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Lynne Neagle AM  
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Dear Lynne,

28 February 2020

Thank you for your letter of 31 January enclosing a copy of the Committee's report on the Scrutiny of the Welsh Government's Draft Budget 2020-21.

We would like to thank members of the Committee for their report. Please find enclosed the Welsh Government response in advance of the vote on the Final Budget on 3 March.

Yours sincerely

**Kirsty Williams AM**  
Minister for Education

**Vaughan Gething AM**  
Minister for Health and Social Services

**Julie Morgan AM**  
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi. We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

# **WELSH GOVERNMENT RESPONSE TO THE RECOMMENDATIONS FROM THE CHILDREN, YOUNG PEOPLE AND EDUCATION COMMITTEE REPORT: SCRUTINY OF THE WELSH GOVERNMENT DRAFT BUDGET 2020-21**

**FEBRUARY 2020**

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The Welsh Government Draft Budget 2020-21 was scrutinised by the Children Young People and Education (CYPE) Committee on 8 January. Following on from those sessions, the Committee has completed a report containing 27 recommendations. This paper is the Welsh Government's formal response to those recommendations.

## **A CHILDREN'S RIGHTS APPROACH (SECTION 2)**

**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.

### **Response: Reject**

We have over recent years taken an integrated approach to impact assessments, which includes consideration of children's rights. This reflects that we have a responsibility to consider our decisions through a number of lenses to understand their impact but does not devalue the importance we place upon Children's rights.

An integrated approach also enables us to better understand the impact of decisions overall recognising that people and places are multi-dimensional and the integrated approach seeks to capture multiple and cumulative impacts which reflect people's lived experience and the reality of our economy, culture and environment.

For example we have sought to consider children's and young people's rights, reflecting their protected characteristics under the Equality Act, as well as taking into account the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations Act, which are integral to children and young people's well-being.

We recognise and remain committed to continuously developing our approach to assessing the impacts of strategic spending decisions. Our Budget Improvement Plan, published for the first time this year, includes planned improvements to assessing the impact of budget decisions which will include consideration of how we can improve our understanding of the impacts on Children's Rights.

It should also be acknowledged that assessment of impacts are a key element of our approach to policy making and are conducted as part of Welsh Government's ongoing policy development and review. The current Integrated Impact Assessment (IIA) tool requires that children's rights are considered and, as enshrined in Welsh law, the impact on children and young people must be considered whenever we use any of our powers to make a decision.

It is the duty on Ministers is to have due regard to children's rights, rather than to complete a CRIA. However, the CRIA process allows us to give structure to the consideration of the impact our proposals will have on children and their rights, at an early stage and throughout the development and implementation process.

For the first time this year we have also published the evidence that individual Ministers have given to their own subject committees in one place containing over 300 pages of evidence from Welsh Ministers in terms of how they have set their budget for this year, which includes consideration of Children's Rights.

### **HEALTH, SOCIAL CARE AND CHILDREN (SECTION 3)**

**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.

#### **Response: Accept**

The funding provided to perinatal mental health services has been provided in three stages. The initial investment into perinatal mental health services was made to all seven health boards and allocated on a formula basis; the second stage was via the transformation funds in 2018-19; and the third stage was service improvement funding in 2019-20.

Funding made available to health boards through both the mental health transformation funds and service improvement funding was provided across a number of priority areas, including perinatal mental health. Health boards had the flexibility to consider their population needs and submitted proposals taking into account the current demand and capacity.

This resulted in four health boards prioritising spend from the mental health transformation funds (Abertawe Bro-Morgannwg, Betsi Cadwaldr, Hywel Dda and Powys). Five health boards invested in perinatal mental health services from the service improvement funding (Cwm Taf Morgannwg, Aneurin Bevan, Powys, Swansea Bay and Hywel Dda).

The funding included on page 28 of the draft budget paper is the amount included within the relevant health board allocation for delivery of perinatal mental health services.

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.

**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.

**Response: Accept**

We have written to the committee to confirm the arrangements for utilising the Tonna site in order to proceed with a six bedded Mother and Baby Unit, which is expected to be operational by spring 2021.

In addition to this, WHSSC have been asked to undertake a further options appraisal to determine the appropriate model for a permanent Perinatal Mental Health Mother and Baby Unit. This work will consider whether continuing to use the refurbished unit at the Tonna Hospital site on a permanent basis, or developing a new build Mother and Baby Unit on the Neath Port Talbot site.

We have committed to continue to provide written updates to the Committee on this issue, these updates will also include consideration of provision in North Wales.

