



Llywodraeth Cymru
Welsh Government

2017-2018

Draft Budget 2017-18

Taking Wales Forward

October 2016

Foreword

This is a Budget which, at its centre, provides stability for our core services whilst taking tangible steps to deliver our ambitions for our country. It is a Budget which will help us to continue to make improvements to our NHS; to our schools and to our public services on which so many of us depend. It is a Budget which will invest in Wales – in vital new infrastructure; in housing; in transport; in jobs and in our future prosperity.

This Budget will underpin the delivery of our Programme for Government, *Taking Wales Forward*, and will continue to deliver our ambitious manifesto commitments – the promises we have made to the people of Wales. Our spending plans include measures and funding set out in our Budget agreement with Plaid Cymru – shared ambitions for Wales.

It has been developed against the backdrop of uncertain and difficult times. There is uncertainty about how our relationship with the European Union will be recast as a result of the EU referendum and there is uncertainty about the impact on UK public finances and the Welsh budget in the longer-term.

We continue to face ongoing cuts to our overall funding from the UK Government – the influential Institute for Fiscal Studies has commented that “Wales is looking at an extraordinary 11 or more years of retrenchment in public service spending...”. Despite the levels of uncertainty, we are pressing ahead and publishing spending plans for 2017-18 and four-year capital spending plans through to 2020-21.

Over the course of the next 12 months we will begin delivering, in earnest, on the promises we made to the people of Wales in May. We will invest in new apprenticeships; in childcare schemes to support working parents; in tax cuts for small businesses; a new treatment fund to give people in Wales fast access to new and innovative treatments and we will raise the capital limit before people have to pay care home fees.

But as a Welsh Government, and as a National Assembly for Wales, we face some hard choices in the months and years to come. We will continue to work to protect our public services from the worst of the effects of ongoing austerity and fiscal uncertainty, and we will invest in Wales to grow jobs and our economy, taking our country forward.

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Chapter 1: Strategic Context

- 1.1 Today, the Welsh Government is publishing its draft Budget for 2017-18 – the first Budget of this new administration and the first since the outcome of the EU referendum in June.
- 1.2 This is a Budget to take Wales forward, to provide stability for our core services and to make progress in implementing our ambitious Programme for Government, *Taking Wales Forward 2016-21* <http://gov.wales/docs/strategies/160920-taking-wales-forward-en.pdf>
- 1.3 *Taking Wales Forward* is this Welsh Government's five-year plan, which sets out how we will deliver more and higher quality jobs through a stronger, fairer economy; improve and reform public services and build a united, connected and sustainable Wales.
- 1.4 It sets out four areas, which will form the basis for the development of four cross-cutting and intertwined strategies, which will allow us to consider how we can use the levers available to us to have the greatest impact. These are:
- Prosperous and secure
 - Healthy and active
 - Ambitious and learning
 - United and connected
- 1.5 This Budget has been developed, and is being published, against the backdrop of considerable fiscal uncertainty, which has resulted from successive years of cuts to UK public spending and, in turn, to the Welsh Government's budget. The outcome of the EU referendum has compounded this uncertainty. These are challenges all the Devolved Administrations have in common.
- 1.6 The UK Government will publish an Autumn Statement in November. Early statements by the Chancellor of the Exchequer indicate the Treasury will no longer be aiming to achieve a budget surplus by 2020 but he has also said it is not an end to austerity. We have therefore decided to publish a one-year revenue spending plan for 2017-18 but four-year capital plans, which will provide certainty for longer-term investments.
- 1.7 We are now in the second year of the UK Government's Spending Review settlement, which set the Welsh Government's revenue budget for the period 2016-17 to 2019-20 and the capital budget until 2020-21. Overall, the Welsh budget will continue to reduce in real terms over this period.

- 1.8 The Spending Review reductions to our settlement reinforced the UK Government's squeeze on public spending and commitment to austerity. Our budget will be 9% lower in real terms by the end of the decade – this is equivalent to almost £1.5bn less in real terms for public services in Wales in 2019-20 than in 2010-11.
- 1.9 The Institute for Fiscal Studies' recent report, *Welsh Budgetary Trade-Offs to 2019-20*, <https://www.ifs.org.uk/publications/8470> confirmed the challenges to the Welsh budget as a result of the UK Government's ongoing cuts to public finances and programme of austerity.
- 1.10 There is little prospect that the UK Government will abandon its focus on austerity in the years ahead despite the urgent macro-economic case for doing so. This means the Welsh Government continues to face hard choices as it seeks to protect public services from the worst of the cuts imposed on public spending.
- 1.11 The Devolved Administrations have urged the UK Government to rethink its economic and fiscal policies. Working together, we are determined to act to ward off further austerity policies, which may be considered as a consequence of the EU referendum result.
- 1.12 The result of the EU referendum has added to the level of uncertainty about future available resources for Wales. Withdrawal from the EU will have an impact on the resources available to Wales – Wales benefits from £650m a year from various European funding streams, including agricultural payments.
- 1.13 The First Minister has welcomed the Chancellor's confirmation that the Treasury will provide a full lifetime guarantee for all structural and investment projects approved before the UK leaves the European Union. This is a guarantee we have been calling for since the EU referendum result in June. The Treasury has also confirmed that, in keeping with the devolution settlement, it will be for the Welsh Government to continue to determine how EU funds are spent in Wales, in line with our priorities.
- 1.14 Our spending plans provide a platform for us to prepare and plan for the very tough decisions which lie ahead. This is the first draft Budget published by Welsh Ministers under the Well-being of Future Generations Act and this will guide us as we work together to take Wales forward. For the future, we have to make sure we can manage the long-term financial outlook, support our long-term ambitions for Wales and use our resources to best advantage to deliver our priorities.

Moving Wales Forward

- 1.15 The Welsh Government is committed to being an open and inclusive government, working collaboratively with others to deliver our priorities for Wales. As part of the compact to Move Wales Forward, a number of

joint policy priorities and areas of common ground were identified with Plaid Cymru.

- Childcare – we will prioritise work to deliver 30 hours free childcare for working parents. Key to our work in developing and rolling out this offer will be quality of provision and equity of access – both in terms of geographical reach and language.
- Apprenticeships and skills – a skilled workforce is the lifeblood of our economy, and we will honour our commitments to bring forward at least 100,000 new all-age apprenticeships in this term.
- We will establish a new National Infrastructure Commission, and a new Welsh Development Bank.
- The establishment of a New Treatment Fund, and we will commit to end the post-code lottery for new drugs and treatments.
- We will set in place plans for the recruitment and training of additional GPs and other primary healthcare professionals.

1.16 As part of the compact, three liaison committees were established – on finance, legislation and the constitution – with Plaid Cymru. A fourth liaison committee has since been set up to discuss European transition. The immediate focus of the Finance Liaison Committee has been on budgetary issues in the context of the draft Budget preparations.

2016 Budget Agreement

1.17 We have reached agreement with Plaid Cymru on a number of specific measures, which are reflected in our Budget proposals. These measures are:

- £44m for measures to support the NHS, including:
 - £20m of the additional £240m funding to the NHS for mental health services;
 - £15m for diagnostic equipment;
 - £7m for healthcare professional education, including medical schools;
 - £1m of funding to bolster end-of-life care; and
 - £1m towards the establishment of eating disorder and gender identity provision in Wales.
- £30m to support further and higher education.
- Measures to support local government, including £25m of additional funding to local authorities, £3m for a pilot to end town

centre car parking charges, and £1.5m for school transport and safer routes to schools.

