monitoring the implementation of our recommendations, and the findings of the Sibieta Review commissioned by the Welsh Government in response to our work.

108. We welcome the increase in local authorities' funding in the 2020-21 settlement, and the commitment given by local government to use it to prioritise school and social care funding. Nevertheless, we note the continued concerns in the education sector and among the general public about school funding. To seek to allay some of those concerns, we believe that:

- the Welsh Government's monitoring of adherence to the commitments made by local government will need to be both robust and transparent; and
- notwithstanding the principle of devolved decision-making, given the current funding climate faced by our schools, Barnett consequential funding for 2020-21 received from the UK Government which is attributable to increases in education spending in England should be prioritised for schools in Wales.

Recommendation 13. That the Welsh Government provide annual statements to the Assembly demonstrating the evidence that satisfied Welsh Ministers that local government is prioritising school funding, and how this is being monitored.

Recommendation 14. That the Welsh Government commit to prioritising funding for education in 2020-21 from any Barnett consequential received from the UK Government which is attributable to increases in education spending in England.

Additional Learning Needs (ALN)

109. Support for existing ALN provision and the transformation programme emanating from the implementation of the Additional Learning Needs and

Education Tribunal (Wales) Act 2018 have been highlighted by local authorities as a key funding pressure.⁸⁹

110. Responding to questions about the resource available to support ALN, the Minister stated that an additional £9.4 million has been allocated in the Welsh Government Draft Budget 2020-21 in response to current, pre-transformation pressures.⁹⁰ The Minister for Education sought to clarify the following distinctions between the three ALN-related funding streams:

- £20 million over the course of this Assembly to fund **ALN reform** (to be led by regional transformation leads and used on areas such as transition support, workforce development, raising awareness of the system, and supporting policy implementation);⁹¹
- £1.4 million for 2020-21, in response to increased costs associated with **post-16 further education specialist** placements (responsibility of Welsh Government);⁹² and
- £8 million for 2020-21, “to recognise some of the **pressure in the current system**” (responsibility of local authorities and schools).⁹³

OUR VIEW

111. We have undertaken a significant amount of scrutiny relating to additional learning needs support and recognise that existing support and forthcoming reforms require substantial financial investment to be delivered effectively. We therefore welcome the additional funding allocated in the Welsh Government Draft Budget 2020-21 to address current pressures in both pre- and post-16 ALN support.

112. In our consultation response on the Draft ALN Code in March 2019, we commented:

⁸⁹ See CYPE Committee, [School Funding report](#), July 2019, and CYPE Committee, [Response to the Draft ALN Code](#), 22 March 2019.

⁹⁰ CYPE Committee, [Record of Proceedings \[para 67\]](#), 8 January 2020.

⁹¹ CYPE Committee, [Record of Proceedings \[para 31\]](#), 8 January 2020.

⁹² CYPE Committee, [Record of Proceedings \[para 65\]](#), 8 January 2020.

⁹³ CYPE Committee, [Record of Proceedings \[para 67\]](#), 8 January 2020.

“We are extremely concerned that there is a risk that insufficient resources (whether that is funding or staff) threatens the successful implementation of the Act and delivery against the Code.”⁹⁴

113. We also called for an explicit statement that there must be no lessening of the threshold of need—the trigger for ALN support—as a result of increased costs of supporting children and young people under the new system. The definition of ALN under the new Act is materially the same as for Special Educational Needs (SEN) currently, and this must be fully acknowledged.

114. Whilst we welcome the additional money to address pressures associated with the existing system, the need for this raises further questions about what will be needed to deliver the substantial reforms. In light of the need to adjust the available budget to meet costs described by the Minister for Education as “above and beyond what we had initially anticipated to spend in ALN”,⁹⁵ we would welcome further detail about the work her department is undertaking to forecast the affordability of future ALN services, particularly given the scale of the reforms.