**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.

**Response: Reject**

We have previously stated it is not the intention to separate out funding for children and young people services from that of adult services as this would likely create an artificial divide between services. Health boards are responsible for meeting the health and well-being needs of their population. This includes detailed health needs assessments at a local level to inform funding decisions for health services – this is not something that can be planned at a national level.

Where we have provided additional funding, for instance via Service Improvement Funding, funding is prioritised in line with priority areas identified at a national level which included support for children and young people, where we indicated our expectation that a significant amount of the allocation was utilised in this area. However health boards still must have the flexibility to utilise it in areas where they have most demand.

These priority areas are included within the Together for Mental Health delivery plan 2019-2022 and there will be regular updates available at both a health board and national level to provide transparency. In addition, a condition of additional funding also includes for proposals to be agreed via the Local Mental Health Partnership Boards to ensure actions are agreed with and joined up with local approaches.

In terms of impact, we continue to scrutinise health boards on achieving access targets through routine performance meetings, for instance, Joint Executive Team (JET) meetings. Where we have provided additional funding directly to health boards

through service improvement funding we have provided clear criteria for the funding and will monitor the achievement of outcomes set out in proposals through the delivery plan. Additional funding to health boards in 2020-21 will also be subject to similar criteria. An example is the milestones set out in the pCAMHS improvement plans, in line with the NHS Delivery Unit's assurance review.

Lastly, the actual investment which will benefit the emotional health and well-being of children and young people is much broader than the specific mental health spend, but it's not feasible to obtain a meaningful estimate of this across the total budget.

**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.

**Response: Accept**

Within the Together for Mental Health delivery plan 2019-2022 we provide detail on our action to implement a nationally standardised mental health and learning disability core dataset including the roll out of the Welsh Community Care Informatics Service (WCCIS) computer system. This states the following:

**Year 1 (2020)**

- Assure dataset through Welsh Informatics Standards Board (WISB) processes.
- Commence publication of both the new section 135/136 dataset and the psychological therapies 26 week target on Stats Wales.
- To develop and implement a common set of forms for assessment, care and treatment planning, and reviews across health and social care teams.
- To pilot outcomes focused model and develop process to roll out.

**Year 2 (2021)**

- Roll out Word versions of forms across services.
- Improve the way data is shared with the public, making user friendly information available on the Stats Wales website.

**Year 3 (2022)**

- Roll out of dataset alongside WCCIS system across Wales.
- Roll out outcomes focused model across Wales.

We will provide updates as part of the Together for Mental Health delivery plan progress reports.

**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
- 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.

**Response: Accept**

The committee's Mind over Matter report called on the Welsh Government to consider providing counselling for those younger than 11 years old. Since then, both the Minister for Education and the Minister for Health and Social Services have stated their wish to extend the current school counselling scheme to children below the Yr6 threshold, as this is where stakeholders are telling us the greatest level of unmet need currently is, with younger children presenting with difficulties. However, this is anecdotal evidence and we want to ensure that funding is targeted to have the greatest effect. We therefore want to review the extent of unmet need both within younger age groups and to ensure that those currently eligible for school counselling are able to access it in an equitable and consistent manner, within acceptable timescales. We also know that current one-to-one counselling provision is not necessarily appropriate for use with younger children and will want to explore what an appropriate delivery model should be. Activity will also need to complement our work regarding the wider whole school approach to emotional and mental wellbeing and our plans to develop Framework Guidance for schools on this issue, together with supporting resources, including evidence based universal and targeted interventions (an area we are currently exploring with Public Health Wales).

Our activity update paper provided to the last meeting of the Joint Ministerial Task and Finish Group on 27 January, noted the draft budget for the whole school work would increase to £5m in 2020-21 and the Ministers intention to target some of this funding towards extending school counselling provision. The paper also sought the views of the group on future funding priorities. We will continue to keep the group informed and take their views on all whole school related activity, including funding priorities.

**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.

**Response: Reject**

The purpose of reduction expectation plans is to concentrate the minds of local authorities on the need to halt the year on year increases in numbers of looked after children in Wales. Local authorities acknowledge the increasing pressure high numbers of children in care is placing on services. Delivering reduction expectations is aimed at turning the tide and working together with our local government partners to help relieve the pressure and ensure resources are utilised in their most effective way. We have placed no requirement on local authorities to specifically cost their



reduction expectation plans. As autonomous and democratically accountable bodies, local authorities are statutorily responsible for managing their financial affairs.

Expenditure on a variety of different services, such as “Personal social services - children and families”, are provided to Welsh Government from Local authorities annually and this information is available to all on the Welsh Government’s data dissemination website - [StatsWales](https://stats.wales.gov.uk/).