- £3m for arts funding – including feasibility studies for a national art gallery and football museum in North Wales and allocations for Arts Council of Wales; National Museum of Wales; National Library of Wales and Welsh Books Council.
- £0.5m of funding to support feasibility studies into reopening Carmarthen to Aberystwyth railway line and establishing a national cycleway.
- £2m to encourage investment in ports infrastructure through a Ports Infrastructure Fund.
- £5m for Visit Wales.
- £5m to support Welsh for Adults

Chapter 2: Financial Challenges

Long-term Outlook for Public Finances

- 2.1 The Welsh economy is closely integrated with the rest of the UK. The UK fiscal and monetary policy constraints therefore have an impact on Wales' economic performance. In terms of UK fiscal policy, the backdrop has been challenging since the worldwide financial crisis and recession of 2008-09. The UK, as a whole, has experienced an unprecedented squeeze on public finances over the last six years.
- 2.2 Over all time periods, the underlying rate of economic growth is of critical importance, since this determines the potential for deriving tax revenues. Over the longer term, the rate of economic growth is in turn driven by productivity growth, which has been well below trend in the UK (and, indeed, other developed countries) since, at least, the time of the financial crisis. The reasons for this are not fully understood and it is unclear how long this period of below-trend productivity growth will persist.
- 2.3 The Office for Budget Responsibility (OBR) has identified a number of pressures likely to impact negatively on the UK's public finances over the longer term. These include more people being reliant on services, which contributes to higher expenditure on pensions, social care and health. In addition, increases in the student loan book will add to the UK's public debt. However, it is very challenging to make reliable forecasts for the UK's public finances, particularly over the longer term.
- 2.4 The UK's decision to leave the EU is expected, by most experts, to result in lower growth and this would add further to the pressures described above.

European Union Funding

- 2.5 Wales is a net beneficiary of EU funds – £650m of funding comes into Wales each year from the EU. This plays a vital role in supporting growth and jobs across Wales; helping people into work and training; supporting businesses; driving innovation; helping to regenerate communities and supporting Welsh agriculture and the marine sector.
- 2.6 The result of the EU referendum has threatened the loss of these funds to Wales; any funding cuts would have a real impact on people, businesses, and communities. The First Minister has written to the UK Prime Minister to secure guarantees for these funding streams and we welcome the recent announcements from the Treasury.

- 2.7 We are clear the UK Government must provide surety that there will be no loss of funding to Wales in the long term; that every penny of funding which we would have reasonably expected to receive if the UK remained in the EU must be replaced and any transfer of powers and responsibilities from the EU to Wales must be accompanied by an appropriate level of funding to enable us to deliver.
- 2.8 We will continue to make a strong and positive case for Wales to receive its fair share of funding after the UK leaves the EU, as promised during the referendum campaign.

Impact on Welsh Economy

- 2.9 To date, only limited data tracking economic performance in Wales has been published in the months since the referendum. The latest Labour Market statistics, published in September, show employment in Wales is at its highest rate on record; economic inactivity is down and the unemployment rate is lower in Wales than in the UK as a whole.
- 2.10 At the UK level, more data is available. On balance, it suggests the UK economy is continuing to grow, but possibly at a slower rate than recorded in the first half of the year. The Bank of England has revised its short-term economic forecasts down substantially, mainly to reflect the uncertainty created by the EU referendum vote.
- 2.11 Over the long term, it is widely expected that national income will be lower outside the EU. The extent of any income loss will depend on the trade, labour and product market regulations that replace those associated with EU membership. The closer new arrangements are to current EU arrangements, the more likely it is that any adverse economic consequences – and by implication any impact on public finances, including the Welsh Government’s budget – will be less severe.
- 2.12 The UK Government will publish a new set of fiscal rules as part of the Autumn Statement. Accompanying it will be a new set of forecasts for the economy and public finances prepared by the OBR.
- 2.13 The UK Government has announced that Article 50 will be triggered by the end of March 2017 and the Chancellor of the Exchequer has indicated the Autumn Statement will set out a plan which delivers long-term fiscal sustainability; responds to the consequences of short-term uncertainty and recognises the need for investment to build an economy that works for everyone. It may then be clearer how the UK Government will use fiscal policy to respond to any change in economic prospects as a result of the EU referendum result. We may then have a better sense of how our budget allocation is likely to change over the coming years.

A New Fiscal Framework for Wales

- 2.14** In 2018, the Welsh Government will introduce the first Welsh taxes in almost 800 years. This marks an important step in devolution. For the first time the Welsh Government will raise its own money to fund devolved public services. A new body, the Welsh Revenue Authority, is being established to manage and collect the taxes.
- 2.15** In order to compensate the Treasury for income foregone, the Welsh Government and UK Government must agree an equivalent reduction to the Welsh block grant. The methodology for calculating this reduction will form part of a new fiscal framework, which should also address the Welsh Government's capital borrowing powers and the budget management arrangements after tax devolution.
- 2.16** The Chancellor of the Exchequer is clear that the changes to the Welsh block grant must consider the function of the Barnett formula and the funding floor, announced in November 2015, which is intended to address the concerns with the way the Barnett formula operates in Wales.
- 2.17** The new powers follow the successful financial devolution of non-domestic rates in 2015, which generates around £1bn of funding to support the delivery of local government services annually in Wales. As such, the revenue raised from non-domestic rates available to the Welsh Government now has a direct impact on the Budget, linking it to the performance of the Welsh economy.

Chapter 3: Approach to Budget Preparations

- 3.1 We need to have revenue plans which support our public services today and our priorities for the longer term as well as enabling us to prepare for the inevitable budget reductions over the next few years if austerity continues unabated.
- 3.2 To support our core public services, we continue to prioritise investment in public health and prevention – we are therefore maintaining these budgets at 2016-17 levels. Our plans reflect the fact that we have looked across many areas of government to prioritise spending in areas which contribute to better population health and wellbeing.
- 3.3 We are continuing to invest in primary preventative healthcare measures such as vaccination and population screening and investing in the broader determinants of health through our focus on education, the early years and employment support. We are also continuing to invest in our targeted early intervention programmes Flying Start, Families First and Supporting People at the same levels as in 2016-17.
- 3.4 Once we have assessed the impact of the Autumn Statement, we intend to publish planning assumptions for 2018-19 and 2019-20 in the New Year. Our decision to publish a one-year revenue budget means we are providing stability for core services and investing in priorities in the immediate term. This provides a stable platform from which we can manage the tough financial times ahead in innovative ways with our partners and stakeholders.

An Integrated, Long-term Approach to Capital Funding

- 3.5 In this budget we have the opportunity to drive investment in the economy; make improvements in vital public services and start to deliver the key priorities set out in *Taking Wales Forward*.
- 3.6 In previous years we have mainly had traditional capital and financial transaction funding at our disposal to fund public infrastructure projects – now new borrowing powers and more innovative finance models are open to Wales as the level of available public capital continues to decline.
- 3.7 We will set a four-year capital budget – this matches the capital settlement set out in the 2015 UK Spending Review – and consists of a firm budget for 2017-18 and indicative allocations for the subsequent three years. It is important we provide as much transparency and certainty to our key stakeholders and delivery partners as we can to deliver capital investments. We have concluded that a long-term capital approach is the right decision.