Recommendation 15. That the Welsh Government provide a summary of the steps it is taking to refine projected future ALN costs and how it is assuring itself and the sector that they are costed and affordable.

Recommendation 16. That, as called for in our response to the consultation on the Draft ALN Code, the Welsh Government make a clear statement that:

- local authorities and schools must continue to fulfil their responsibilities under the existing system; and
- there must be no lessening of the threshold applied to identifying ALN under the new system, on cost grounds.

Recommendation 17. That the Welsh Government confirm:

- how much Barnett consequential funding for 2020-21 it has received from the UK Government which is attributable to increases in Special Educational Needs and Disability (SEND) spending in England; and

⁹⁴ CYPE Committee, [Response to the Draft ALN Code](#), 22 March 2019.

⁹⁵ CYPE Committee, [Record of Proceedings \[para 67\]](#), 8 January 2020.

- how this is demonstrated in the 2020-21 Education MEG and the Housing and Local Government MEG (Local Government Settlement) respectively.

Pupil Development Grant

115. The Pupil Development Grant (PDG) is used by the Welsh Government to support disadvantaged pupils and reduce the gap in their attainment compared to other pupils.⁹⁶ It is calculated based on eligibility for free school meals. Expenditure on the grant now stands at over £100 million per year (which represents approximately 7% of total expenditure, and approximately a quarter of school-age expenditure, from the Education Resource DEL).⁹⁷

116. In our 2018 report on targeted funding, *On the money?*, we expressed our general support for the PDG but argued that the way it was targeted and used could be improved.

117. In the Draft Budget 2020-21, the PDG receives an additional £9.4 million, distributed as follows:

- £6.6 million for the **Early Years PDG**, to increase the amount per eligible child from £700 to £1,150, the same as for Years 1-11;
- £2 million to meet an anticipated **rise in demand**; and
- £800,000 to fund priorities including supporting children of armed forces personnel.⁹⁸

118. When asked whether she was confident that the PDG was being **used by schools as intended**, the Minister for Education and the Welsh Government's Director for Education stated that:

- the terms of the grant are clear to schools and local education authorities;⁹⁹

⁹⁶ Welsh Government, [Written Statement - Pupil Development Grant](#), 27 March 2017.

⁹⁷ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, Annex A.

⁹⁸ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, Annex A.

⁹⁹ CYPE Committee, [Record of Proceedings \[para 47\]](#), 8 January 2020.

- regional consortia challenge advisers report on the appropriate use of the PDG;¹⁰⁰
- the monitoring of the performance of children eligible for free school meals (eFSM) will remain a strong focus in new accountability measures;¹⁰¹
- PDG advisers in each of the regional consortia provide evidence-based advice about the best approaches and interventions to use;¹⁰² and
- the majority of schools now have a “strong tracking system” that allows challenge advisers and Estyn to identify spend in this area and evaluate its impact.¹⁰³

119. Responding to questions about **whether the investment demonstrated value for money** in terms of its impact, the Minister for Education stated there were always lessons to be learned, but periodical reviews on the effectiveness of spend had been positive. She added that recent improvements in the Programme for International Student Assessment (PISA) 2018 cycle also demonstrated its value:

“[...] what it showed in those PISA results is that a child's economic background—in Wales, you're more likely to overcome that disadvantage than the OECD average. We're able to make improvements, and we can have a discussion about how significant those improvements are, but we have made improvements. But, we have not done that at the expense of our poorer children; we have not done that. And that's just one indication that I think that this money is worth while.”¹⁰⁴

120. In relation to the **early years PDG**, the Minister for Education explained that she had doubled the money available in the Draft Budget 2020-21 on the basis that previous allocations may not have been sufficient to be effective. She stated that this demonstrated the Welsh Government's commitment to the cross-cutting theme of child poverty and early years development, and that the

¹⁰⁰ CYPE Committee, [Record of Proceedings \[para 47\]](#), 8 January 2020.

