

THE NATIONAL ASSEMBLY FOR WALES

DRAFT BUDGET 2014/15

BUDGET REPORT BY THE ADVISER TO THE FINANCE COMMITTEE

Angela Scott
Adviser to the Finance Committee

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INTRODUCTION

1. The Approach of the Budget Adviser

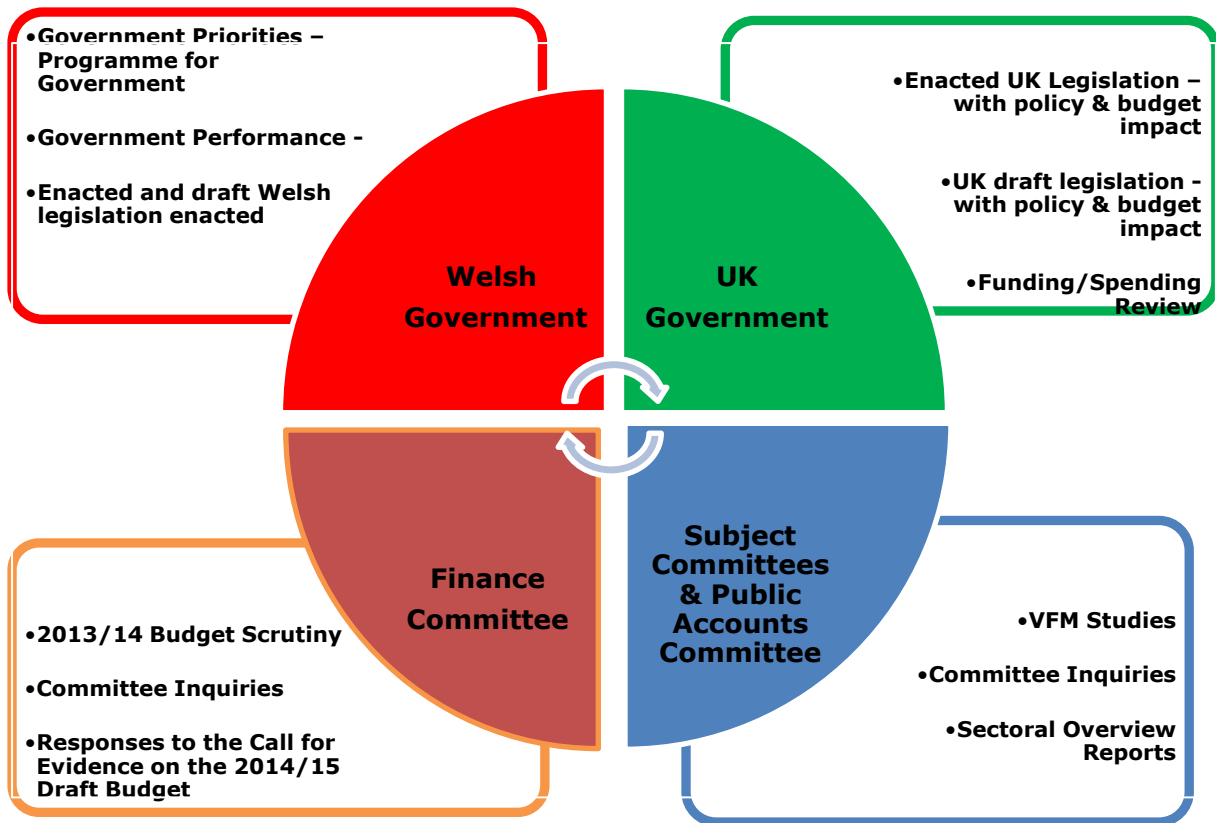
In this briefing report to the Finance Committee, I have structured my report around the following 4 fundamental principles of financial scrutiny:

- Affordability – the wider picture of revenue and expenditure and whether they are appropriately balanced;
- Prioritisation – a coherent and justifiable division between sectors and programmes;
- Value for Money – the extent to which public bodies are spending their allocations well and achieving outcomes; and
- Budget Process – integration between public service planning and performance and financial management.

As budget adviser my advice is that optimum Parliamentary scrutiny will be achieved if there is a clear division of the principles to be examined between the Finance and subject committees. I would advise that the focus of the Finance Committee should be on Affordability and on Budget Process. The primary focus of the subject committees would therefore be Prioritisation (or choices made by government) and on Value for Money. The Finance Committee will necessarily be interested in prioritisation and the link between the Programme for Government and resource allocation.

Parliamentary committees undertake an on-going and valuable scrutiny role. On my appointment as adviser, I was interested in ensuring that the valuable output from the Committees was captured and integrated with all other available evidence to provide a robust platform to enable me to advise on the lines of inquiry for the Finance Committee and for the Subject Committees. This will enable a coordinated approach to be taken to the Assembly's scrutiny of the budget for 2014/15 and it will also ensure that the four principles of scrutiny are embedded at the heart of the scrutiny process thereby providing the National Assembly for Wales and the people of Wales with the necessary assurance that spending plans have been the subject of a rigorous and structured form of scrutiny.

The basis of this paper and the suggested lines of inquiry follow from my structured review of available evidence and which I have presented diagrammatically as follows:



This briefing has been prepared in advance of the publication of the Welsh Government's budget, which is due on the 8th October. As a result the briefing provides indicative lines of inquiry which the committee may wish to consider pursuing. Once the budget is published it may be desirable to revisit this briefing.

FINANCE COMMITTEE

2. SCRUTINY TEST: AFFORDABILITY

The Welsh Government is mainly concerned with expenditure in that it sets out what the Welsh Government proposes to spend. There must however firstly be revenue to enable that spend to take place. In public sector budgeting I would expect that a balanced budget is set. In simple terms this means that expenditure should be no greater than the revenue source.

This test is concerned therefore with the wider picture of both revenue and expenditure and whether they are appropriately balanced. I will begin with a consideration of revenue and will then move onto expenditure.

REVENUE

The primary source of income for the devolved government is the block grant received from the UK government. It's necessary therefore to examine how transparent the decisions of Government are in terms of the determination of the block grant and where any new responsibilities have been assigned to the Welsh Government and whether they have been funded:

1. Transparency of Barnett Consequentials;
2. Transparency Of Block Grant 2014/15;
3. Transfers Of Responsibilities From UK Government And The Funding Implications

In addition to the block grant, the Welsh Government has a limited number of levers for raising additional revenue in the present devolved arrangements.

It is necessary therefore to make the governments decisions, in terms of its use of the revenue levers transparent. This means that we require to consider the following:

4. The Taxation Levers Available Within The 2014/15 Budget
5. Level Of Additional Income By Application Of Fees And Charges;
6. Level Of European Funding Being Accessed;
7. Level Of Capital Investment Through Revenue Backed Financing Vehicles;
8. Carry Forward Of Resource From The Previous Financial Year; and
9. Utilisation Of Capital Receipts

My report provides commentary on each of these areas, together with indicative lines of enquiry for Finance Committee members.