Total Available Capital Funding

- 3.8 This budget sets out plans for £6.9bn of capital funding from our capital DEL settlement and making full use of capital borrowing powers.
- 3.9 Our four-year capital plans will be further boosted during the first two years by £400m of investment in the Housing Finance Grant 2 (£250m) and Coastal Risk and Management programmes (£150m). These form part of a £1.5bn pipeline of innovative finance investment, delivering timely additional investment in vital economic and social infrastructure.
- 3.10 Three further schemes are being developed using a new Welsh Mutual Investment Model – the duelling of the A465; the development of a new specialist Velindre Cancer Centre and progressing the next phase of the 21st Century Schools programme. Construction for all three schemes is expected to begin during this four-year capital Budget period.
- 3.11 We will also use the new capital borrowing powers provided by the Wales Act 2014. This new funding source has enabled us to support an additional £395m of investment over the four-year period to 2020-21.
- 3.12 Given the many factors that impact on the timing and costs of strategic infrastructure projects, access to borrowed funds will be carefully considered during each budget period and used for our agreed strategic infrastructure priorities.
- 3.13 Our strategic infrastructure plans and decisions are shaped by the commitments in *Taking Wales Forward* and the investment priorities in the Wales Infrastructure Investment Plan.

The Timing of Allocations

- 3.14 As we are setting out a four-year capital plan, we are supporting our strategic commitments through a combination of firm MEG allocations for 2017-18, indicative MEG allocations for the subsequent three years and specific ear-marking of capital reserves. This approach provides flexibility to respond as proposals develop and funding requirements are established.

Reserves

- 3.15 Our approach is to maximise allocations to portfolios while retaining a prudent level of central reserves as a contingency for unforeseen pressures. This principle applies equally to our revenue and capital budgets.
- 3.16 We are holding a larger resource reserve in 2017-18 than would normally be the case because of the uncertainties we are already

facing and because we do not yet know the implications for Wales of the Autumn Statement.

- 3.17 We are increasing capital reserves significantly from 2018-19 onwards to reflect the inevitable uncertainties of longer-term budget planning while ensuring that sufficient central funds are available to support our priority commitments as they progress over the Assembly term.
- 3.18 Therefore, our resource reserves for 2017-18 are 1.7% of the resource DEL and capital reserves are 7.1% of the capital DEL, rising to between 30% and 34% in subsequent three years.
- 3.19 We are satisfied these levels of reserves will enable us to manage risks and respond to unforeseen pressures, while giving individual Cabinet Secretaries funding certainty to begin planning and delivering the key commitments set out in *Taking Wales Forward*.

Changes to Budget Presentation

- 3.20 To simplify the presentation of the budget, the un-hypothecated general capital funding for local government is presented in the 2017-18 draft Budget as a single line within the Local Government MEG. This is a change of presentation from the First Supplementary Budget 2016-17 where it was presented across a number of MEGs.
- 3.21 This change is for clarification only and is now consistent with the presentation of un-hypothecated revenue funding for local government.
- 3.22 The change does not affect the level of funding or how it may be used by local authorities. The 2016-17 MEG capital baselines have not been restated but a full reconciliation is provided in Table 3.1.

Table 3.1 - Change of presentation to General Capital Funding for Local Government

Main Expenditure Group	SPA	£000s 2016-17 First Supplementary Budget	£000s 2017-18 Draft Budget
Communities and Children	Homes and Places	48,358	-
Economy and Infrastructure	Improve and Maintain Local Roads Infrastructure	13,667	-
Education	Education and Training Standards	43,021	-
Environment and Rural Affairs	Climate Change and Sustainability	13,100	-
Health, Well-being and Sport	Social Services	4,691	-
Local Government	Local Government Funding	20,000	142,837
Total		142,837	142,837

Chapter 4: Our Spending Priorities

- 4.1 *Taking Wales Forward* is a five-year programme for government which signals a fresh start to delivery through a new way of working.
- 4.2 It outlines our key priorities for delivering improvements to our economy and public services; for creating jobs and prosperity and to improve wellbeing for everyone living in Wales. They are ambitious measures aimed at making a difference for everyone at every stage in their lives.
- 4.3 This government will work in partnership with others to tackle the challenges and issues facing Wales and grasp the opportunities as we continue to work together to create a strong and confident country.
- 4.4 We are working on four cross-cutting strategies – *Prosperous and Secure, Healthy and Active, Ambitious and Learning, and United and Connected* – which will set out in more detail the interdependent actions we will take to give everyone in Wales the opportunity to flourish at every stage of their lives.
- 4.5 They will support *Taking Wales Forward* and enable us to use all the levers available to us to have the greatest impact and deliver the promise of the Well-being of Future Generations (Wales) Act. These interlinked strategies will ensure public services are integrated, efficient and available to support and enrich people’s lives when and where they need them.
- 4.6 It will be important to collaborate to plan for the tough choices ahead. We will work with our partners to use our collective resources effectively. The Well-being of Future Generations (Wales) Act gives us, and other public bodies, a strong foundation to build on.

PROSPEROUS AND SECURE

- 4.7 We want individuals, families and communities to feel the security that prosperity brings through better jobs, high-quality and secure housing and sustainable growth in our businesses. We will foster the conditions we need to allow businesses to thrive, provide the support people need to access those jobs, and continue to build on our global profile as a first-class place to invest.

Supporting Businesses

- 4.8 The Welsh Government is committed to creating a prosperous and secure economy that benefits everyone in Wales. The establishment of a new Development Bank for Wales is a shared priority of the Welsh Government and Plaid Cymru, and will improve the ability of small businesses to access finance, supporting the creation and safeguarding of jobs right across Wales. We are making £46m of

financial transaction funding available over the next four years to support the establishment of the Bank, with over £17m allocated in 2017-18. This will supplement the range of funds already managed by Finance Wales.

- 4.9 As a government, we are committed to creating the right conditions for businesses to thrive and create sustainable growth and employment opportunities. We will provide a tax cut for small business of £100m in 2017-18 by extending the Small Business Rates Relief (SBRR) scheme, which would otherwise have lapsed. From 2018 onwards, we will put in place a new, reformed, permanent scheme.
- 4.10 SBRR provides 100% relief to businesses with a rateable value of up to £6,000 and tapered relief from 100% to zero to those with a rateable value between £6,001 and £12,000. We will ring-fence £10m in reserves to support a new transitional relief scheme for small businesses.
- 4.11 Wales continues to be an attractive place for businesses to invest and grow. We will continue our cross-cutting role in supporting entrepreneurship and support for SMEs and innovation-driven enterprise through the £65m Business Wales programme.
- 4.12 In 2015, Wales' food and drink exports were worth more than £264m and, in 2017-18, we are investing an additional £0.2m increasing our support for the development and growth of food production and the food and drink industries in Wales to £4.7m. The Welsh Government's export support programmes have been instrumental in helping Welsh companies win new business in markets globally.

City Deals

- 4.13 The Cardiff Capital Region City Deal is a £1.2bn investment fund for the region, delivered over a 20-year period with the aim of driving economic growth. This has been made possible by the ambition of the 10 participating local authorities who have created a step change in regional collaboration, along with joint funding agreed by the Welsh and UK governments. A key part of the deal is the South Wales Metro. We are working towards a deal for the Swansea Bay City Region, extending from Pembrokeshire to Neath Port Talbot, and a growth deal for North Wales to help strengthen its economy.

Apprenticeships

- 4.14 Apprenticeships equip people with skills they can use throughout their careers. They also help businesses to become more productive, expand and support growth in the economy. Through our commitment to create a minimum of 100,000 all-age apprenticeships over the term of this government, we will build on our established record of high-quality vocational education and training and build the workforce we

need for Wales to thrive. Supporting high-quality apprenticeships is one of the shared priorities with Plaid Cymru and in 2017-18 we will invest £111m to continue delivery of this commitment, including funding for traineeships.