¹⁰¹ CYPE Committee, [Record of Proceedings \[para 47\]](#), 8 January 2020.

¹⁰² CYPE Committee, [Record of Proceedings \[para 50\]](#), 8 January 2020.

¹⁰³ CYPE Committee, [Record of Proceedings \[para 49\]](#), 8 January 2020.

¹⁰⁴ CYPE Committee, [Record of Proceedings \[para 36\]](#), 8 January 2020.

investment acknowledged that early intervention can be preventative and cost-saving in the long run.¹⁰⁵

121. When asked about the £2 million allocated for a “rise in demand”, the Minister for Education confirmed:

“[...] we have more children in the system at the moment who would not be caught by the historic PLASC data that we've used for the last two years. This has been a concern to schools, it's been a concern to me and therefore we've been able to allocate the £2 million.”¹⁰⁶

PDG Access

122. The Draft Budget 2020-21 includes an additional £3.2 million to further expand PDG Access, bringing the total allocation to around £8.3 million.¹⁰⁷ Grants are currently available for uniform and other costs to pupils eligible for free school meals in Reception and Years 3, 7 and 10 as well as all looked after children.

123. The Welsh Government’s written evidence stated that the funding will be used to extend PDG Access to **more year groups**.¹⁰⁸ In oral evidence, the Minister for Education confirmed that work was ongoing to identify the best use of the £3.2 million, which would include consideration of areas such as **school equipment, and out-of-school, sporting and cultural activities** and added that a further announcement would be made shortly.¹⁰⁹

OUR VIEW

124. During this Assembly we have dedicated a significant amount of scrutiny time to the PDG, both in terms of Welsh Government Draft Budgets and in relation to our 2018 report into targeted funding to improve educational outcomes. We have prioritised this area as we want to ensure that this substantial amount of spend is delivering a commensurate level of impact.

¹⁰⁵ CYPE Committee, [Record of Proceedings \[para 37\]](#), 8 January 2020.

¹⁰⁶ CYPE Committee, [Record of Proceedings \[para 43\]](#), 8 January 2020.

¹⁰⁷ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, p15.

¹⁰⁸ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, p5.

¹⁰⁹ CYPE Committee, [Record of Proceedings \[para 53\]](#), 8 January 2020.

125. We remain concerned by the evidence presented to our 2018 inquiry that PDG was not always used exclusively for eFSM pupils and that more needed to be done to ensure it was used well. We welcome the steps the Minister for Education and her officials have taken to monitor this. Given the challenges faced by schools in the current financial climate, we believe the Welsh Government must maintain rigorous monitoring of the use and impact of the PDG spend.

126. We note the adjustment of £2 million to respond to the “rise in demand” for PDG. We welcome the Welsh Government’s decision to meet the anticipated increase, since the proportion of pupils who are eFSM has risen from 17.4% in January 2018 to 18.3% in January 2019.¹¹⁰ We believe the updated 2019 eFSM data should be used for determining schools’ 2020-21 PDG allocations where this is higher than the January 2016 figures which have been used in recent years, in order to reflect the higher numbers of eFSM pupils that the PDG is there to support.

127. We recognise that the eFSM rate decreased from 18.4% in January 2016 to 17.8% in January 2017 and 17.4% in January 2018. We further recognise that fixing schools’ PDG allocations in 2018-19 and 2019-20 according to the January 2016 data maximised the amount of PDG funding that was drawn down overall. Nevertheless, as we pointed out in our 2018 report, it is likely that some schools bucked the national trend and had rising eFSM numbers, therefore losing out by not receiving as much PDG as they would otherwise have been entitled to. It is unclear what assessment has been made of the impact on individual schools of the Welsh Government’s decision to fix 2018-19 and 2019-20 PDG allocations to January 2016 levels and how many schools lost out as a consequence.

Recommendation 18. That the Welsh Government revert to determining schools’ PDG allocations according to the latest data on their eFSM headcount, where this is higher than the January 2016 figures which have been used in recent years.