At present, the devolution arrangements only provide the Welsh Government with restricted borrowing powers for cash management purposes. Additional borrowing capacity is therefore not currently available as a revenue lever to the Welsh

Government. The Silk Commission part 1 report¹ recommended that the Welsh Government be permitted enhanced borrowing powers, and therefore this facility may be accessible in future.

1. Transparency of Barnett Consequentials

The Barnett formula is applied to the budget figures of UK spending departments, and if a UK department benefits from an increase in budget, if the spend is on an area which is devolved, then the Welsh budget should be accordingly increased.

For 2014/15 the Welsh Government will presumably include allowance for the receipt of Barnett consequentials arising from HM Treasury decisions, for example those announced in the Spending Round 2013, where not already incorporated into the 2013/14 Supplementary Budget.

The Welsh Government will consider the priorities to which this funding will be applied.

Suggested Line of Enquiry

The Committee may wish to:

- Explore what is the level of revenue adjustment as a result of Barnett Consequentials being experienced for 2014/15; and
- Establish how robust the Barnett consequentials assumptions are and whether the Welsh Government is challenging for any further Barnett consequentials to be applied, for example in relation to the HS2 rail project, which are not reflected in the current Barnett assumptions.

2. Transparency of Block Grant 2014/15

The Spending Round 2013 (table 2.18) indicated controls totals for Wales for 2014/15 as being Resource Del (excluding depreciation) of £13.6bn and Capital DEL of £1.4bn. Notably for 2015/16 the control totals indicate no change in Resource Del, a decrease of -1.8% in real terms, and cash increase to £1.5bn for Capital DEL.

It is a feature of the UK Government financial management process that block grant continues to be expressed in terms of spending limits. This means that control is effectively exerted upon the management of expenditure rather than on income. My view is that the focus of the budget is primarily upon expenditure and that this in turn means that scrutiny is directed principally towards expenditure. There is a risk that the extent to which the Welsh Government explores further opportunities for income are not scrutinised by the Committee.

Further analysis of the 2014/15 DEL and AME figures will be possible following the publication of the draft budget, as well as a comparison with the 14/15 figures produced in the Spending Round 2013 (SR13). The Minister for Finance has already provided the Committee with a note explaining the baselines used in the SR 2013.²

¹“ Empowerment and Responsibility: Financial Powers to Strengthen Wales”, Silk Commission, November 2012

² [Spending Round Letter from Minister for Finance](#), September 2013

3. Movements on Block Grant 2015/16

The Committee will be aware that the Scotland Act 2012 allows more fiscal flexibility for Scotland in some areas of taxation and additional, restricted, borrowing powers. As these flexibilities are implemented adjustments to the Scottish 'block grant' will be required.

It is my understanding that discussions on the methodology for determining the scale of the adjustments are continuing. It appears that the adjustment mechanism may take account of issues raised by the 'Independent Commission on Funding & Finance for Wales' as chaired by Gerald Holtham.

Any new adjustment arrangements would be expected to affect all the devolved administrations and set a template for future responsibility transfers between the UK and devolved administrations. This will be particularly relevant to discussions regarding the potential implementation of Silk Commission comments regarding fiscal devolution.

At a recent meeting of the Scottish Parliament's Finance Committee, the Chief Secretary to the Treasury confirmed that there has been no modification as yet to the Scottish block grant calculation. This will be a significant area of future consideration for both the Welsh Government and the Finance Committee.

Suggested Line of Enquiry

The Committee may wish to:

- Explore what the impact of the Scottish block grant adjustment in 2015/16 will mean for the Welsh block grant;

4. Transfer of responsibilities from the UK Government and the Funding Implications

Public Service Network

The Government Secure Extranet is used by public bodies across the UK to exchange personal and sensitive information securely. In order to connect to the GSX there is an accreditation process which sets out the standards which organisations must comply with in order to access the network. The accreditation process changed towards the end of 2012. This reflects the UK government's strategy to implement a Public Services Network (PSN). PSN results in the need to ensure that connected organisations meet the agreed standard to maintain the trust of the infrastructure. The PSN Authority, the Cabinet office body that is responsible for the governance of the PSN, has substantially tightened up the compliance process. There is now a zero tolerance approach to the PSN Code of Connection and failure to comply may result in disconnection from the network.

Public bodies in Wales will be required to undertake the necessary work to undertake and complete the accreditation process and to invest as appropriate to ensure accreditation. The ultimate sanction for failure is disconnection from GSX, which will in itself carry significant risks for public bodies and for public service delivery. There is no direct budget reference to this matter and while not a Welsh Government initiative, there is a risk that public bodies in Wales may seek assistance with a subsequent demand on Welsh Government funding.

Suggested Line of Enquiry

- The Committee may wish to seek assurance that any liability in respect of PSN has been assessed and accounted for as necessary.
- Given this is a UK policy the committee may wish to explore whether the Welsh Government has discussed the financial implications with the UK Government

5 The Taxation Levers available within the 2014/15 budget (NDRI, Council Tax)

Non-Domestic Rates (NDRI)

A key area of taxation that the Welsh Government has some control over, with restrictions, is the income from National Non Domestic Rates and the committee may wish to test the robustness of the assumptions being made within the budget.

The Welsh Government's response to the Business Rates Review 'Incentivising Growth' indicated further consideration would be given to the use of the currently available NDR powers as a policy lever. The Committee may be aware that an NDR policy initiative to encourage local economic growth exists in Scotland. In England localised discretionary rate reliefs can be granted, although this scheme represents an additional funding pressure for authorities it reliefs are granted.

Council Tax

To date the Welsh Government has not elected to follow the policy adopted by both the UK and Scottish governments of funding a council tax freeze. The committee may wish to explore whether the Welsh Government intends maintaining its current policy approach.

Suggested Line of Enquiry

The committee may wish to:

- gain assurance as to the robust nature of the assumptions made on NDRI for the 2014/15 draft budget;
- The committee may wish to establish what plans are in place for NDRI post 2014/15; and
- Establish the Welsh Government's policy intention on council tax levels

6. Level of Additional Income by Application of Fees and Charges

One of the powers available is the application of fees and charges to services which are free at the point of use or alternatively, increasing existing charges for services. The combination of real terms funding reductions and service demand pressures may suggest consideration of the use of a fees and charges policy to influence both the demand for services and the ability to fund those services.

The WLGA submission to the call for evidence, states that it has asked Ministers to work in partnership with local government and the WLGA in a number of areas, including “to ensure that all fees and charges are determined locally to be responsive to local needs including an urgent assessment of the sustainability of the cap on non residential social services charges introduced as part of the First Steps initiative”.

Suggested Line of Enquiry

The Committee may wish to:

- against the background of expected budget reduction ascertain what consideration has been given to the introduction of fees and charges for services currently free at the point of use.