Through our discussions with local authorities about the development of reduction expectation plans we have focussed on the need for local authorities having a better understanding of their children’s services business, including performance monitoring, evaluating improvement, modelling, and flow. Our primary purpose is to help re-balance the system and supporting families to care for their own children. Local authorities recognise the need to relieve pressure on children’s services and the effect this will have on budgets.

Local authorities have been asked to consider adopting business principles to deliver improved outcomes in future planning for the looked after children population and service. This has been reflected in reduction expectation plans and local authorities are continuing to work on this as part of their peer support and learning. Reducing numbers of children in care and bringing children placed out of county and out of Wales back closer to home will help relieve pressure on budgets. These monies can then be reinvested to supporting improved outcomes for children in the care system and improved prevention.

**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.

**Response: Accept**

We will shortly be looking at the different models of delivery that could be used to deliver this initiative and will be especially interested in the experiences of others who have implemented the model so that we can build in the necessary safeguards in Wales. We accept the recommendation made by the Committee and will be mindful of the ethical issues as we develop the most suitable model to implement for the pilot.

**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.

**Response: Accept in principle**

We recognise the importance of care experienced young people having access to appropriate emotional and mental health support. Work to help ensure that this support is available is an integral part of our Improving Outcomes for Children work programme.

The Minister for Health and Social Services has committed an additional £500k per annum to tackle suicide and self-harm, as part of the Talk to Me 2 suicide prevention strategy. Looked after children are identified as a priority group in the strategy. This includes funding four new posts to drive forward this work and co-ordinate the multiple agencies with a role to play in this agenda. Whilst we are taking specific actions to prevent suicide and self-harm across Wales, it is important to view this work in the context of our broader approach to improve mental health services. In particular, our actions to improve crisis care and access to CAMHS.

In our draft budget we announced an extra £20million for mental health and £500k for the Whole School Approach. Together with an extra £2million from the education budget, this will support mental health support for young people, including the extension of schools counselling. This is in addition to the £2.5m made available from HSS this year in relation to the Whole School Approach.

The new Together for Mental Health Delivery Plan, published in January, reflects the high level of priority and the cross-Government working required to improve the mental health and well-being of our population, including all children and young people in Wales. The Delivery Plan includes a specific action (2.3 (iii)) for the NHS to ensure specialist mental health services meet the needs of young people and that services are equally accessible for those children and young people who are looked after or on the edge of care.

The new Together for Children and Young People (T4CYP) Early Help and Enhanced Support Work Stream will work with Regional Partnerships Boards (RPBs) to build on the work of the Whole School Approach through the development of a whole system framework, which supports all children, young people and their families, and delivers proposals for best practice and service development. The continued £15m funding allocated to RPBs in 2020/21, via the Integrated Care Fund continues to be aimed at supporting therapeutic services for children already in the care system.

Bodies which provide emotional and mental health support for children and young people are also part of the wider public sector who have a corporate parenting role in helping make sure that looked after children have the same care that every good parent would want for their children. Health partners have therefore played an important part in our recently re-established Task and Finish Group on Corporate Parenting. Feedback from the Group has informed our proposals to update and extend our legislative and policy corporate parenting frameworks so they apply to a wider range of public bodies and to develop a voluntary charter.

This programme of work will do much to strengthen, deepen and widen the existing arrangements so that looked after children and young people feel more supported by their public services, including health services. We will shortly be launching a wider corporate parenting consultation about the role of public and private bodies in supporting improved outcomes for looked after children.



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

**Response: Accept**

Investment decisions are made on the basis of evidence. The Committee is aware of the many and varied pieces of research which have informed funding decisions and policy choices, particularly in recent years. We know there are pressures in the system relating to the numbers of looked after children and those on the edge of care, the provision of emotional and mental health and wellbeing services and the application of family justice arrangements.

All of the following reports provide a significant evidence base from which the Ministerial Advisory Group draws knowledge to shape and guide its current and future work: Cordis Bright in 2013, the CYPE Committee's Mind Over Matter in April 2018, the Care Crisis Review in June 2018, ADSS Cymru's Innovative Funding Models to Meet Social Care Needs in January 2019, the Wales Centre for Public Policy's Analysis of the Factors Contributing to the High Rates of Care in Wales in March 2019, the Commission on Justice in Wales in October 2019, Born in to Care in October 2019 and the NSPCC Cymru and Voices from Care's Listen, Act, Thrive in 2019.