Curriculum reform

128. The Welsh Government’s budgets for 2018-19 and 2019-20 provided £9 million and £15 million respectively for **teachers’ professional learning** to prepare for delivery of the new Curriculum for Wales. The Welsh Government Draft Budget 2020-21 again provides £15 million for this purpose as well as an additional

¹¹⁰ StatsWales, [Schools' census results: as at January 2019](#), July 2019.

£750,000 for the curriculum design process and £1 million to Qualifications Wales to fund work to **reform qualifications** to reflect curriculum changes.¹¹¹

129. When asked if this amount was sufficient, the Minister for Education responded that it was the biggest single investment in professional learning made (working out at approximately £1000 per full-time equivalent).¹¹² She added that headteachers had described it as “transformational” and a “game changer for them in terms of being able to prepare for the new curriculum”.¹¹³ The Minister also confirmed that her intention was to ensure that the £15 million for teachers’ professional reached “the front line”.¹¹⁴

130. In information received following our scrutiny session on 8 January, the Minister for Education said the Welsh Government receives termly reports from the regional consortia and is “ensuring that schools’ Professional Learning plans are signed off by their Challenge Advisers using demanding quality criteria”. The Minister said this will continue to be monitored.¹¹⁵

OUR VIEW

131. We have stated consistently our view that our workforce has to be our strongest asset if we are to deliver the once-in-a-generation opportunity afforded by the new curriculum. In light of this—and in line with our conclusion on last year’s Draft Budget and our 2017 report on teachers’ professional learning and education¹¹⁶—we welcome the steps taken to fund in 2020-21 the necessary professional learning to ensure that the workforce is prepared for significant forthcoming changes to the curriculum. We believe that these levels of funding need to be kept under review by the Welsh Government to ensure that they are sufficient to enable successful delivery of these reforms.

Recommendation 19. That the Welsh Government keep levels of all aspects of relevant funding to support curriculum reform under review—whether teachers’ professional learning, curriculum design or qualifications reform—to ensure that

¹¹¹ CYPE Committee, [Record of Proceedings \[paras 73-74\]](#), 8 January 2020.

¹¹² CYPE Committee, [Record of Proceedings \[para 76\]](#), 8 January 2020.

¹¹³ CYPE Committee, [Record of Proceedings \[para 78\]](#), 8 January 2020.

¹¹⁴ CYPE Committee, [Record of Proceedings \[paras 93\]](#), 8 January 2020.

¹¹⁵ CYPE Committee, [Additional information from the Minister for Education following the 8 January Draft Budget session](#), 23 January 2020.

¹¹⁶ CYPE Committee, [Teacher’s Professional Learning and Education Report](#), December 2017.

they are adequate to deliver and support the effective implementation of the new curriculum.

Minority Ethnic/Gypsy, Roma and Traveller Learners

132. The Welsh Government has retained the grant funding for local authorities to support Minority Ethnic and Gypsy, Roma and Traveller learners and is increasing it from £8.7 million in 2019-20 to £10 million in 2020-21. The Welsh Government's intention had been to mainstream this funding into the Revenue Support Grant in 2020-21 after two years of transitional grant funding in 2018-19 and 2019-20.¹¹⁷

OUR VIEW

133. We welcome the retention of ring-fenced grant funding to support the education of Minority Ethnic and Gypsy, Roma and Traveller Learners and the increase to this funding. Our report in February 2017 made the case for ring-fenced funding to ensure that interventions to support these learners were continuous and sustainable.¹¹⁸

134. We were concerned when the Welsh Government proposed two years ago to remove this funding with the expectation that these services would be delivered from the Revenue Support Grant. We therefore welcome the Minister's clarification that the Welsh Government no longer intends to mainstream this money into the RSG but continue grant funding on the current basis.¹¹⁹

Post-16 education

135. The Post-16 Education Action (which funds further education, sixth forms, adult community learning and a number of smaller activities) has seen an additional allocation of £22.9 million in the Draft Budget 2020-21, bringing it to £460 million.¹²⁰

¹¹⁷ CYPE Committee, [Additional information from the Minister for Education following the 8 January Draft Budget session](#), 23 January 2020.