Childcare

- 4.15 Affordable, available and accessible childcare improves the work prospects of all parents, enabling them to better support their families. It can also provide opportunities and long-term benefits for children and improve their life chances. Childcare was identified in the Compact to Move Wales Forward as an area of common ground with Plaid Cymru. We are committed to offering 30-hours of free childcare a week for working parents of three and four-year-olds. We will allocate £10m in 2017-18 to take forward the development of the offer next year.

Housing

- 4.16 Over the lifetime of this government, we will work in partnership to deliver an extra 20,000 affordable homes. Investing public money in building and refurbishing homes will contribute to national and local economies, creating and supporting jobs and training opportunities. House building creates thousands of apprenticeships every year, provides wider regeneration in deprived areas and delivers benefits for and can transform whole communities. We have allocated more than £1.3bn over the term of this government in support of our housing priorities, of which £389m will be earmarked in reserves to support this commitment as plans are further developed.

Environmental Green Growth

- 4.17 The Green Growth Wales programme has enhanced funding available through two investment vehicles to support a pipeline of energy efficiency and renewable energy projects. Approximately £27m has already been invested, which is in turn recycled and is available to be invested in future projects. This has enabled communities and businesses to use locally-generated electricity and heat from a range of renewable installations to supply local demand. In this Budget, we are allocating an additional £16m over four years which brings our total investment to £43m.

Flood and Coastal Risk Management

- 4.18 A number of our recent flood and coastal risk management schemes have provided multiple benefits alongside risk management, including tourism, regeneration and biodiversity. We are planning for future flood and coastal risk management by working alongside local authorities to develop an innovative £150m programme of capital investment to start in 2018-19.

HEALTHY AND ACTIVE

NHS Wales

- 4.19 We are committed to supporting everyone in Wales to take steps to improve their health and wellbeing. We want people to live well for longer, enabling them to contribute to society and live fulfilled lives. However, we know that health inequalities still persist in communities throughout Wales, which have consequences not only for individuals' lives but for wider society.

Challenges and Opportunities

- 4.20 The Welsh Government is continuing to invest in the Welsh NHS. The most recent figures on comparable health spending, published by the Treasury, show that spending per head on health in Wales was 1% higher than in England in 2014-15, and grew faster in that year than in any other UK nation. When spending on health and social care are combined, Wales is spending £172m or 7% more than England. We are committed to a fully-integrated care system in Wales – we are continuing to invest in both health and social care and in 2017-18 we will invest a further £60m in the Intermediate Care Fund, which helps people to live independently and reduces hospital admissions.
- 4.21 Analysis by the Nuffield Trust in 2014, and by the Health Foundation in its recently-published report *The Path to Sustainability – Funding Projections for the NHS in Wales*, highlight the challenges and opportunities facing the Welsh NHS over the medium and long term.
- 4.22 Like most health services, the NHS in Wales is responding to an increase in demand associated with an increasingly-elderly population. Advances in healthcare technology provide significant opportunities to improve length and quality of life but they also pose financial challenges to the NHS. The Welsh NHS has placed the prudent healthcare principles and a focus on value-based healthcare at the heart of both the planning and delivery of services, attracting international recognition.
- 4.23 The Welsh Government is responding to the Nuffield Trust and Health Foundation analysis by continuing to invest in the Welsh NHS. In this draft Budget, we are investing an additional £240m in 2017-18. This will enable NHS organisations to continue to meet the ongoing growth in demand and costs of services. This includes meeting the costs of pay awards for NHS staff; delivering more care in primary and community care; maintaining investment in new drugs and treatments and ensuring high-quality of care for all.

Treatment Fund

- 4.24 We are committed to improving the introduction of innovative, evidence-based, treatments in Wales and, as part of the compact with Plaid Cymru, will provide £16m in 2017-18 for the new Treatment Fund. The emergence of new and innovative but often high-cost medicines and treatments places a responsibility on us to ensure our limited resources are invested where the proven benefit is in balance with the cost. This new fund will give people in Wales fast access to new and innovative treatments.

Education and Training

- 4.25 More than £350m is invested every year in the education and training of healthcare professionals – this investment supports more than 15,000 students, trainees and staff in Wales. In line with our commitments to the NHS workforce, plans are well-advanced for a major national and international recruitment campaign to market Wales and NHS Wales as an attractive place for doctors, including GPs, to train, work and live. This is an ambition we share with Plaid Cymru, and are investing an additional £7m in 2017-18 for healthcare professional education, including medical schools, as part of the Budget agreement.

Mental Health Services

- 4.26 We continue to spend more on mental health services than on any other part of NHS Wales. Of the £240m additional funding to the NHS next year, £20m will be ring-fenced provision for mental health services, in line with our Budget agreement with Plaid Cymru. This additional investment will support the priorities set out in the new three-year delivery plan *Together for Mental Health*.

NHS Estate and Equipment

- 4.27 Investment in the estate and equipment for the NHS is essential to ensure we have a modern NHS. We are investing £1bn to maintain and transform the NHS over the next four years. This includes new medical equipment, IT and infrastructure, and will cover all healthcare settings including acute, primary and community care. We will invest £15m, in 2017-18, in new diagnostic equipment, as part of the Budget agreement with Plaid Cymru.
- 4.28 We also plan to boost investment in health infrastructure using a new Welsh Mutual Investment Model to develop the new specialist Velindre Cancer Centre.

Primary and Community Care

- 4.29 The NHS must respond to the needs of our modern society with greater integration between health and social services. We are continuing to

move more care and services out of hospitals into local communities so people can be treated and cared for closer to home. We are improving access to GP surgeries so people can receive healthcare locally. The latest statistics show that 79 per cent of GP practices in Wales offer appointments between 5pm and 6.30pm every weekday, an increase of 16 percentage points since 2011.

- 4.30 We will continue to invest in community pharmacies to increase the range of services available on the high street. We will work with health boards, schools, local authorities, the voluntary and third sector to promote healthy lifestyle choices; exercise and activity; emotional wellbeing; promote responsible drinking and stop-smoking services to support people to take steps to improve their own health and wellbeing.
- 4.31 As part of our shared agenda with Plaid Cymru to improve health and wellbeing for all, we are making an additional £1m of funding available to support end-of-life care and investing £1m in eating disorder and gender identity provision in Wales.

Social Services

- 4.32 The Social Services and Well-being (Wales) Act came into force in April 2016. It is the new legal framework which modernises social services and introduces a radical new system for social services, based on the needs of individuals. It is based on the four principles of wellbeing, people, partnership and prevention and will give people more say over their care and support.
- 4.33 The local government settlement for 2017-18 includes an additional £25m, which will be specifically for social services. This builds on the additional £21m allocated to social services through the local government settlement in 2016-17.
- 4.34 We believe people who have worked hard all their lives should be able to pass on their savings. In recognition of this we are committed to doubling the capital people can keep when entering residential care to £50,000. In 2017-18, we are allocating an additional £4.5m towards fulfilling this commitment which will take the limit to £30,000 next year.

AMBITIOUS AND LEARNING

- 4.35 Education plays a fundamental role in our development as individuals and is the foundation of a strong and vibrant economy. It provides an opportunity for people to achieve their potential and direct their own futures. Creating motivated and capable learners through our schools, colleges and universities helps us to break the cycle of disadvantage over the long-term and will support Wales in becoming a productive and prosperous nation.