An important example of how research has informed investment decisions is the £15m Integrated Care Fund (ICF) directed by the Regional Partnership Boards to support services for children and young people at the edge of care including in relation to emotional and mental health and wellbeing. The Committee will be aware of the recently published ICF Annual Report (<https://llyw.cymru/adroddiad-blynyddol-cronfa-gofal-integredig-cymru-2018-i-2019> / <https://gov.wales/wales-integrated-care-fund-icf-annual-report-2018-2019>) which provides more detail but some examples include:

- In Cardiff, the **Family Reunification Project** has worked with 14 families and has resulted in 17 children being maintained in a family setting.
- In Gwent, the **Family Group Conferencing (FGC) Service** has had 112 referrals to date, with some 40 families completing the FGC. Positive feedback has been received from the families who received support confirming that their needs were met. 55% of children were diverted from care. Also within Gwent, 83% of young people using the **Mediation Support Service** were supported to remain living with their family and 17% of young people were supported into independent living.
- In North Wales, the **Domestic Abuse Intensive Worker** supported 62 families 319 children. 64% of families reported increased resilience and enhanced well-being.
- In Powys, 63 families have been referred to its **Children on the Edge of Care Project** which has also resulted in a reduced number of children being put on the child protection register and following a referral to Edge of Care services, 97% of children have remained at home.
- In Western Bay, the Multi Agency Placement Support Service has worked with 64 children and foster carer households. Of these, 43 were allocated to a

consultant social worker; 21 are receiving direct therapeutic support; 15 are receiving direct intervention from a psychologist; and 25 are receiving support from the family/education workers (which includes direct support to schools

**Recommendation 11.** That the Welsh Government provide:

(a) a more comprehensive outline of the outcomes expected of the investment in Play Wales and Young Wales and how this is monitored; and

(b) 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.

**Response: Accept**

**(a) Play Wales**

Following the Minister for Health and Social Service's appearance at Committee, he wrote to you with more information regarding the funding we provide to Play Wales and our expectations. The funding provided to Play Wales specifically enables them to deliver against four core objectives which are critical to the delivery of high quality play experiences:

- inform the development of policy and matters related to children's play in Wales
- promote the value of children's play in Wales
- provide specialist knowledge and advice regarding children's play
- contribute to the professional development of the play and playwork workforce in Wales

Play Wales deliver a number of outcomes against these objectives. In addition to supporting play settings across Wales, increasing the provision of play opportunities and improving the training and qualifications of the play workforce, Play Wales also undertake a number of strategic actions on our behalf. They complete a review of the local authority led Play Sufficiency Assessments and the associated action plans, helping measure performance against statutory obligations. They are a core member of the Ministerial Play Review and they are key to championing Wales and our commitment to play on an international platform.

The Minister for Health and Social Services has previously supplied a copy of the grant letter for 2019-20. A copy of the Play Wales Operational Plan for 2018-20 is available here:

<https://documents.hf.wales.gov.uk/id:A28695206/document/versions/published>

**Background**

£360,000 has been allocated to Play Wales within the draft budget for 2020-21. As the first country in the world to enshrine the right to play in legislation, Wales is considered a world leader in this arena. The funding provided to Play Wales enables them to support Welsh Government, local authorities and play organisations to plan and deliver better play opportunities for children'. It also enables us to share our

experiences and learn from those of other countries given the international standing Play Wales holds.

## **Objectives**

### **Impact and outcomes**

- Play Wales produce and publish an annual impact report which describes the outcomes and achievements for the year. The latest report for 2018-19 has been published and can be found at <https://www.playwales.org.uk/eng/impactreport>
- In 2018-19 there were 93 Play Wales members, 135,000 website hits, 3,500 right to play storybooks distributed across Wales, 3,350 individuals or organisations registered for regular updates. Play Wales published 13 publications and delivered playwork qualifications to over 300 learners.
- Play Wales reviewed the 22 2019 Local Authority Play Sufficiency Assessments and identified key themes for future work from these
- Play Wales is a key stakeholder in the Ministerial Play Review launched in September 2019 and due to report at the end of 2020. They have been instrumental in facilitating key organisations and independent academics input into the review.
- Research commissioned by Play Wales to explore what has happened as a result of the commencement of the Play Sufficiency Duty in 2012 is informing the Play Review.
- Play Wales facilitate quarterly Play Sufficiency network meetings across 3 locations in Wales to raise key issues, provide support and encourage sharing good practice.
- Play Wales Chair and provide the Secretariat for the Playwork Education and Training Council Wales which provides the advice and guidance required on training and qualification in the playwork sector to Skills Active.
- Work with Public Health Wales on the benefit of play to mental and physical health and well-being.
- Developed and launched the *Playful Childhoods* campaign and website aimed at parents and professionals, providing practical ideas for play opportunities.
- Involved in the discussions on the national 20mph speed limit debate.
- Play Wales has received the PQASSO Level1 Quality Mark. Play Wales have therefore successfully demonstrated qualities such as effective and responsible governance, robust financial control and building good relationships with other organisations.