7. Level of European Funding Being Accessed

European Funds

The Committee’s review of European funding noted that spending power has been enhanced through the use of European Funding to support the achievement of mutual EU and Welsh Government objectives. Various European funding streams have been utilised, including European Structural Funds and the European Regional Development Fund.

While these funds and their uses are normally explained in the budget papers, overall funding value is not always clearly presented, since departmental budgets are normally expressed as ‘net’ expenditure. It is therefore not always possible to quantify with certainty the total impact on the budget.

I note that the Welsh Government financial statements for 2012/13 indicate that “A potential disallowance of EU Agriculture funding has been identified relating to the dual use of land.” No quantification of the situation was possible at the date of the accounts.

It should be noted that failure to comply with EU funding terms and conditions can result in the requirement to repay European Funding. Repayment requests can relate to expenditure incurred several years previously and can be significant in scale.

Suggested Line of Enquiry

The Committee may wish to:

- clearly establish the overall value of, and dependency on, European funding as a funding source to the Welsh Government draft budget;
- explore the Welsh Government's financial exposure to the repayment of European Grants

8. Level of Capital Investment through Innovative Financing

The Committee's report on "Borrowing Powers and Innovative Approaches to Capital Funding" raised a variety of areas for the Welsh Government to consider. The discussions following the Silk Commission may result in an increase in borrowing powers in the longer term. In the more immediate term the potential for using innovative financing initiatives exists. This includes initiatives such as Tax Incremental Financing, Non-Profit Distribution financing models and a separate body for securing private sector investment. The Welsh Government indicated that it would consider these options.

Suggested Line of Enquiry

- The Committee may wish to explore the extent to which innovative financing options have been explored as a means to enhancing capital investment according to the priorities expressed in the Wales Infrastructure Investment Plan;

9. Carry Forward of Resource From the Previous Financial Year

The Budget Exchange System (BES) allows the Welsh Government to carry over 0.6% of Resource DEL and 1.5% of Capital DEL from one financial year to the next.

This provides the Welsh Government with some flexibility to manage its financial situation in order to support the achievement of Value for Money in pursuing its stated priorities.

Suggested Line of Enquiry

- The Committee may wish to explore what plans are in place to use the BES within the 14/15 draft budget, and what the resource will be used on
- The Committee may wish to explore the means by which the Welsh Government ensures that use of the BES is optimised to provide Value for Money in achieving its priorities

10. Utilisation of Capital Receipts

The Committee's report 'Asset Management in the Public Sector' noted the benefits of an overall Asset Management Plan for Welsh public sector assets. Improved efficiency in the use and sharing of the public sector estate would normally be anticipated to allow rationalisation of assets, with the sale of assets allowing re-investment to meet future service requirements.

The committee may wish to examine the level of reliance being placed on capital receipts within the 14/15 budget, with particular reference to the likelihood of the receipts being generated. It may aid transparency if the underlying analysis of planned capital receipts is provided and also the basis for choosing to dispose of a public asset versus other options for the utilisation of the asset.

Suggested Line of Enquiry

- The Committee may wish examine the reliance on capital receipts in the 14/15 budget
- The Committee may wish to examine the risk exposure if receipts are not realised

EXPENDITURE

The test of affordability now turns from revenue to expenditure. Given the limited levers for raising revenue, a devolved government faced with reductions in block grant must focus its attention on how to control and/reduce costs. As I have indicated earlier, the purpose of financial scrutiny is to make the Welsh Government's financial decisions and its assumptions transparent. I have examined the following areas:

1. Legislative Burdens;
2. Savings/Efficiencies;
3. Consequences Of Capital Investments;
4. Liabilities Which Could Be A Draw On The Welsh Budget; and
5. Managing Demand Through Prevention And By Changing Citizen Behaviour

1. Legislative Burdens

Legislation passed by the Welsh Parliament in many cases places a financial burden on the Welsh budget which must be identified and budgeted for. I examined the legislation which had been recently enacted and I also reviewed the existing Bills to determine what the overall impact of legislation would be on the Welsh budget for 2014/15. I considered the following proposed legislation:

- Social Services and Well-being (Wales) Bill;
- Active Travel (Wales) Bill;
- Further and Higher Education (Governance and Information) (Wales) Bill;
- Education (Wales) Bill;
- Agricultural Sector (Wales) Bill;
- Mobile Homes (Wales) Bill
- Recovery of Medical Costs for Asbestos Diseases (Wales) Bill

In addition I also sought to consider the impact on the draft budget of recently passed legislation, including the National Assembly for Wales (Official Languages) Act 2013; School Standards and Organisation (Wales) Act 2013 and the Public Audit (Wales) Act 2013.

I found that the financial memoranda accompanying each Bill was not always presented consistently and did not always readily support identification of the aggregate financial consequences of legislation. Overall I was not able to quantify a single figure or aggregate of figures for the Committee of what the financial impact from the proposed legislation would be. This does not mean that the impact has not been factored into the budget, merely that the aggregate impact of new or proposed legislation is not necessarily transparently available.

From my examination, I make the following comments on selected Bills:

Social Services and Well-being (Wales) Bill – The impact assessment indicates that investment in initial training costs will be required, but that some cost implications, such as closer service integration, “have not yet been quantified at this stage given that further clarity on the content of future regulations is required”. Some reliance on ‘Invest to Save’ funding for transition arrangements has been indicated. Given the anticipated significant impact of the Bill on service provision this will form a key part of forward financial planning.

Active Travel (Wales) Bill – The impact assessment indicates additional costs, dependent on options adopted, of approximately £0.5m - £0.7m including initial investment, primarily for local government. The explanatory memorandum states that no additional funding will be provided. This will presumably require re-direction of existing funds.

Education (Wales) Bill –The options include transferring to local authorities the responsibility for assessing and arranging all post-16 provision for learners with Learning Difficulties and/or Disabilities (LLDD). The impact assessment indicates an existing annual cost of some £16.5m, although the amount of funding transferred would be subject to budgetary negotiation.

Mobile Homes (Wales) Bill – The initial bill documentation indicated initial costs of some £463K in the first year, with annual costs of £83K in later years. Local authorities were anticipated to incur costs with licensing charges being levied.

Recovery of Medical Costs for Asbestos Diseases (Wales) Bill – The proposed bill would provide a basis, where a compensation payments for the effects of asbestos disease exists, the public sector would be allowed to reclaim the costs of medical treatment. The initial impact assessment indicated that based on typical medical costs per patient of approximately £23K and some 80 patients per annum some £2m per annum may be recovered. Administration costs were estimated to be of the order of £50K p.a.

Suggested Line of Enquiry

The Committee may wish to:

- establish if the Welsh Government has quantified the full cost of enacted and proposed legislation for 2014/15 and 2015/16 and if so what is the overall net impact from new legislation on the Welsh budget (whether cost or savings)
- seek assurances that the financial consequences which will arise from future secondary legislation as a result of the Social Services and Well-being (Wales) Bill have been considered in full;
- investigate the extent to which increased clarity on the costs and savings from recently passed legislation for example, from the creation of Natural Resources Wales, has been included in the development of the budget.