¹¹⁸ CYPE Committee, [Education Improvement Grant: Gypsy, Roma and Traveller, and Minority Ethnic Children](#), February 2017.

¹¹⁹ CYPE Committee, [Additional information from the Minister for Education following the 8 January Draft Budget session](#), 23 January 2020.

¹²⁰ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, Annex A.

136. A significant proportion of this increase responds to **pay, pension and demographic inflationary pressures**.¹²¹ Approximately £17 million of the additional allocation is intended specifically for **further education**.¹²²

137. The **detailed allocations** within the Post-16 Education Action are due to be announced in spring 2020. The Minister's written evidence confirmed that this was due to final datasets still being audited.¹²³ This means that we are unable at this stage to scrutinise the allocations to further education institutions, adult community learning, or the smaller programmes that are also funded through the Post-16 Education Action. This was an issue we raised in our report on the Draft Budget 2019.

Sixth form

138. The Local Government 2020-21 settlement shows a decrease in the **Sixth Form** grant from £94.7 million to £93.9 million.

139. When asked why this had decreased, the Minister for Education confirmed that it reflected the shift in the number of students studying in a traditional sixth form to other settings, adding:

“The budget is aligned to, and the formula is aligned to reflect, actually, where the students are in the system.”¹²⁴

Further education colleges

140. When asked about how the Draft Budget 2020-21 supports **further education colleges** to deliver more flexible and responsive courses in line with the Welsh Government's ambition for delivering more vocational training to meet employer demands, the Minister for Education pointed to £10 million being allocated to the skills development fund in 2020-21, like in 2019-20. She added that this fund:

¹²¹ CYPE Committee. [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, Annex A.

¹²² CYPE Committee. [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, Annex A.

¹²³ CYPE Committee. [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, p42.

¹²⁴ CYPE Committee, [Record of Proceedings \[para 146\]](#), 8 January 2020.

“[...] allows colleges to respond to the training and priorities identified by the regional skills partnerships.”¹²⁵

OUR VIEW

141. Investment in post-16 education and skills plays a key role in improving employability and productivity. These are crucial contributors to the delivery of the Welsh Government’s strategy to increase prosperity and reduce the wealth gap. In light of this, we welcome the additional allocation of £22.9 million in the Draft Budget 2020-21.

142. Nevertheless, this funding increase has been made to meet inflationary and demand costs, not to increase the level of funding per learner. It is therefore unlikely to offer the means to bring about the step-change needed to better respond to skills needs and help deliver the Welsh Government’s aim of a right to life-long learning. Considering the crucial contribution increasing skills levels makes to increased productivity and prosperity, we believe more ambition is needed.

143. We note that the funding allocated to further education institutions for employment and skills, and work-based learning, fall under the Economy and Transport MEG and are considered as part of the EIS Committee’s scrutiny of the Minister for Economy and Transport.

Recommendation 20. That the Welsh Government provide an update on detailed allocations within the Post-16 Education Action once they have been agreed and finalised.

Higher education

HEFCW

144. The Higher Education action has seen an additional allocation of £38.3 million, bringing **HEFCW’s budget** to £178.2 million.¹²⁶ This is in-line with the Welsh

¹²⁵ CYPE Committee, [Record of Proceedings \[para 148\]](#), 8 January 2020.

¹²⁶ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, Annex A.