### **Grant arrangements**

The Welsh Government and Play Wales agree an operation plan for each year. The grant is paid quarterly following a review with Play Wales on progress towards objectives.

### **Further information**

Signed grant offer letter for 2019-20

<https://documents.hf.wales.gov.uk/id:A25749272/document/versions/published>

The grant offer letter for 2020-21 will be issued after the final budget is agreed. We do not expect any major differences to the grant offer letter for 2020-21.

## **Outcomes from Young Wales**

The work of Young Wales supports the following key outcomes. It enables children and young people to:

- understand and engage in influencing and developing policy and practice (Article 12 of the UNCRC);
- develop their knowledge and skills in engaging with and influencing policy makers and practitioners in accordance with the National Children and Young People's National Participation Standards for Wales; and,
- benefit from better policies and practice that have been informed by Children and Young People.

## **Monitoring of Young Wales**

- Children in Wales are required to submit quarterly progress and expenditure reports to the Welsh Government. The work of Young Wales is included in these reports.
- Officials hold quarterly meetings with the Chief Executive of Children in Wales and relevant staff. These meetings focus on progress against the agreed work plan and include scrutiny of expenditure
- The Deputy Minister for Health and Social Services meets the Chief Executive and Chair of Children in Wales on a quarterly basis to discuss their work, including the work of Young Wales.

## **(b) Sustainable Social Services Third Sector Grant**

The Sustainable Social Services Third Sector Grant 2020-23 is one element of the funding of over £80m available to support activity that supports the Welsh Government's Social Care priorities. The Sustainable Social Services Third Sector Grant 2020-23 grant was significantly over subscribed and following agreement of £1.2m of additional funding in 2020-21 against the £7m initially available, a total of 32 applications were approved for funding.

The 32 projects funded through this grant will support carers, children and young people, people with physical or sensory disabilities, people with learning disabilities and older people. The applications that have been funded provided the strongest evidence of projects that will support the core priorities of government and deliver a distribution across service areas.

Where specific activities that are funded through the 2019-20 Sustainable Social Services Third Sector Grant have not been successful in their applications for the 2020-23 grant these activities have been considered on a case by case individual basis and where Ministers consider it necessary to the delivery of Social Care agenda alternative support has been identified.

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

**Response: Reject**

The 2010 Children and Families (Wales) Measure placed a duty on Welsh Ministers to develop a Child Poverty Strategy for Wales. Our current Child Poverty Strategy, sets strategic objectives for improving the outcomes of low income households.

In December last year we reviewed our current Child Poverty Strategy. The objectives within it continue to reflect the levers available to Welsh Government to fulfil our statutory duty to tackle child poverty in Wales. These objectives are based on what the evidence tells us about where we can have most impact in improving outcomes for low income families.

We took the opportunity in December to publish an annex to the Child Poverty Progress report 2019. This fact sheet provides details of Welsh Government programmes aimed at tackling poverty: <https://gov.wales/child-poverty-strategy-2019-progress-report>

The CYPE Committee states in its report that Wales has the highest rate of child poverty in the UK at 29 per cent. This is incorrect. The most recent HBAI data, produced by the Department for Work and Pensions and published in March 2019, shows that child poverty in England is higher than in Wales at 31 per cent. However, we recognise that a child poverty rate of 29 per cent is not acceptable.

We are looking again at everything we are doing as a government – our activities, our policies and our priorities - to ensure that we do *everything* within our powers to support low income households.

This review is already underway and will look at what more Welsh Government can do to reduce costs for families, boost incomes and ensure the investment in programmes and services which contribute to tackling poverty is, as far as possible, improving outcomes for children and young people, both in the short and long term. The findings of the review will help to inform the activity of government going forward. A final report outlining the findings and conclusions of the review, along with recommendations for a future programme of activity, is due to go to Ministers in March 2020.

The Committee will be aware that poverty has been made a priority in the budget planning process for 2020-21. This has ensured that additional funding is targeted at those programmes which have a track record of making a difference to the lives of children living in poverty.

Welsh Government is investing nearly £1bn in a wide range of measures which help to improve outcomes for low income households in Wales. We have allocated additional funding of more than £19m in the draft budget for 2020-21 in a package of

measures specifically targeted to help some of the most vulnerable people in our communities. This additional funding will support initiatives that keep money in people's pockets and services that support disadvantaged individuals and families.

The review of our programs will help to inform how we prioritise our funding to support programmes going forward.