2. Savings/Efficiencies

It is inevitable that savings from efficiencies will remain important to the delivery of a balanced budget, thereby ensuring that the necessary level of resources are available for service delivery.

The Welsh Government has indicated its key means for driving efficiencies in a variety of areas, such as collaboration, simplification, accountability and asset management & procurement.

An example in relation to procurement is the November 2013 launch of the National Procurement Services organisation. This is anticipated to provide savings of between £9.2m and £24.6m per annum from 2014/15.

It is important that any significant anticipated savings, and the assumptions and risks underlying these, should be apparent in scrutinising the draft budget.

Suggested Line of Enquiry

The Committee may wish to:

- understand how the proposed savings from all the efficiency actions identified by the Welsh Government have been factored into the budget;
- examine the level of financial risk arising from the planned savings and efficiencies

3. Consequences of Capital Investment

The draft budget for 2013/14 noted “the impact of the 45 per cent real terms reduction to our Capital DEL between 2009-10 and 2014-15”. There is a risk that current plans to replace or enhance existing assets may be insufficient, leading to the potential for maintenance backlogs across the Welsh public sector. This has the potential to impact on service budgets, with increasing calls on revenue resources to address urgent maintenance requirements, and on service delivery, with increased risks of assets being unusable.

Such cuts in investment over the last few years therefore place potential risks on revenue budgets going forward, especially the longer any new potential re-investment is deferred.

Suggested Line of Enquiry

- The Committee may wish to explore what assumptions have been made for backlog maintenance and what the impact will be on future capital investment

4. Liabilities Which Could Be A Draw On The Welsh Budget

Indemnities and Letters of Comfort

The Welsh Government’s financial statements for 2012/13 indicate that no financial guarantees have been provided. Indemnities have however been given in relation to Housing Stock Transfers (VAT mitigation scheme continuance), the National Library of Wales and the National Museum of Wales. The probability of these indemnities being utilised was regarded as remote. Letters of comfort have also been provided in respect of contaminated land and a lease arrangement.

Financial Transactions

As a consequence of UK Government initiatives, such as housing market measures including ‘Help To Buy’ and ‘Build To Rent’, the devolved territories have the ability to utilise ‘financial transactions’. The Welsh Government’s 13/14 Supplementary Budget Explanatory Note stated “capital spending power has increased by a further £68,083k. This funding is ring-fenced for financial transactions and can only be used for loans and equity investments beyond the public sector. The majority of this funding will also need to be repaid to the Exchequer”. Forward financial planning will be required to allow for the repayment obligations arising.

Impairment Costs Associated with IT Projects

Impairment generally reflects the loss in value of an asset and has the potential to impact on the funds available to the Welsh Government. From my examination of other territories I have noted a developing theme associated with impairment costs arising from the procurement of IT projects. In a variety of public sector organisations concerns have been noted over costs associated with the delivery of IT projects. These cases have occurred over different time periods. The accompanying risk is that capital investment is written off without achieving the benefits envisaged when the project was

commenced. Although IT projects may be regarded as being particularly at risk in this respect, the potential exists for this to occur with all capital investment projects.

Backlogged Claims for Continuing Healthcare Care

A Wales Audit Office report, "Implementation of the National Framework for Continuing NHS Healthcare"³ (CHC), noted national arrangements had been made to allow people, or surviving relatives, to reclaim incorrectly levied charges for CHC services between 1996 to 2003. A deadline of June 2014 had been set for clearing all claims. The report highlighted that "there remains a significant risk that the deadline will not be achieved".

The Welsh Government's plans in regard to clearing the backlog will presumably affect the 2014/15 draft budget, for example more resources may be directed to this task in 2014/15 or the deadline for clearing claims may be amended, potentially into 2015/16. Additionally the Welsh Government may have identified other commitments where the original estimates of the resources or timescale required should be amended.

Suggested Line of Enquiry

The Committee may wish to:

- seek evidence on how unquantifiable indemnities and letters of comfort have been accounted for in the budget and what the consequence will be if these have to be met, i.e. how will they be financed?
- consider the extent to which the Welsh Government plans to utilise the 'financial transactions' facility, and the longer term impact of the necessary repayments on the government's future spending plans
- consider the extent to which original estimates for the requirements to meet specific commitment obligations should be revised in the 2014/15 draft budget, for example in relation to CHC.
- seek assurance that capital investment will be supported by rigorous business cases and supported by project and asset management planning

5. Managing Demand Through Prevention and by Changing Citizen Behaviour

Prevention

The Committee is clearly interested in the potential for, and implementation of, preventative spend initiatives. The responses to the call for evidence will inform the Committee's scrutiny approach.

As noted by the OBR fiscal sustainability report the biggest challenge for the UK looking further ahead is not the austerity crisis itself, but the ageing population which will require increasing levels of support, for instance from social care and health services.

³ Issued June 2013

Providing services early in order to achieve improved outcomes with less pressure on 'reactive' services is therefore desirable.

The challenges to implement preventative initiatives are complex and varied. In particular most initiatives will require some level of 'up front' investment and activity before there is any alleviation on the demand for the normal reactive services for those in need. This indicates a need for disinvestment to make room for preventative spend and the appropriate use of funds, such as Invest To Save, to achieve change. As recommended by the committee such funding should be prioritised towards those initiatives with robust evidence to provide assurance of longer-term success. In response to the committee's call for evidence, the WCVA refers to the Wales Wellbeing Bond. The committee may wish to explore the different financial approaches being taken to support a shift to a more preventative approach.

Changing Citizen Behaviour

There is international evidence that service demand can be managed in alternative ways as well as by management of prevention. When the local authority of Les Sorinieres in western France announced a pilot scheme to charge residents for each garbage bin they put out for collection, it simultaneously began to track waste volume throughout the city and give householders data on the amount of waste they were generating.

Waste dropped by more than 20% and the volume of recycled waste rose. The plan to charge residents was not implemented, as it was deemed no longer necessary and the change in behaviours persisted.⁴ Demand therefore was reduced by the prospect of charging.

Suggested Line of Enquiry

The Committee may wish to:

- Explore the extent to which there has been a shift towards a more preventative approach across the government's budget, and whether the committee's recommendations on Invest To Save have been addressed
- Explore the extent to which the budget has been compiled on a basis which incorporates other means of demand management.

⁴ How to make a city great McKinsey & Company

3. SCRUTINY TEST: BUDGET PROCESSES

This test is concerned with examining the integration between public service planning and performance and financial management.

Transparency

The committee's scrutiny of the 2013/14 budget requested some improvements in transparency and presentation. In particular more consistency of presentation between portfolios and an appropriate level of detail for each portfolio's budget were requested.