Raising school standards

- 4.36** We are embarking on a major reform agenda for education in Wales – the biggest education reform since the 1940s. We are developing new curriculum and assessment arrangements which will fully equip children and young people to thrive amid the challenges and opportunities of the 21st century. This ambition will be underpinned by our pledge to provide £100m of additional funding over this Assembly term to raise school standards. In 2017-18, in line with our commitment, we will invest £20m in our key priorities to improve teaching and learning, workforce development, leadership and the Welsh Language.
- 4.37** Our young people need learning environments which support the delivery of improved educational outcomes, are of a consistent quality across Wales, drive collaboration and have social, environmental and economic benefits. The 21st Century Schools and Education Programme represents a long-term, strategic investment in our educational infrastructure. Over the next four years we will invest more than £500m in capital funding for this programme, which contributes to our commitment to invest £2bn for improvement of our schools and colleges by 2024.

Pupil Deprivation Grant (PDG)

- 4.38** For our education reforms to succeed we must continue to close the attainment gap between the poorest pupils and their peers. There is increasing evidence that the focus we place on disadvantaged learners is having an impact, not just in literacy, numeracy and academic achievement but also in behaviour, confidence and self-esteem.
- 4.39** Our decision to continue to invest in the Pupil Deprivation Grant (PDG) is recognition that it is making a real difference to the lives of disadvantaged learners. In 2017-18 we are investing an additional £4.5m in the early years PDG, doubling the support we provide to disadvantaged pupils aged three and four, ensuring that every child gets the best start in life. This expanded provision takes our total investment in the PDG to more than £90m in 2017-18.

Further and Higher Education

- 4.40** Further and higher education provides academic and vocational routes to equip people with the skills they need for the future. Education makes a significant contribution to social mobility and we are committed to providing full and part-time opportunities, which will benefit learners of all ages, as well as employers and communities.
- 4.41** As a result of the Budget agreement with Plaid Cymru, we will provide an additional £30m in 2017-18 to support further and higher education, mitigating against reductions in adult basic skills, part-time learners,

expensive subjects and research, while also supporting the transition to new student support arrangements.

- 4.42 Professor Ian Diamond's review of higher education and student finance arrangements, commissioned by the Welsh Government, recommended a radical overhaul of the current system. We have endorsed the underlying principles of the recommendations and are providing an additional £15m in 2017-18 in recognition of the pressures on student support while we move to a new system.

National Science Academy

- 4.43 Our National Science Academy supports 'STEM' engagement across Wales, and is encouraging and inspiring young people about science, technology, engineering and mathematics, complementing the formal school curriculum. Figures projected to March suggest the programme will deliver enrichment events for more than 186,000 pupils and students and professional development for more than 2,800 teachers.

UNITED AND CONNECTED

- 4.44 We want a Wales where everyone is respected and valued. We want people's needs to be met by good-quality, responsive, public services and infrastructure which enable people to connect with their friends, families and wider communities.

Transport

- 4.45 The road network and public transport provide the core means for people to access jobs, housing, services and leisure as well as being a driver for the economy. These areas will continue to be a key focus of infrastructure investment over the budget period. We are supporting improvements to the motorway and trunk road network with nearly £300m of capital investment earmarked over the next four years. We have also set aside, in reserves, more than £900m for an M4 relief road, which will be allocated subject to the outcome of the public inquiry.
- 4.46 Accessibility is a key driver for economic growth, and we are making available £369m over the next four years to create a South Wales Metro, as well as an additional £50m to advance the development of a North Wales metro system. As part of our Budget agreement with Plaid Cymru, we are allocating £0.5m in 2017-18 to conduct feasibility studies into the re-opening of the Carmarthen to Aberystwyth railway line and establishing a national cycleway, as well as £2m available to encourage measures to improve infrastructure for ports.

Digital connectivity

- 4.47 Wales is leading the way among the UK's devolved nations with the availability of superfast broadband. There is provision in the 2017-18 capital budget to spend £20.6m on ICT Infrastructure, which includes funding to deliver the remaining premises under the Superfast Cymru programme. We will maximise the opportunities to business through Business Wales superfast exploitation support.

Arts and Culture

- 4.48 Culture is the soul of Wales, and we aim to help nourish and support it. As part of our Budget agreement with Plaid Cymru, we are investing an additional £3m in support of arts funding in 2017-18, including the Arts Council of Wales, the National Museum and National Library and the Welsh Books Council. The funding will also support feasibility studies for a national art gallery and a football museum in North Wales.
- 4.49 The Budget agreement also provides an additional £5m for Visit Wales in 2017-18 to continue to promote Wales as a first-class place to visit, study and live. A further £5m has been agreed in line with our shared ambition to see the Welsh language used more extensively and to grow the number of people able to speak Welsh.

Local Government

- 4.50 Local authorities are key partners for the Welsh Government. Local government plays a vital part in the lives of every person in Wales – councils provide the services which educate our children, look after elderly and vulnerable people, dispose of our waste and light our streets.
- 4.51 In our draft Budget 2017-18, we have once again protected local government from the worst of the impact of austerity. This has been supported by £25m of additional funding for local authorities in 2017-18 provided as part of the Budget agreement with Plaid Cymru. As a result of these actions, taking into account the funding provided through Revenue Support Grant and redistributed Non Domestic Rate Income, this is the first year since 2013-14 that there has been an increase in the un-hypothecated funding for local government.
- 4.52 In 2017-18, as a result of our Budget agreement with Plaid Cymru, we will also be providing £1.5m of additional funding to support school transport and safer routes to schools and £3m for a pilot to end town centre car parking charges.
- 4.53 This draft Budget, along with the details of the provisional Local Government Settlement, will allow local authorities to prepare their budgets for 2017-18, to invest in delivering sustainable and resilient services.

- 4.54** We are taking further steps to reduce the administrative burden, where appropriate, by amalgamating grants and by moving funding out of specific grants and into un-hypothecated funding through the revenue support grant.
- 4.55** The financial devolution of non-domestic rates in 2015 means the variations in rates income has a direct impact on the resources available in the Welsh Budget and the presentation of the funding being provided for local government. It is important to look at the overall funding available for local government, including non-domestic rates.
- 4.56** This provides local government with the necessary support to continue to take forward the transformation and reform agenda necessary to ensure they can maintain and improve the vital services they provide to their communities going forward.

Legislation

- 4.57** Our legislative programme for the first year of this Government term features six Bills, which includes the establishment of Welsh devolved taxes, improvements in public health, and the reform of support for children and young people with additional learning needs. We are committed to working with stakeholders in developing this new legislation.
- 4.58** We will continue to provide clarity on the costs associated with our legislative proposals in regulatory impact assessments, and a table showing the costs in 2017-18 of previously enacted legislation can be seen at Annex E.

Chapter 5: Welsh Government Spending Plans

Wales DEL Budget

- 5.1 Devolved expenditure in Wales for 2017-18 comprises the Wales Departmental Expenditure Limit (DEL) of £15.4bn and Annually Managed Expenditure (AME) of £1.8bn.
- 5.2 Table 5.1 shows the components of the Wales DEL budget, which includes the Welsh Government's DEL budget and indicative budgets for the Assembly Commission; the Auditor General for Wales and the Public Services Ombudsman for Wales. It also shows the Resource Reserves and Capital reserves. The Wales DEL also includes direct charges to the Wales Consolidated Fund.
- 5.3 The largest element of the Wales DEL is the funding allocated to Welsh Government MEGs, which in the draft Budget 2017-18 comprises £13.6bn of resource and £1.4bn of capital.