## **EDUCATION RECOMMENDATIONS (SECTION 4)**

**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.

### **Response: Reject**

Local Authority spending on schools is the responsibility of elected local authorities; it is funded through a mix of council tax, other Council resources, Welsh Government grant and re-distributed non-domestic rates. The level of spending is influenced by a range of national and local factors including responding to local choices on how the service is provided. While it would not be right to imply that Welsh Ministers should or could override individual local council decisions on its budget, the Welsh Government collects and publishes information on the expenditure of councils on schools services as part of a suite of information on local authority funding, budgeting and spending and schools spending and reserves.

Local Authorities and schools are subject to a regulatory and an inspection framework to ensure that they are meeting their statutory duties. While this does not extend to controls on the level of funding of schools, which is the responsibility of the local authority, the Welsh Government discusses the overall level of local authority funding, and the funding of schools education, regularly and frequently through the Local Government elected representation on the Finance Sub Group of the Partnership Council. The Finance Sub Group specifically discussed schools funding as part of our annual discussions on the budget, as well as overall funding from Welsh Government through both un-hypothecated and specific grant funding, so that the pressures on local authorities across a range of services including schools can be evidenced. The minutes for this group are published on the Welsh Government website. The un-hypothecated funding for local government for 2020-2021 increased by £184m on a like for like basis over this financial year reflecting the identified pressures arising from teachers' pay and pensions costs in particular, which are the most significant element of local authority schools expenditure.



**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.

**Response: Reject**

It is an important principle of devolution that the funding Wales receives as a result of spending measures announced in England is not ring-fenced for specific purposes. Based on established practice, decisions about how any new funding is allocated is determined by Cabinet as part of the Budget planning process in line with Welsh Government's strategic priorities. Individual Ministers subsequently make decisions on how budgets are allocated within their portfolio.

In protecting this important principle we recognise the spirit of the recommendation to prioritise spending on education. Providing local government with the best possible settlement, which provides local authorities core funding for education, has been central to our budget preparations for 2020-21. The additions to the local government settlement and other new funding for schools and social care total over £220m in 2020-21, which is more than the Barnett consequential received from the UK Government Spending Round in relation to the schools (c£150m) and social care (c£59m) funding in England. We have also prioritised funding for education within the Education MEG with a resource increase of £57.8m, taking the budget to £1.567bn for 2020-21.

Our settlement for 2020-21 may change again following the UK Budget scheduled for 11 March. The funding implications for our Budget beyond 2020-21 will be determined as part of the next UK Government Comprehensive Spending Review which is planned for later this year.

**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.

**Response: Accept**

The costs associated with the Additional Learning Needs and Educational Tribunal (Wales) Act 2018 (the Act) and the wider Additional Learning Needs (ALN) Transformation Programme are set out in the regulatory impact assessment (RIA) that accompanied the Additional Learning Needs and Education Tribunal (Wales) Bill. The RIA was subject to scrutiny by the Assembly and its conclusions were subsequently endorsed by the Assembly's passing of the financial resolution relating to the Bill.

Most of the costs relating to the existing systems relate to the making of provision to meet needs. The Act and the ALN Code do not increase need, nor do they require increased provision to be made.

The administrative costs associated with the transition from the existing systems to the new one are intended to be covered by the £20m of extra money we are investing to facilitate our ALN transformation programme.



There will be explanatory memoranda, including RIAs, published alongside the ALN Code and regulations to be made under the Act that will examine any specific funding implications.

In response to concerns that have been expressed by the sector, we have recently started dialogue with Directors of Education, Further Education, and ALN Transformation Leads.

**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.

**Response: Accept**

In the lead-in to the implementation of the ALN system, local authorities, health boards and schools must ensure that they are meeting the needs of children and young people with special educational needs, in line with their existing statutory obligations. The Minister for Education has written to local authorities, health boards and schools to re-emphasise this point.

The new ALN system will not affect the threshold for additional learning support on any grounds. Rather, it will help ensure that all children and young people who require additional support to meet their needs, have that support properly planned for and protected. It will ensure that all learners reach their potential through an inclusive, person-centred approach to education that enables all learners to thrive regardless of their ability.

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

**Response: Accept**

At Spending Reviews we only receive consequentials as a result of the net change to each UK government's department's overall DEL budget. So it is not generally possible to link our Barnett changes to individual policy announcements. A key consideration as well is that our overall net position includes reductions as well as

increases. The 2019 Spending Round included an announced £700m increase in support for children and young people with special educational needs in England between 2019-20 and 2020-21. Taking this measure on its own suggests that Wales received consequential funding of £41m in 2020-21. However, the Spending Round settlement for Wales included negative consequentials as well as positive ones. In particular it included a negative adjustment for an increase in the level of spending in England funded by non-domestic rates. This makes it very difficult to assign parts of the overall settlement to individual announcements in England.