In scrutinising the 2014/15 budget, the committee may wish to test how transparent the government's spending plans are in relation to any intended use of the Budget Exchange Mechanism.

Consistency

From my structured review of draft legislation both at a UK and Assembly level we were unable to comprehensively compute a single figure (or aggregate of figure) to determine what the combined 2014/15 budget impact of legislation could be. What this means is that it is difficult to scrutinise the extent to which the Welsh Government budget process has captured all of the financial impacts from the legislative programme.

Budget Strategy: Supporting Transformation

The transformation of public services was a clear commitment in the 2013/14 budget and it is assumed that this will continue for 2014/15. As with other territories the Welsh Government may need to invest in transformation by incurring costs at the point of change and during transition, with savings projected to materialise at a later date. This could be expected to be the case with the Social Services and Well-being (Wales) Bill.

The Invest to Save Fund, where initial funding requires to be repaid in the future, and the Regional Collaboration Fund, a grant award approach, have both been utilised to promote service transformation.

The proposal to allow Welsh NHS Boards more flexibility in their financial management, by allowing break-even to be assessed over 3 years, rather than just annually, could also be anticipated to provide boards with more scope, at a local level, to invest in the transformation of service provision.

Other innovative means of financing may also be considered. For example the Department for Communities and Local Government has recently consulted on proposals to allow the use of capital receipts from asset sales to be invested in reforming services.

Budget Strategy: Protection of Budgets

The utilisation of a budget protection approach for identified services can be an indication of policy prioritisation, whether in capital or resource budgets. This can assist in dealing with specific pressures, such as known service demand increases, in the short and medium term. It may however be unsustainable in the longer term due to the 'above average' reductions in funding for other services. This may particularly be the case if there is a lack of challenge and incentive regarding service delivery innovation in a protected service. The WLGA submission to the call for evidence states "whilst protection of certain services has come with additional resource, it has not been without its downsides – it has made it difficult to drive efficiency in the service areas that have been protected".

The use of 'budget protection' within a budget strategy must be assessed as to how long the protection can be sustained; the non-financial challenge and incentive for a protected service to seek continual improvement; and the impact on other service areas or government priorities. This may assist in identifying when budget protection is appropriate, and when it is inappropriate.

As an example a report by the 'The Early Action Task Force' (*The Deciding Time: Prevent today or pay tomorrow*⁵) suggested that budget protection was appropriate for transitioning towards preventative spend:

"Treat early action as an investment - protect early action spending in the same way as capital investment, ensuring it could not be raided for the purposes of managing short-term demands and releasing the potential for significant funding to be moved into preventative services."

Budget Strategy: Use Of Ring-Fencing

Within the WLGA submission to the call for evidence it states "there are a number of areas where we have traditionally argued for a less centralised approach to funding. Typically this has been around specific grants, an area upon which the Public Accounts committee touched upon in its Grants Management Report". The PAC report estimated that between 5 and 10% of the total quantum is utilised in supporting this approach to funding.

Suggested Line of Enquiry

The Committee may wish to:

- Consider whether the 14/15 draft budget and accompanying documentation provides sufficient transparency to allow effective budget scrutiny
- Assess whether the 14/15 draft budget is consistently presented for each portfolio, assisting a cross-portfolio assessment of items such as the impact of new legislation
- Establish whether the draft budget supports the pace of change and transformation in public services envisaged by the Welsh Government and to explore the different financial approaches which are being taken to support

⁵ Community Links, Early Action Task Force, [*The Deciding Time: Prevent today or pay tomorrow*](#), November 2012

transformation across the whole budget

- Identify the areas which government has chosen to protect within the budget and explore the rationale for the protection
- Examine the use of ring fencing across the whole budget , the rationale for its use and whether any consideration has been given to moving to Outcome Bundles.

Budgeting Methodology

The Programme for Government Annual report (June 2013) provides details of the government's achievements. Additionally a variety of performance indicators are provided on the 'Programme for Government' web pages. It could be noted that the information provided is predominantly about assessing performance and does not make an explicit link to the level of expenditure used in relation to performance.

This is also generally true for historic budget documents. A strict definition of performance budgeting would be a form of budgeting that relates funds allocated to measurable results. These results are measured in the form of outputs and/or outcomes. Resources can be related to results either in a direct or indirect manner. Although progress has been mixed across different jurisdictions, some countries are moving towards a system of linking expenditure to performance, including in the State of Virginia, USA. Virginia is currently in the final stages of deploying a new, more integrated technology platform for performance-based budgeting and strategic planning.

Budgeting for Prevention

The drive for undertaking preventative spend initiatives has been noted above. The WLGA in its response to the committee's call for evidence states that one of the associated budgeting challenges is how to tackle the fact that "the public body that invests in a preventative spend may not be the same body that derives the benefit". The committee may wish to consider how government has tackled prevention within its budgeting approach.

Community Links is a London-based community charity, who have formed an Early Action Task Force,⁶ The first report of the Early Action Task Force was launched in the House of Lords in November 2011.⁷ This suggested a number of interventions, in particular in relation to classifying early action expenditure including:

- Consider special treatment of early action spending within DEL, to recognise it as investment. For example it might be treated like capital spending, with costs spread across the period in which savings are realised or 'ring fenced' within DEL to protect it from short term cuts.
- 2nd report recommends Incentives and sanctions to break down silos and require and reward longer term planning - financial incentives, including responsibility

⁶ Community Links, [Early Action Task Force](#)

⁷ Community Links, Early Action Task Force, [The Triple Dividend: Thriving Lives, costing less, contributing more](#), November 2011

charging, early action funds, profit sharing, premiums and a duty on all public bodies to think of the future.

Suggested Line of Enquiry

The Committee may wish to:

- specifically consider how the budgeting process supports and provides incentives for a preventative approach to be taken and
- explore the extent of transparency between performance and the means of allocating resources to meet outcomes.

4. SCRUTINY TEST: PRIORITISATION

Part of the role of parliamentary scrutiny is to test whether the pledges and commitments made by any government are then reflected in the choices it makes in the allocation of resource within its budget setting process.

The Committee may therefore wish to assess how the Programme for Government influences spending decisions and whether there is a discernible linkage between performance and budgetary priorities.

Does the budget support the governments “purpose”?

The Programme for Government Annual Report June 2013 opens with the statement:

“My top priority is to deliver jobs and growth and to tackle poverty. I have instructed the Civil Service to mobilise the whole machinery of government, and the wider public sector in Wales, to line up squarely behind delivering these aims.”

It could therefore be anticipated that the 2014/15 draft budget will explicitly

- support the creation of jobs;
- support (economic) growth
- tackle poverty

Suggested Line of Enquiry

- The Committee may wish to challenge the extent to which each of these statements can be represented by budget evidence.

Is there a coherent and justifiable division between sectors and programmes?