Table 5.1 – Allocation of the Wales DEL Budget

MAIN EXPENDITURE GROUPS (MEGs)		2017-18 Draft Budget £000s
Departmental Expenditure Limits (DEL)		
Health, Well-being and Sport		7,282,012
Local Government		3,405,374
Communities and Children		708,773
Economy and Infrastructure		1,300,679
Education		1,591,712
Environment and Rural Affairs		368,369
Central Services and Administration		296,046
Total Allocation to Welsh Government MEGs		14,952,965
Resource Reserves	Fiscal Resource DEL	221,887
	Non-Fiscal Resource DEL	109,682
Capital Reserves	General Capital DEL	108,144
	Financial Transactions DEL	0
Borrowing		-20,000
Assembly Commission		52,545
Public Services Ombudsman for Wales		4,520
Auditor General for Wales ¹		6,928
Direct Charges to the Welsh Consolidated Fund		707
Total Expenditure within the Wales DEL Budget		15,437,378

Table 5.2 – Allocation of the Welsh Government Fiscal Resource DEL Budgets

MAIN EXPENDITURE GROUPS (MEGs)		£000s		
		Revised Baseline	2017-18 Changes	2017-18 Draft Budget
Health, Well-being and Sport		6,582,427	263,413	6,845,840
Local Government ¹	DEL	3,333,148	-71,292	3,261,856
	NDR*	977,000	82,000	1,059,000
	Total	4,310,148	10,708	4,320,856
Communities and Children		358,468	12,100	370,568
Economy and Infrastructure		582,947	9,122	592,069
Education		1,333,098	50,762	1,383,860
Environment and Rural Affairs		275,037	-3,526	271,511
Central Services and Administration		268,390	136	268,526
Total Allocation to Welsh Government MEGs [Excluding NDR]		12,733,515	260,715	12,994,230

Table 5.3 – Allocation of the Welsh Government Non-fiscal Resource DEL Budgets

MAIN EXPENDITURE GROUPS (MEGs)		£000s		
		Revised Baseline	2017-18 Changes	2017-18 Draft Budget
Health, Well-being and Sport		170,779	20,000	190,779
Local Government		400	0	400
Communities and Children		0	500	500
Economy and Infrastructure		115,898	80,000	195,898
Education		106,931	108	107,039
Environment and Rural Affairs		3,340	9,746	13,086
Central Services and Administration		16,000	0	16,000
Total Allocation to Welsh Government MEGs		413,348	110,354	523,702

¹ For the purposes of showing the total spending envelope available to Local Government, this figure includes the income generated from non-domestic rates, as reflected in Table 5.6.

Table 5.4 – Allocation of the Welsh Government Capital DEL Budgets (excluding Financial Transactions Capital DEL)

MAIN EXPENDITURE GROUPS (MEGs)	£000s			
	2017-18	2018-19	2019-20	2020-21
Health, Well-being and Sport	245,393	250,289	265,283	265,333
Local Government	143,118	143,118	143,118	143,118
Communities and Children	221,773	191,062	165,511	160,179
Economy and Infrastructure	464,107	292,347	310,793	402,783
Education	100,813	128,061	135,745	143,890
Environment and Rural Affairs	83,772	55,061	56,754	50,878
Central Services and Administration	11,520	11,520	11,520	11,520
Total Allocation to Welsh Government MEGs	1,270,496	1,071,458	1,088,724	1,177,701

Table 5.5 – Allocation of the Welsh Government Financial Transactions Capital DEL Budgets

MAIN EXPENDITURE GROUPS (MEGs)	£000s			
	2017-18	2018-19	2019-20	2020-21
Health, Well-being and Sport	0	0	0	0
Local Government	0	0	0	0
Communities and Children	115,932	98,748	73,067	44,700
Economy and Infrastructure	48,605	17,920	32,700	8,000
Education	0	0	0	0
Environment and Rural Affairs	0	6,180	0	2,000
Central Services and Administration	0	0	0	0
Total Allocation to Welsh Government MEGs	164,537	122,848	105,767	54,700

Annually Managed Expenditure

5.5 Table 5.6 shows forecast levels of the Welsh Government's Annually Managed Expenditure (AME) budgets. AME is defined as expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL. AME typically consists of programmes which are large, volatile and demand-led. For a full definition see Annex H – the Glossary.

Table 5.6 – Welsh Government AME Budget

MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	Revised Baseline	2017-18 Changes	2017-18 Draft Budget
Health, Well-being and Sport	135,400	31,100	166,500
Local Government	977,000	82,000	1,059,000
Communities and Children	32,627	-1,238	31,389
Economy and Infrastructure	39,847	72,218	112,065
Education	342,903	58,914	401,817
Environment and Rural Affairs	2,400	0	2,400
Central Services and Administration	2,652	176	2,828
Total Allocation to Welsh Government MEGs	1,532,829	243,170	1,775,999

Annex A: Reconciliation between the Welsh Block Budget and Resource Allocations in the Budget Proposals

Table 6.1 – Health, Well-being and Sport

	£000s
DEL	2017-18
Resource	7,036,619
Capital	245,393
AME	
Resource	166,500
Capital	0
Total Managed Expenditure	7,448,512
Reconciliation to Resources	
Resource Consumption of WGSBs and NHS bodies	-287,279
National Insurance Fund Receipts (and collection costs)	-1,141,093
Resources requested	6,020,140

Table 6.2 - Local Government

	£000s
DEL	2017-18
Resource	3,262,256
Capital	143,118
AME	
Resource	1,059,000
Capital	0
Total Managed Expenditure	4,464,374
Reconciliation to Resources	
National Non Domestic Rates payable (and collection costs)	-1,064,172
Supported Borrowing	-88,800
Resource Consumption of WGSBs	-400
Resources requested	3,311,002

Table 6.3 - Communities and Children

	£000s
DEL	2017-18
Resource	371,068
Capital	337,705
AME	
Resource	31,389
Capital	0
Total Managed Expenditure	740,162
Reconciliation to Resources	
Resources requested	740,162

Table 6.4 – Economy and Infrastructure

	£000s
DEL	2017-18
Resource	787,967
Capital	512,712
AME	
Resource	112,065
Capital	0
Total Managed Expenditure	1,412,744
Reconciliation to Resources	
Resource Consumption of WGSBs	-5,502
Direct Charges on the Welsh Consolidated Fund	-1,745
PFI	-8,483
Resources requested	1,397,014

Table 6.5 - Education

	£000s
DEL	2017-18
Resource	1,490,899
Capital	100,813
AME	
Resource	-90,054
Capital	491,871
Total Managed Expenditure	1,993,529
Reconciliation to Resources	
Resource Consumption of WGSBs	-6,190
Resources requested	1,987,339

Table 6.6 – Environment and Rural Affairs

	£000s
DEL	2017-18
Resource	284,597
Capital	83,772
AME	
Resource	2,400
Capital	0
Total Managed Expenditure	370,769
Reconciliation to Resources	
Resource Consumption of WGSBs	-12,400
Resources requested	358,369

Table 6.7 - Central Services and Administration

	£000s
DEL	2017-18
Resource	284,526
Capital	11,520
AME	
Resource	2,828
Capital	0
Total Managed Expenditure	298,874
Reconciliation to Resources	
Resources requested	298,874

Annex B: Year on Year Changes

Table 7.1 – Resource DEL

Resource DEL Budget		£000s			
		2016-17	2017-18		
		Supplementary Budget June 2016	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
Health, Well-being and Sport		6,742,971	7,036,619	4.4%	2.5%
Local Government ²	DEL	3,333,635	3,262,256	-2.1%	-3.9%
	NDR	977,000	1,059,000	8.4%	6.5%
	Total	4,310,635	4,321,256	0.25%	-1.5%
Communities and Children		357,631	371,068	3.8%	1.9%
Economy and Infrastructure		712,793	787,967	10.5%	8.6%
Education		1,445,445	1,490,899	3.1%	1.3%
Environment and Rural Affairs		278,600	284,597	2.2%	0.3%
Central Services and Administration		309,537	284,526	-8.1%	-9.7%
Total Welsh Government MEG Allocations [Excluding NDR]		13,180,612	13,517,932		

² For the purposes of showing the total spending envelope available to Local Government, this figure includes the income generated from non-domestic rates, as reflected in Table 5.6.