The local government settlement, through the Housing and Local Government MEG, provides the core funding to schools to support children with ALN. As outlined under recommendation 14, the additions to the local government settlement and other new funding for schools and social care total over £220m in 2020-21 - this is more than we received in the Spending Round in relation to the schools element of the consequential (c£150m of £196m) and social care (c£59m) funding in England. Of the £220m, the Education MEG has invested £8m in 2020-21 to help alleviate budget pressures associated with learners with a higher level of needs.

**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.

**Response: Accept**

We fully recognise how important the PDG is to schools and want to be satisfied that we are proceeding on the basis of the most effective and fairest model, ensuring schools receive the optimum allocation in the funding envelope available.

For 2020-21 we are looking at a number of options, taking into account the uncertainty surrounding Universal Credit rollout and Transitional Protection for PDG. We are still working on these options internally with our statisticians and local government colleagues and we will make an announcement in due course on allocations.

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

**Response: Accept**

The RIA for the curriculum bill will be published in due course and will set out the costs associated with curriculum reform. However, the Welsh Government accepts that curriculum reform is complex and that the areas highlighted – professional learning, curriculum design and qualifications reform - need to be kept under review to ensure they are adequately supported and effectively implemented.

**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.

**Response: Accept**

<b>Funded Programme Description</b>	<b>2020-21 £000</b>
Investing In Quality	591
FE Gov & HE Strat	60
Learning and Work Institute	450
Community Learning	4,913
Further Education	350,837
Sixth Forms	95,722
Personal Learning Accounts	2,000
JISC	1,591
Erasmus	220
Seren Network	1,942
Mental Health	2,000
<b>Total</b>	<b>460,326</b>

The table above provides a breakdown of the Further Education Provision BEL (Post-16 Education Action). These figures are subject to minor amendments throughout the year as result of potential reclaim activity and transfers which are not fully known at this point.

**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.

**Response: Accept**

The proposed forecast funding allocation for Higher Education Funding Council for Wales (HEFCW) is included in the table below.

	<b>2021-22</b>	<b>2022-23</b>
<b>HEFCW funding allocation</b>	£179m	£190m

Source: Higher Education Division

At the current time it is not possible to accurately forecast the amount of additional funding that will become available from the Welsh Government response to Diamond. The indicative funding levels for the next two financial years takes into account projected assumptions on a large number of factors impacting any year's

budget. Whilst the variants centre on the amount of support that will be available for student support, the individual amounts can vary significantly depending on factors such as students entering the system, rates of inflation, other OBR variables including inflationary increases of support and household income, which in turn impacts on grant/loan balance of maintenance support along with repayment amounts.

These figures are based on forecasts from our student support forecasting models, using data available at the time. We currently only have a draft revenue budget for 2020-21, the period for which we have a funding settlement from the UK Government. There are no published budgets beyond 2020-21, therefore any proposed funding beyond 2020-21 will be dependent upon available budgets and will need to be prioritised within the Education MEG once indicative allocations are available. Additionally, any funding beyond 2020-21 will be need to be considered within the context of the Comprehensive Spending Review.

**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.

### **Response: Accept**

The following table shows the baseline costs of Diamond maintenance grants (full-time and part-time undergraduate and postgraduate Masters contribution grant). The maintenance grant amounts and thresholds are currently flat-lined until 2020-21 (2022-23 for the postgraduate Masters contribution grant), increasing with inflation thereafter. The second line of the table shows the increase in cost if inflation was to be applied from 2020-21 onwards, across all products. This would result in a £6m increase for 2020-21, rising to £8.7m in 2021-22 and 2022-23 and £9.2m in 2023-24.

These figures are based on forecasts from our student support forecasting models, using data available at the time. Forecasted costs for the maintenance grants are calculated using Welsh domiciled student numbers from the Higher Education Statistics Agency (HESA) and the expected average grants. The average grants are derived based on household residual income, provided on students' application forms to the Student Loans Company (SLC).

**Forecasting the cost of Diamond maintenance grants<sup>(a)</sup>**

Overall	<i>Financial year costs</i>				
	2019-20	2020-21	2021-22	2022-23	2023-24
Baseline <sup>(b)</sup>	£228.9m	£271.2m	£297.3m	£314.8m	£331.1m
Earlier inflationary increases <sup>(c)</sup>	£228.9m	£277.2m	£306.1m	£323.6m	£340.3m
<b>Difference</b>	<b>£0.0m</b>	<b>£6.0m</b>	<b>£8.7m</b>	<b>£8.7m</b>	<b>£9.2m</b>

Source: Higher Education Division

(a) Includes FTUG maintenance grant, PTUG maintenance grant and PG taught Masters contribution grant

(b) Inflationary increases applied from 2021-22 onwards (2022-23 for PTUG)

(c) Inflationary increases applied from 2020-21 onwards

**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.

**Response: Accept**

Of the £12m commitment, £5m is already within HEFCW's draft budget allocation. Discussions were ongoing between two portfolio areas as to where the remainder of the £7m will be met from. Due to the timing of this, the additional £7m was not allocated in time for the publication of draft budget. It will be transferred as part of the in-year supplementary budget process for 2020-21 from the Economy and Transport MEG.