Government's stated intention of continuing to transfer savings from the Diamond student support reforms back into the sector via HEFCW.¹²⁷

145. In relation to HEFCW's budget for **degree level apprenticeships**, the Minister for Education confirmed that the Welsh Government would be honouring its commitment to providing £20 million over three years. With £8 million already allocated, and an additional £7 million provided for in its 2020-21 allocation, the Minister explained that the remaining £5 million would be transferred by supplementary budget from funding currently held under economic development budget lines.¹²⁸

OUR VIEW

146. We welcome the Minister for Education's confirmation that, in line with her stated intention to prioritise the implementation of the Diamond reforms without affecting the budget allocations for higher education negatively:

"[...] the figures that we're able to make available to HEFCW are in line with our expectations, and the expectations we would have shared with the sector. So, the budget aligns to the direction of travel that we set out at the beginning of this Assembly term, [...] in dialogue with the sector, and it shows that our reforms are on track. We're not overperforming, we're not underperforming; we're able to do what we said we were going to do."¹²⁹

Recommendation 21. That the Welsh Government publish updated indicative Diamond Dividend projections that show both the projected total size of the Dividend and the projected amount becoming available each year during continued implementation.

147. We are pleased to note that the £35 million by which the student support budget has been reduced (due to the Diamond reform savings) is exactly matched by a corresponding £35 million transfer into HEFCW's budget. This transfer brings HEFCW's budget into line with the forecast for 2020-21 provided by the Welsh Government to us in correspondence dated 5 December 2018.¹³⁰

¹²⁷ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, Annex A.

¹²⁸ CYPE Committee, [Record of Proceedings \[para 120\]](#), 8 January 2020.

¹²⁹ CYPE Committee, [Record of Proceedings \[para 111\]](#), 8 January 2020.

¹³⁰ CYPE Committee, [Correspondence from the Cabinet Secretary for Education](#), 5 December 2018.

148. However, we remain concerned that a key element of the Diamond reforms—providing students access to living cost support at a level equivalent to the National Living Wage each year—is being achieved by annually increasing the amount of loan students can access, rather than increasing the amount of the maintenance grant. When asked about this the Minister explained that:

“[...] it's a question around affordability and sustainability. So, students will, in total, be able to receive support equivalent to the living wage, but we will not, in this term, be increasing the grant element in line with inflation.”¹³¹

149. For the remainder of this Assembly we will continue to monitor the implementation of the Diamond reforms as they fully bed-in. As part of our legacy work, we will recommend that our successor committee maintain this monitoring over the next few academic years.

Recommendation 22. That the Welsh Government set out what the costs to the public purse would be during this Assembly Term if the Diamond maintenance grants were to be increased in line with inflation rather than increasing the maintenance loan.

150. We note the Minister's statement that remaining monies for degree level apprenticeships will be transferred to the higher education budget as part of a supplementary budget, but would welcome further detail on why that transfer does not appear in the Draft Budget 2020-21.

Recommendation 23. That the Welsh Government set out why the full £12 million transfer needed to meet its degree level apprenticeship commitment is not included in its Draft Budget 2020-21 but will instead follow in a supplementary budget.

Pensions

151. According to HEFCW, volatile and increasing pension costs and deficits are causing considerable uncertainty and high levels of financial risk for the higher education sector.¹³²

¹³¹ CYPE Committee, [Record of Proceedings \[para 126\]](#), 8 January 2020.

¹³² HEFCW, [Financial position of higher education institutions in Wales: 2016/17](#), March 2019.

152. Unlike the case of allocations relating to further education, the Draft Budget 2020-21 does not include a hypothecated sum in response to pension cost pressures in higher education.¹³³

153. When asked about the issue of higher education pensions, the Minister for Education responded:

“[...] we are not in a position, on a Wales-alone basis, to tackle the issue of higher education pensions. This is a matter that has to be dealt with on a UK level. We continue to push the UK Government and Treasury with regard to this matter, but I'm sure that even HEFCW and Universities Wales would be the first to recognise that this is not an issue that Wales can tackle on its own. Given that we have to make priorities around how public resources and education resources are spent, this is really a matter that has to be dealt with at a UK level.”¹³⁴

OUR VIEW

154. We note the Minister for Education's statement that higher education pensions are a matter that must be tackled at a UK level, and recognise the challenges that this poses. Nevertheless, given the vital importance of this sector and its staff to Wales and its economy, we would welcome further information from the Welsh Government about how it has assured itself in relation to the sector's management of the risks to its sustainability created by pensions uncertainty, and what action it has taken in cooperation with the UK Government on this matter.