Movements between portfolios and within individual portfolios can be analysed following the publication of the draft budget. Examining the choices within an individual portfolio is a key role for the subject committee’s in order to test whether there is a justifiable division within the portfolio. Examining the coherence and division across the whole is more appropriate for finance committee to consider.

The following are extracts from submissions received in response to the committee’s call for evidence. These perhaps provide some evidence which the committee could use to test out the overall coherence of the choices.

- Higher Education Wales response to the call for evidence states the following “The figures for 2011/12 when adjusted to take account of the full economic cost adjustments for the cost of capital and infrastructure, show that the sectors’ position is an aggregate deficit of £64m compared with a deficit of £56m in

2010/11. This represents the degree to which the sector is not in a position to provide for a fully sustainable future.

- The WLGA submission to the call for evidence states “local government... is probably unprepared for the scale of reductions that is likely to be visited on local finances for 2014-15 and “most published plans were based on the optimistic indications published within the 2013-14 settlement

Is current performance informing the choices about where to allocate resource

A budget can be regarded as a tool for implementing policy priorities. The linkage of the budget to the Programme for Government is therefore a factor to establish in the scrutiny process.

Suggested Line of Enquiry

The Committee may wish to:

- Seek evidence of the extent to which the Programme for Government is embedded into the budget building process of the Welsh Government; and
- Seek evidence of how the Programme for Government shapes the corporate planning and budget building process in public bodies.

SUBJECT COMMITTEES

5. SCRUTINY TESTS: PRIORITISATION AND VFM

This section of my paper is aimed specifically at the subject committees who I anticipate will focus upon prioritisation (the budget choices that have been made) and on value for money (VFM). I would envisage that scrutiny by these committees will assess the extent to which there is evidence of:

- Prioritisation – that there is a coherent and justifiable division between sectors and programmes; and that there is
- Value for Money – the extent to which public bodies are spending their allocations well and achieving outcomes.

I have identified some specific affordability and budget process issues, which committees may wish to consider and subject committees may wish, of course, to pick up some of the areas I have directed to the finance committee. I have restricted my briefing in this area to short bullet points.

There are two matters which are relevant to all subject committees.

Firstly, financial transactions – this is funding used to support equity/loan schemes beyond the public sector. Repayments will be made over time to HM Treasury by the Welsh Government. Committees may wish to explore how the Welsh Government has elected to provide support.

Secondly, committees may wish to examine the progress being made towards a more preventative approach within each portfolio.

6. Children and Young People Committee

Budget Process

- Identification and ring-fencing of budgets: As part of the 13/14 budget scrutiny process the committee requested additional transparency on the planned spend for children, particularly regarding health, and on the criteria and use of ring-fencing. Where funding and spend cannot be identified to a particular outcome, or client group, it will make assessment of value for money more problematic.

Value for Money

- School Standards and Organisation (Wales) Act 2013: The initial impact assessment indicated that this legislation could involve transition costs of £1.7m and that school improvement provisions could provide non-cashable savings of £1m p.a. in time. The measurement and assessment of whether any initial investment results in savings will require initial 'baseline' cost and performance data.
- CAF/CASS Cymru: The committee has previously requested clarification of the value for money provided from additional funding for CAF/CASS Cymru, specifically querying what the outcome improvements expected were.
- Attendance & Behaviour: the Welsh Government has been requested by the committee to support the implementation of evidence-based initiatives, with a focus on early intervention, to support attendance and behaviour in all schools. The establishment of an evidence base should identify which interventions provide the optimum outcomes for the resources available. Additionally the development of an over-arching strategy was requested to improve the pace of improvements. This included recommendations on suitable staff training, early intervention and consideration of EOTAS (Educated Otherwise Than At School)

Prioritisation

- Adoption: As a result of the committee's adoption inquiry a national adoption service strategy was requested with appropriate collaboration involving local government. The Welsh Government included its proposals on this matter within the Social Services and Well-Being (Wales) Bill. The committee may wish to identify whether provision has been included within the 14/15 budget.
- Neo-natal Care: Based on its inquiry into neo-natal care the committee has previously noted that "the All Wales Neonatal Standards on nurse to baby staffing ratios are also far from being met". The committee recommended that the Welsh Government should ensure that health boards develop detailed plans, within service reconfiguration, to address neo-natal staff shortages

Suggested Line of Enquiry

The committee may wish to:

- Examine the transparency, across the whole draft budget, of spend on children, including the criteria for and use of ring-fencing. Identification and measurement of the expected outcomes for identified spending may also be appropriate.
- Consider whether there is sufficient clarity on the outcomes expected from new legislation. For example is there sufficient information on the existing baseline outcomes and costs to be able to assess, in the future, whether value for money has been achieved?
- Assess whether there is a clear statement of the outcomes anticipated from any additional funding provided, either as additional general funding or ring-fenced. For example will there be evidence available to assess whether the outcome has been achieved?
- Consider how reliable and robust the evidence to support decisions on options such as Invest to Save or preventative initiatives is.
- Evaluate whether the draft budget supports the Welsh Government's stated priorities within the Children and Young People remit? For example how clear is the linkage and how is this prioritisation achieved at a local, service delivery, level for services such as neo natal care and adoption support?

7. Environment and Sustainability Committee

Value for Money

- Natural Resources Wales: Following its scrutiny of the 13/14 draft budget the committee wrote to the Finance Committee noting that the minister had indicated the intended Natural Resources Body was expected to generate £90m of net benefit over ten years. The letter stated "It is not clear whether these expected savings will result in a further reduction of the funding the Natural Resources Body receives in future years."
- Natural Environment Framework Restructuring: £2m was allocated in the 2013/14 draft budget for this purpose. The committee requested clarity on the outcomes that would be achieved.
- I note that the Welsh Government financial statements for 2012/13 indicate that "A potential disallowance of EU Agriculture funding has been identified relating to the dual use of land." No quantification of the situation was possible at the date of the accounts.

It should be noted that failure to comply with EU funding terms and conditions can result in the requirement to repay European Funding. Repayment requests can relate to expenditure incurred several years previously and can be significant in scale. Reliance on EU funding should therefore be accompanied by sufficient compliance controls to minimise the Welsh Government's future exposure to repayment of grant.

- Grant Management: The use of grant funding to achieve government objectives is well established. In previous budget scrutiny the committee has noted a desire for a wider picture of outcomes and performance achieved by food promotion grants.

Prioritisation

- Marine Policy - The committee has previously suggested that marine policy should be provided with a higher priority. Additionally the capacity for, or prioritisation of, investment in vessels to support fishery protection responsibilities has been raised.
- Coastal Protection - The committee has indicated that this should be regarded as a long term commitment, implying that long-term service and financial planning, including capital investment proposals, should be developed.
- External Funding Application - budget documentation should transparently reflect reliance on external funding sources so that gross spend on government priorities can be identified. This can assist in determining the relative need for (i.e. prioritisation of) taxpayer funds to be applied to a specific priority area. This could include an assessment of the risk, and associated mitigating actions, of external funding not being realised.