Table 7.2 – Capital DEL –Year on Year percentage change (£000).

Capital DEL Budget	2016-17	2017-18		2018-19		2019-20		2020-21	
	Supplementary Budget – June 2016	New Plans	% change						
Health, Well-being and Sport	273,376	245,393	-10.2%	250,289	2.00%	265,283	5.99%	265,333	0.02%
Local Government ³	20,281	143,118	605.7%	143,118	0.00%	143,118	0.00%	143,118	0.00%
Communities and Children	376,370	337,705	-10.3%	289,810	14.18%	238,578	17.68%	204,879	14.12%
Economy and Infrastructure	401,269	512,712	27.8%	310,267	39.49%	343,493	10.71%	410,783	19.59%
Education	175,768	100,813	-42.6%	128,061	27.03%	135,745	6.00%	143,890	6.00%
Environment and Rural Affairs	107,300	83,772	-21.9%	61,241	26.90%	56,754	-7.33%	52,878	-6.83%
Central Services and Administration	11,520	11,520	0.0%	11,520	0.00%	11,520	0.00%	11,520	0.00%
Total Welsh Government MEG Allocations	1,365,884	1,435,033		1,194,306		1,194,491		1,232,401	

³ Supplementary Budget 2016-17 included General Capital Funding for local government that for 2017-18 is presented within the Local Government MEG – see table 3.1

Table 7.3 – Capital DEL –Year on Year percentage change – Real terms (£000).

Capital DEL Budget	2016-17	2017-18		2018-19		2019-20		2020-21	
	Supplementary Budget – June 2016	New Plans	% change						
Health, Well-being and Sport	273,376	245,393	-10.2%	250,289	-0.1%	265,283	4.0%	265,333	-1.9%
Local Government ⁴	20,281	143,118	605.7%	143,118	-2.1%	143,118	-1.9%	143,118	-2.0%
Communities and Children	376,370	337,705	-10.3%	289,810	-15.9%	238,578	-19.2%	204,879	-15.8%
Economy and Infrastructure	401,269	512,712	27.8%	310,267	-40.7%	343,493	8.6%	410,783	17.2%
Education	175,768	100,813	-42.6%	128,061	24.4%	135,745	4.0%	143,890	3.9%
Environment and Rural Affairs	107,300	83,772	-21.9%	61,241	-28.4%	56,754	-9.1%	52,878	-8.7%
Central Services and Administration	11,520	11,520	0.0%	11,520	-2.1%	11,520	-1.9%	11,520	-2.0%
Total Welsh Government MEG Allocations	1,365,884	1,435,033		1,194,306		1,194,491		1,232,401	

⁴ Supplementary Budget 2016-17 included General Capital Funding for local government that for 2017-18 is presented within the Local Government MEG – see table 3.1

Table 7.4 – Resource AME

Resource AME Budget	£000s			
	2016-17	2017-18		
	Supplementary Budget June 2016	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
Health, Well-being and Sport	135,400	166,500	23.0%	20.9%
Local Government	977,000	1,059,000	8.4%	6.6%
Communities and Children	32,627	31,389	-3.8%	-5.4%
Economy and Infrastructure	39,847	112,065	181.2%	176.5%
Education	-71,147	-90,054	-26.6%	-24.5%
Environment and Rural Affairs	2,400	2,400	0.0%	-1.7%
Central Services and Administration	2,652	2,828	6.6%	4.9%
Total Welsh Government AME	1,118,779	1,284,128		

Table 7.5 – Capital AME

	£000s			
	2016-17	2017-18		
	Supplementary Budget June 2016	New Plans Draft Budget	Year on Year % Change	Year on Year % Change (Real)
Capital AME Budget				
Health, Well-being and Sport	0	0	0%	0%
Local Government	0	0	0%	0%
Communities and Children	0	0	0%	0%
Economy and Infrastructure	0	0	0%	0%
Education	414,050	491,871	18.8%	16.8%
Environment and Rural Affairs	0	0	0%	0%
Central Services and Administration	0	0	0%	0%
Total Welsh Government AME	414,050	491,871		

Annex C: Reconciliation of Structural Changes to Budgets

8.1 The following tables provide an overview of structural changes within MEGs that have occurred since the publication of the First Supplementary Budget 2016-17.

Table 8.1 - Health, Well-being and Sport MEG

Supplementary Budget June 2016		2017-18 Draft Budget	
SPA	Action	Action	SPA
Public Health and Prevention	Deliver Targeted Health Protection and Immunisation Activity	Public Health Programmes	Public Health and Prevention
	Promote Health Improvement and Healthy Working		
	Tackle Health Inequalities and Develop Partnership Working		
Social Services	Children's Social Services	Sustainable Social Services	Social Services
	Adult and Older People		
	Children's Social Services	Social Care and Support	
	Adult and Older People		
Social Services Strategy	Partnership and Integration		
Delivery of effective sports and physical activity programmes	Delivery of effective sports and physical activity programmes	Sports and Physical Activity	Sports and Physical Activity

Table 8.2 - Communities and Children MEG

Supplementary Budget June 2016		2017-18 Draft Budget	
SPA	Action	Action	SPA
CAFCASS Cymru	CAFCASS Cymru Programmes	Supporting Children	Enabling Children and Communities
	Children, Young People and Families		
Supporting Communities and People	Children, Young People and Families	Prevention and Early Intervention	
	Tackling Poverty	Financial Inclusion and Third Sector	
	Tackling Poverty Third Sector		

Table 8.3 - Economy and Infrastructure MEG

Supplementary Budget June 2016		2017-18 Draft Budget	
SPA	Action	Action	SPA
Sectors and Business	Legacy SIF	Sectors	Sectors and Business
Strategy and Corporate Programmes	Strategy Programmes	Corporate Programmes	Strategy and Corporate Programmes

Table 8.4- Education MEG

Supplementary Budget June 2016		2017-18 Draft Budget	
SPA	Action	Action	SPA
Skilled Workforce	Educational and Careers Choice - DEL	Educational and Careers Choice - DEL	Education and Training Standards
	Educational and Careers Choice - AME	Educational and Careers Choice - AME	
	Youth Engagement and Employment	Youth Engagement and Employment	Improving Well- being, Reducing Inequality and Increasing Participation

Annex D: Reconciliation between First Supplementary Budget 2016-17 Allocations and 2017-18 Baselines

Table 9.1 – Health, Well-being and Sport

Health, Well-being and Sport	£000s
	2017-18
	Fiscal Resource
Baseline as per 2016-17 First Supplementary Budget	6,572,192
Baseline adjustments	
Invest to Save movement	14,619
Transfer of the budget for Elite Sports to the Economy and Infrastructure MEG to finalise portfolio changes made in May 2016	-261
Transfer of remaining budget for Advocacy to the Communities & Children MEG to finalise portfolio changes made in May 2016	-922
Transfer back of part of the budget relating to Advocacy from Communities and Children MEG to finalise portfolio changes made in May 2016	190
Transfer to the Local Government MEG for the movement of funding for Deprivation of Liberty Safeguards into the Revenue Support Grant (RSG)	-184
Transfer to Local Government MEG for the movement of funding for War Pensions into the Revenue Support Grant (RSG)	-300
Transfer to Local Government MEG for the movement of funding for the Food Standard Agency Hygiene Rating scheme into the Revenue Support Grant (RSG)	-57
Transfer to Local Government MEG for the movement of the Social Services and Well-being (Wales) Act 2014 Delivering Transformation Grant into the Revenue Support Grant (RSG)	-2,850
Revised Baseline	6,582,427
Net movement between 2016-17 First Supplementary Budget and Revised Baseline	10,235