Recommendation 24. That the Welsh Government outline:

- the landscape as it relates to pensions in the higher education sector in terms of the powers and responsibilities of the Welsh and UK Governments and the role of higher education institutions themselves;
- the steps it has taken to monitor the sector's management of the risks to its sustainability created by pensions uncertainty;

¹³³ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019.

¹³⁴ CYPE Committee, [Record of Proceedings \[para 143\]](#), 8 January 2020.

- its assessment of the potential impact of these risks to the sector and beyond; and
- the action it has taken in cooperation with the UK Government on this matter.

Borrowing and university governance

155. The Welsh Government Draft Budget 2020-21 includes £10 million capital funding for HEFCW.¹³⁵ In the 2016/17 academic year, the higher education sector made capital investments of £151 million, with the balance funded from other sources, including borrowing.¹³⁶

156. When asked whether such an approach adhered to the Well-being of Future Generations (Wales) Act 2015's sustainable development principle, the Minister for Education stated that borrowing decisions are a matter for universities and their governing bodies.¹³⁷ She explained that HEFCW would also have a role as regulator to ensure that any borrowing is prudent,¹³⁸ and added:

“In itself, borrowing isn't an issue, provided it's to support investment and that it is aligned to an institution's strategic priorities and is affordable to them.”¹³⁹

OUR VIEW

157. While we agree with the Minister for Education that borrowing in itself is not an issue, we note that prudent borrowing is entirely contingent on good governance arrangements and oversight.

158. In our December 2019 report on our post-legislative scrutiny of the Higher Education (Wales) Act 2015, we highlighted the critical role effective governance plays in the higher education sector, particularly in relation to safeguarding public funding and student interests. We further noted that we were very concerned by the evidence presented by UCU (the University and College Union) that HEFCW

¹³⁵ CYPE Committee, [Written information from the Minister for Education on the Draft Budget 2020-21](#), December 2019, p44.

¹³⁶ HEFCW, [Financial position of higher education institutions in Wales: 2016/17](#), March 2019 para 16(g).

¹³⁷ CYPE Committee, [Record of Proceedings \[paras 131-133\]](#), 8 January 2020.

¹³⁸ CYPE Committee, [Record of Proceedings \[para 133\]](#), 8 January 2020.

¹³⁹ CYPE Committee, [Record of Proceedings \[para 133\]](#), 8 January 2020.

does not have the tools necessary to make effective governance interventions, and that the current statutory framework fails to set the conditions for good governance.¹⁴⁰

159. Given the substantial reliance on borrowing to fund capital programmes within higher education institutions in Wales, we would welcome further information from the Welsh Government on how it assures itself of the affordability and prudence of this level of borrowing within the sector.

Recommendation 25. That the Welsh Government set out how it is assuring itself that:

- higher education institutions are engaging in prudent and sustainable borrowing; and
- governing bodies have the capability to scrutinise and oversee their commitments, and are doing that effectively.

Recommendation 26. That the Welsh Government set out what analysis it—or HEFCW on its behalf—has undertaken on the sustainability of borrowing within the sector.

A strategic approach to balancing funding between HE and FE

160. The Welsh Government has set out its proposals for reforming the post-16 education sector, with the aim of “allowing for the first time a ‘whole-systems’” approach to meeting the needs of learners in Wales and of the Welsh economy”.¹⁴¹ The consultation on the proposals raised the question of the balance of funding between higher and further education and how this matter might be approached under the reforms.