Suggested Line of Enquiry

- With Natural Resources Wales now established from 1 April 2013 the committee may wish to examine if there is any revision of the anticipated extent and time profile of savings or efficiencies, and what assumptions have been made for the 14/15 draft budget.
- The committee may wish to explore the compliance arrangements in place to minimise the risk of repayment of EU funding
- The committee may wish to consider the grant management mechanisms in place to ensure that:
 - grants awarded support identified priorities
 - anticipated outcomes are stated and measurable
 - that appropriate action is taken where compliance with the terms and conditions of the grant is not achieved

8. Communities, Equality and Local Government Committee

Affordability & Prioritisation

- The WLGA submission to the call for evidence states that most published plans of local authorities for 14/15 were based on the optimistic indications published within the 13/14 settlement. The document then refers to a letter sent to WLGA leadership in May which signalled that local government should expect to see reductions of the order of those experienced in England.

Affordability : Expenditure

- Welfare Reform - UK welfare reform legislation is expected to have a continuing high degree of impact on the Welsh public and public services, particularly at a local level. The Welsh Government set up the Discretionary Assistance Fund in response to the abolition of the Social Fund. The committee may wish to examine the cost pressures recognised in the 14/15 draft budget, the sustainability of this funding in future years and whether any tapering of support in future years is envisaged.
- The Welsh Government found £22m from reserves to fund the 10% cut in council tax support passed on following the devolution of the benefit. The committee may wish to consider any longer-term plans for the continuance of the Welsh Government's support for the Council Tax Reduction Scheme, particularly in respect of the projected level of support required in future years.
- Local Authority Access to Discounted PWLB Rate for Infrastructure Projects. From 1 November 2013 local authorities in England will be able to access borrowing below the PWLB standard rate for approved projects. This 'Project rate', 40 basis points below normal PWLB rates (0.4%), is restricted to borrowing to support Local Enterprise Partnership strategic local capital investment projects⁸. The HM Treasury letter states "The Government can now announce details of the "project rate" which will enable English local authorities (LAs) working with their Local Enterprise Partnership (LEP) to access cheaper borrowing on up to £1.5 billion of investment." Welsh local authorities are apparently unable to access the same favourable borrowing in order to support equivalent infrastructure projects in Wales

Affordability: Revenue

- Non Domestic Rate Income: As indicated to the Finance Committee the Welsh Government's response to the Business Rates Review 'Incentivising Growth' indicated further work would be undertaken to review business rate policy. The reliability and predictability of this income is important to local government, and may affect the extent to which government priorities are achieved.
- The WLGA submission to the call for evidence, states that it has asked Ministers to work in partnership with local government and the WLGA in a number of areas, including "to ensure that all fees and charges are determined locally to be responsive to local needs including an urgent assessment of the sustainability of

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<http://www.dmo.gov.uk/documentview.aspx?docname=PWLB/pwlb2013guidance1HMT.pdf&page>

the cap on non residential social services charges introduced as part of the First Steps initiative”.

- Tax Incremental Financing – this financing model allows forward investment on the expectation that later revenues will be raised. This is not without risk. For example, if additional NDRI is not realised it is possible that the longer term committed costs fall to be borne by the public purse. The two key risks that have been identified are:
 - Business movement from one area to another to the benefit of one area and the detriment of the other:
 - Uncertainty with regard to the sustainability of the future additional Business Rate income stream

The committee may wish to explore whether TIF is an emerging financing model for use by local government.

- Housing Revenue Account Authorities (Subsidy System Buy Out): In scrutinising the 2013/14 Supplementary Budget the Finance Committee noted that there was the potential for “local authorities buying themselves out of the existing subsidy system through a one off lump sum” with new debt being taken on to finance the settlement. The Finance Committee recommended that the Welsh Government further discuss this option, without jeopardising HRA service obligations or assuming unmanageable levels of debt. The committee may wish to explore the options that are available.

Prioritisation

- Investment in Artificial Football Pitches: the committee has suggested the development of a strategy for supporting the introduction of artificial pitches, potentially aligned to the development of a ‘community hub’ approach.
- Any planned Investment in transport infrastructure within the budget has the potential to boost growth but consideration should be given to the revenue maintenance impact on the relevant authorities.. The committee may wish to explore whether this additional burden has been fully reflected when allocating resource to transport authorities.

Value for Money

- Home Adaptations – The committee inquiry questioned the achievement of outcomes achieved by the Disabled Facilities Grant, recommending that it should only be utilised when it is effective and efficient.
- Participation in Arts – The committee has recommended that the Arts Council for Wales should review funding policies to ensure that outcomes and value for money are achieved. Actions to increase external funding for arts bodies were also suggested.
- Prevention of Social Housing Fraud Act 2013: This UK act created specific offences regarding housing fraud and provisions for the investigation of housing fraud. Potentially the act increases the ability of housing bodies to achieve value for money in delivering outcomes.

Suggested Line of Enquiry

- The committee may wish to evaluate the extent to which forward financial plans are sufficiently reliable to enable funded bodies (e.g. local government) to achieve value for money in delivering the Welsh Government's priorities. Consideration may also be given to the potential mitigation of any immediate uncertainty arising from the work of the Commission on Public Service Governance and Delivery.
- The committee may wish to examine the assumptions made for the 2014/15 draft budget regarding the impact of welfare reform, particularly in terms of the generation of demand for specific support services, including the Council Tax Reduction Scheme.
- The committee may wish to investigate whether investment in appropriate infrastructure projects could be enhanced by access to discounted PWLB borrowing rates.
- The committee may wish to consider the assumptions made in forecasting Non Domestic Rate income for 2014/15, and any associated risks arising. This may incorporate consideration of the application of Tax Incremental Financing.
- The committee may wish to examine the potential for, and consequences of, Welsh HRA authorities buying themselves out of the HRA subsidy system.
- The committee may wish to consider the priorities in the 2014/15 draft budget for the committee's portfolio and the actions taken by the Welsh Government on previous committee recommendations. This may also involve consideration of the revenue consequences of capital investment.
- The committee may wish to evaluate the extent to which forward financial plans are sufficiently reliable to enable funded bodies to achieve value for money in delivering the Welsh Government's priorities. Consideration may also be given to the potential mitigation of any immediate uncertainty arising from the work of the Commission on Public Service Governance and Delivery.
- The committee may wish to consider the extent to which the value for money achieved for each budget line is assessed, determining the current baseline position so that future performance changes can be evidenced.