**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;
- 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.

**Response: Accept**

As higher education institutions are autonomous bodies, responsibility for financial and employment matters, including pensions, lies with the institutions themselves. As such, neither the Welsh Ministers nor HEFCW can play any formal role in what are UK wide negotiations. Welsh Government officials will continue to work with HEFCW and Universities Wales to monitor the situation and any future negotiations that may occur.

HEFCW has produced a blog post and an explanatory note on why many HE institutions are showing financial deficits. HEFCW's blog notes that the large deficits reported in the 2018/19 financial statements of many institutions in Wales do not reflect a significant problem in their operating performance, but are mainly due to one-off pension charges for costs to be paid in the future that have to be reflected as operating costs in financial statements.

These pension charges impact on many UK HE institutions in 2018/19 and are not unique to Welsh institutions. Although the cash payments for the pensions deficit reduction contributions will be spread over at least the next 10 years, the way these costs are required to be presented in financial statements (in HE institutions' 'income and expenditure' accounts) means that the increase in the pension deficit provision is shown as a substantial operating cost in 2018/19.

**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.

**Response: Accept**

Institutions need to invest in their estates, facilities and infrastructure in order to remain competitive in the UK and global markets. Borrowing is not, in itself, an issue provided the borrowing is to support investment, is aligned with institutions' strategic priorities and is affordable.

HEFCW has a Financial Management Code in place with the Governing Bodies of all regulated HE institutions in Wales that confirms the requirements for the organisation and management of their financial affairs. The Code is there to ensure that regulated institutions are well run, have effective financial management arrangements and are sustainable for the future. As the regulator in Wales, HEFCW monitors compliance with the Code and has measures in place for intervention where there is failure to comply. These measures protect the interests of students, safeguard public funds and protect the reputation of higher education in Wales.

In addition, in order to gain an approved annual fee and access plan, a regulated HEI in Wales is required to confirm that their institution is at a low risk of failure on financial grounds over the medium to long term.

We are pleased that Chairs, Vice Chancellors, HEFCW and unions have been able to respond positively to Gillian Camm's review. Our universities are important stewards of place and quality; accountable and transparent governance is essential to fulfilling this civic mission locally and nationally. We look forward to seeing the charter being taken forward.

**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.

**Response: Accept**

Welsh HEIs continue to face a number of sector wide challenges, but based on current information HEFCW has advised that it does not see cause for concern in respect of short term financial crises.

HEFCW, through its institutional risk management arrangements, maintains oversight of institutional borrowing and plays a role in monitoring any new borrowing. These arrangements enable universities' governing bodies to assure themselves, and HEFCW, that they are not proposing to enter into financial commitments which put unmanageable pressure on the future financial sustainability of the university. Analysis undertaken by HEFCW of universities' financial position is confidential; headline information from this analysis is shared with the Welsh Government on a confidential basis.

Welsh HEIs continue to face a number of sector wide challenges, but based on current information from HEFCW, we do not believe there is cause for concern in respect of short term financial crises. The Welsh Government also made significant additional funds available to HEFCW in 2017-18 and 2018-19 to help mitigate the impact of these challenges.

**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.

**Response: Accept**

Funding for higher education and further education comes from two sources in different measures. Higher education student funding is provided through a mix of loan provided by agreement between Welsh Government and HM Treasury and administered by the Student Loan Company (SLC) and Student Finance Wales (SFW). This is complemented by grant funding provided by the Welsh Government and again administered by the SLC and SFW. Further education is funded through grant funding to colleges based on student numbers on different programmes of learning and grants for students in specific circumstances. The regulation of these sources of funding is complex and is not fully interchangeable for learners of different ages and levels of study and as a consequence for different types of institution.

The Augar review for the UK Government published in 2019 proposed a number of changes to the funding arrangements for post-compulsory education in England. To date the UK Government has not produced a formal response to this review, but it is expected that the review recommendations will be considered as part of the scheduled UK Government Comprehensive Spending Review. If changes are



introduced as a consequence of these processes there may be implications for student funding and finance in Wales.

Notwithstanding the above, and within the constraints of existing regulations and current programme for government commitments, the balance of funding between FE and HE will be considered as part of the 2021-22 budget preparations.