161. When asked how the balance between resourcing both higher and further education is currently decided, the Minister for Education answered:

“The resources that have been made available for HE and FE are allocated to align to ministerial priorities. I've ensured that the higher education action has enough resources to deliver on mine and the Government's commitment to respond to the Diamond review, and

¹⁴⁰ CYPE Committee, [Post legislative scrutiny of the Higher Education \(Wales\) Act 2015](#), December 2019.

¹⁴¹ Welsh Government, [Consultation Document: Public Good and a Prosperous Wales](#), 24 April 2018, para 20.

then look to support FE in a way that is, again, consistent with my priorities, especially with regard to parity of FE pay.”¹⁴²

162. In response to a question about the strategy that underpins this, the Minister for Education responded by repeating the policy intent with regard to higher education and stated:

“[...] the budget aligns to the direction of travel that we set out at the beginning of this Assembly term.”¹⁴³

163. Much of the narrative relating to higher and further education in Wales in recent years has been shaped by the conclusions of the Diamond and Reid reviews. In response to a question about why the Reid review recommendations have not been funded fully, the Minister told us that funding is available and progress is being made,¹⁴⁴ that it is an area which requires cross-governmental action,¹⁴⁵ but that the various budget streams which fund research and innovation are “Byzantine in their complexity”, making it difficult to confirm the total amount allocated.¹⁴⁶ However, she added:

“I believe that we are doing what we can within our department, as I said, with the research and innovation fund and the QR money, to be able to make good on the bits that we have got control over, and we continue to have those discussions, and officials do, across portfolio to make sure that Reid can be implemented.”¹⁴⁷

OUR VIEW

164. The need to allocate resources according to identified long-term needs and priorities is a core feature of strategic budgeting.

165. The Welsh Government has set out its aim of achieving a single, coherent tertiary education system incorporating both HE and FE under one arms-length tertiary education commission. We therefore wanted to see evidence that there was already a strategic approach to balancing funding between HE and FE.

¹⁴² CYPE Committee, [Record of Proceedings \[para 109\]](#), 8 January 2020.

¹⁴³ CYPE Committee, [Record of Proceedings \[para 111\]](#), 8 January 2020.

¹⁴⁴ CYPE Committee, [Record of Proceedings \[para 159\]](#), 8 January 2020.

¹⁴⁵ CYPE Committee, [Record of Proceedings \[para 160\]](#), 8 January 2020.

¹⁴⁶ CYPE Committee, [Record of Proceedings \[paras 165 and 167\]](#), 8 January 2020.

¹⁴⁷ CYPE Committee, [Record of Proceedings \[para 181\]](#), 8 January 2020.

166. We are not convinced that sufficient evidence of a strategic approach to striking a balance between higher and further education funding has been presented to date. In our view, this will be key to creating a “joined up” tertiary education system that is responsive to learner and industry needs.

Recommendation 27. That the Welsh Government, in the next budget round, provide more detailed evidence of the strategic approach it has adopted to balancing HE and FE funding.

167. Furthermore, while the EIS Committee will lead on matters relating to research and innovation as part of Assembly Committees’ scrutiny of the Draft Budget 2020-21, we are deeply concerned by the Welsh Government Director for Skills, Higher Education and Lifelong Learning’s acknowledgement that:

“[...] it is not wholly clear at the moment how much Government funding is going into research and innovation.”¹⁴⁸

168. We look forward to receiving confirmation of the date by which information about the various allocations within the Welsh Government Draft Budget for research and innovation, to include detail of the amount of private funding that is expected to be leveraged, will be available, and to receiving (and sharing with the EIS Committee) this information at that stage.¹⁴⁹

¹⁴⁸ CYPE Committee, [Record of Proceedings \[para 169\]](#), 8 January 2020.

¹⁴⁹ CYPE Committee, [Minute of the CYPE Committee meeting of 8 January 2020](#), January 2020.