9. Enterprise and Business Committee

Value for Money

- Non Domestic Rate Income: As indicated to the Finance Committee the Welsh Government's response to the Business Rates Review 'Incentivising Growth' indicated further work would be undertaken to review business rate policy. Potentially the development of appropriate Non Domestic Rate income initiatives may assist in the delivery of the Welsh Government's priorities.
- The Cardiff University submission to the call for evidence queried the impact of increasing the student loan budget, given that due to students studying outside Wales they estimate that by 2015/16 "up to £94.5M of Welsh Government money could be flowing into English institutions per annum."
- The committee will be aware that the Finance Committee is currently conducting an inquiry into Higher Education in Wales. This has a focus on funding, especially the value for money being achieved and the government's tuition fee grant policy. The conclusions of this enquiry may influence the longer-term financial stability of Welsh Higher Education.

Prioritisation

- Priorities: The Programme for Government Annual Report June 2013 opens with the statement: "My top priority is to deliver jobs and growth and to tackle poverty.". Previous enquiries by the committee have included the following recommendations:
 - Apprenticeships: funding should support apprenticeships which will support economic growth needs. Grants for low income households would reduce inequality.
 - Horizon 2020 (EU Research & Innovation scheme): a strategic approach to implementation.
 - Integrated Public Transport: improvements to public transport integration and real time information, including prioritisation of walking and cycling links with public transport. Costed delivery plans and attaching conditions to transportation funding were also encouraged.
- Within Cardiff University submission to the call for evidence, it states the following: "an increasing student loan budget means that there is less funding for other aspects of high education such as research, postgraduate studies and innovation. We fear that in the long term the competitiveness of higher education may be at risk, impacting negatively on the competitiveness of the Welsh economy". The committee may wish to explore the coherence and justification for this division within the portfolio.
- Within the submission by Higher Education (Wales Cymru) it states that "budgets for teaching have decreased by 31%, innovation and engagement by 45% and research funding remained static. The committee may wish to explore the coherence and justification for this division within the portfolio

Suggested Line of Enquiry

- The committee may wish to consider whether the proposed NDR policy for 2014/15 provides Value For Money in supporting the Welsh Government's priorities, especially economic growth and job creation
- The committee may wish to examine whether the Further and Higher Education spending plans in the 14/15 draft budget provides a suitable basis for achieving longer-term Value For Money, for example in the approach to the student loan budget and prioritisation of funding streams.
- The Committee may wish to evaluate the extent to which the job creation, growth and poverty reduction measures in the draft budget are supported by evidence that these outcomes will be achieved
- The committee may wish to explore the extent to which its recommendations on priorities have been reflected in the choices made by government about where to allocate resource.

10. Health and Social Care Committee

Affordability: Expenditure

- Backlogged Claims for Continuing Healthcare Care: A Wales Audit Office report, "Implementation of the National Framework for Continuing NHS Healthcare" (CHC), noted national arrangements had been made to allow people, or surviving relatives, to reclaim incorrectly levied charges for CHC services between 1996 to 2003. A deadline of June 2014 had been set for clearing all claims. The report highlighted that "there remains a significant risk that the deadline will not be achieved"

The Welsh Government's plans in regard to clearing the backlog will presumably affect the 2014/15 draft budget, for example more resources may be directed to this task in 2014/15 or the deadline for clearing claims may be amended, potentially into 2015/16. The Welsh Government's financial statements for 2012/13 (note 18) indicated a provision (estimated obligation) of some £7.5m as at 31 March 2013.

- Other Provisions: Other Welsh Government NHS provisions, representing liabilities of uncertain timing or amount, noted in the Welsh Government's financial statements for 2012/13 include the Welsh Risk Pool (£521.0m at 31/3/13), Hepatitis C (£5.2m) and Electronic Staff Records (£0.5m).

Budget Process

- Medium Term Financial Planning: The Welsh Government has indicated that it would investigate the scope to allow Health Boards to move away from an annual break even requirement, to a 3 year approach. This would be expected to support medium term financial planning and service transformation, improving value for money.
- Additional 'In Year' Funding: The Public Accounts Committee 'Health Finances' (February 2013) report recommended that board funding allocation should be transparently calculated based on weighted needs. Additionally a focus on ensuring financially sustainable service delivery, rather than reliance on non-recurring funding was suggested. Consequently it is suggested that additional in year funding provided to health boards could be linked to expected outcomes, with increased challenge of the evidence base for Health Board budgets.

Value for Money

- Social Services and Well-being (Wales) Bill – The impact assessment indicates that investment in initial training costs will be required, but that some cost implications, such as closer service integration, "have not yet been quantified at this stage given that further clarity on the content of future regulations is required". Given the anticipated significant impact of the Bill on service provision the committee will be keen to ensure that any decisions, from the outset, promote the government's priorities and the achievement of value for money.
- As a result of the Wales Audit report on Maternity Services the Welsh Government were requested to improve workforce planning and minimise the use of agency

and locum staff to assist with value for money. The committee may wish to seek evidence of whether budget assumptions reflect this expected reduced use.

Prioritisation

- I understand that there is presently a joint review between the Minister for health and finance to ensure that the budget reflects the lessons learnt from the Francis Inquiry. I would draw members attention to the submission made by the Royal College of Nursing which states “the impact on the NHS workforce is beginning to show, the recently published statistics on the NHS workforce in Wales showed a decline in nursing staffing levels from the 2010 high”.
- Residential Care for Older People: The committee has previously recommended that clients should be involved and informed in decisions, with more emphasis on community care, rather than hospital based services, and rehabilitation, rather than transfers to residential homes.
- Diabetes: The committee has previously indicated that the Welsh Government needs to adopt more robust oversight and monitoring arrangements of diabetes services if a growing healthcare pressure is to be mitigated.
- Preventative Spend: The Welsh Government’s Commission on Public Service Governance and Delivery may tend to increase uncertainty in the near future for public sector institutions. In a situation of uncertainty it may be difficult to encourage a focus on long term value for money, service transformation and preventative initiatives.

Suggested Line of Enquiry

- The committee may wish to consider the extent to which original estimates for the requirements to address the CHC backlog have been revised in the 2014/15 draft budget.
- The committee may wish to examine the assumptions and allowances made for the settlement of NHS provisions within the 2014/15 draft budget.
- The committee may wish to consider the extent to which health boards can adopt a ‘3 year’ break even financial management approach
- The committee may wish to examine the extent to which funding allocations to health boards for 2014/15 are based on a weighted assessment of need, support the financial sustainability of service provision and minimise reliance on non-recurring funding. In doing so the role of any ‘contingency’ element in the Welsh Government budget and the criteria for its use may also be considered.
- The committee may wish to explore how the review of the Francis Inquiry findings has informed the division of resources across programmes.

- The committee may wish to consider the extent to which the value for money achieved for each budget line is assessed, determining the current baseline position so that future performance changes can be evidenced. This may be particularly relevant for social service and health integration plans.
- The committee may wish to examine the extent to which the 14/15 draft budget supports and promotes service transformation (e.g. collaborative working) and preventative spending. Consideration may also be given to the potential mitigation of any immediate uncertainty arising from the work of the Commission on Public Service Governance and Delivery.