Table 9.2 – Local Government

Local Government	£000s
	2017-18
	Fiscal Resource
Baseline as per 2016-17 First Supplementary Budget	3,333,235
Baseline adjustments	
Adjustment of the time limited allocation awarded in the 2016-17 First Supplementary Budget for the capping of the LA revenue settlement	-2,499
Transfer from the Health Well-being and Sport MEG for the movement of the Food Standard Agency Hygiene Rating scheme into the Revenue Support Grant (RSG)	57
Transfer from the Health Well-being and Sport MEG for the movement of Deprivation of Liberty Safeguards funding into the Revenue Support Grant (RSG).	184
Transfer from the Health, Well-being and Sport MEG for the movement of funding for the Social Services and Well-being (Wales) Act 2014 Delivering Transformation Grant into the Revenue Support Grant (RSG)	2,850
Transfer from the Economy and Infrastructure MEG the for the movement of funding for the Blue Badge Scheme into the Revenue Support Grant (RSG)	21
Recurrent transfer to the Education MEG to enable the sharing of the teachers' subsidy towards the Education Workforce Council registration fee across all practitioners	-1,000
Transfer from the Health Well-being and Sport MEG for the movement of funding for War Pensions into the Revenue Support Grant (RSG)	300
Revised Baseline	3,333,148
Net movement between 2016-17 First Supplementary Budget and Revised Baseline	-87

Table 9.3 – Communities and Children

Communities and Children	£000s
	2017-18
	Fiscal Resource
Baseline as per 2016-17 First Supplementary Budget	357,631
Baseline adjustments	
Invest to Save movement	105
Transfer of remaining budget for Advocacy from the Health, Well-being and Sport MEG to finalise portfolio changes made in May 2016	922
Transfer back of part of the budget relating to Advocacy to the Health, Well-being and Sport MEG to finalise portfolio changes made in May 2016	-190
Revised Baseline	358,468
Net movement between 2016-17 First Supplementary Budget and Revised Baseline	837

Table 9.4 – Economy and Infrastructure

Economy and Infrastructure	£000s
	2017-18
	Fiscal Resource
Baseline as per 2016-17 First Supplementary Budget	596,895
Baseline adjustments	
Adjustment of the time limited allocation awarded in the 2016-17 First Supplementary Budget for Business Rate Relief	-1,500
Invest to Save movement	846
Transfer of the budget for Elite Sports from the Health, Well-being and Sport MEG to finalise portfolio changes made in May 2016	261
Transfer of the budget for Offender Learning to the Education MEG to finalise portfolio changes made in May 2016	-3,328
Transfer to Environment and Rural Affairs MEG following the transfer of responsibility for Energy Policy	-294
Transfer to the Local Government MEG the for the movement of funding for the Blue Badge Scheme into the Revenue Support Grant (RSG)	-21
Transfer to the Education MEG for the Erasmus Project	-162
Adjustment of the time limited allocation awarded in the 2016-17 First Supplementary Budget for Youth Concessionary Fares pilots	-9,750
Revised Baseline	582,947
Net movement between 2016-17 First Supplementary Budget and Revised Baseline	-13,948

Table 9.5 – Education

Education	£000s
	2017-18
	Fiscal Resource
Baseline as per 2016-17 First Supplementary Budget	1,338,514
Baseline adjustments	
Adjustment of the time limited allocation awarded in the 2016-17 First Supplementary Budget for the HEFCW	-10,000
Invest to Save movement	94
Transfer of the budget for Offender Learning from the Economy and Infrastructure MEG to finalise portfolio changes made in May 2016	3,328
Recurrent transfer from Local Government MEG to enable the sharing of the teachers' subsidy towards the Education Workforce Council registration fee across all practitioners	1,000
Transfer from the Economy and Infrastructure MEG for the Erasmus Project	162
Revised Baseline	1,333,098
Net movement between 2016-17 First Supplementary Budget and Revised Baseline	-5,416

Table 9.6 – Environment and Rural Affairs

Environment and Rural Affairs	£000s
	2017-18
	Fiscal Resource
Baseline as per 2016-17 First Supplementary Budget	275,260
Baseline adjustments	
Adjustment of the time limited allocation awarded in the 2016-17 First Supplementary Budget in respect of flood consequentialia	-2,300
Invest to Save movement	1,783
Transfer to from Economy and Infrastructure MEG following the transfer of responsibility for Energy Policy	294
Revised Baseline	275,037
Net movement between 2016-17 First Supplementary Budget and Revised Baseline	-223

Table 9.7 – Central Services and Administration

Central Services and Administration	£000s
	2017-18
	Fiscal Resource
Baseline as per 2016-17 First Supplementary Budget	293,537
Baseline adjustments	
Adjustment of the time limited allocation awarded in the 2016-17 First Supplementary Budget for election costs	-7,700
Invest to Save movement	-17,447
Revised Baseline	268,390
Net movement between 2016-17 First Supplementary Budget and Revised Baseline	-25,147

Table 9.8 – Total

	£000s		
	2017-18		
MEG	Baseline as per 2016-17 First Supplementary Budget	Baseline adjustments	Revised Baseline
Health, Well-being and Sport	6,572,192	10,235	6,582,427
Local Government	3,333,235	-87	3,333,148
Communities and Children	357,631	837	358,468
Economy and Infrastructure	596,865	-13,948	582,917
Education	1,338,514	-5,416	1,333,098
Environment and Rural Affairs	275,260	-223	275,037
Central Services and Administration	293,537	-25,147	268,390
Total	12,767,234	-33,749	12,733,515

Table 9.9 –Summary of Invest-to-Save movements

MAIN EXPENDITURE GROUPS (MEGs)	£000s
	Invest to Save adjustment
Health, Well-being and Sport	14,619
Local Government	--
Communities and Children	105
Economy and Infrastructure	846
Education	94
Environment and Rural Affairs	1783
Central Services and Administration	-17,447
Net Impact	0

Annex E: Acts and Bills introduced into the Assembly with costs in 2017-18

Acts, and Bills where RIA published	Budget Action Title	RIA estimate for costs in 2017-18	Costs in 2017-18 if different to RIA estimate
Health, Well-being and Sport		£	£
Human Transplantation (Wales) Act 2013	Delivery of Targeted NHS Services	220,000	
	Delivery of Core NHS Services	217,000	237,000
Social Services and Well-being (Wales) Act 2014	Local Government Funding (via Revenue Support Grant)	3,000,000	2,850,000
	Social Services Strategy		150,000
Regulation and Inspection of Social Care (Wales) Act 2016	Sustainable Social Services	1,765,868	
Local Government			
Local Government (Wales) Act 2015	Building Local Democracy	366,000	5,000
<u>Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015</u>	Domestic Abuse	331,500	
Finance			
Tax Collection and Management (Wales) Act 2016	Welsh Revenue Authority	----- ⁵	2,000,000
	Business Improvement		500,000
Communities and Children			
<u>Housing (Wales) Act 2014</u>	Homelessness	1,900,000	
	Communities and Tackling Poverty	5,000,000	3,300,000

⁵ RIA included early estimates of costs, including staff costs, over a three year period.

Acts, and Bills where RIA published	Budget Action Title		RIA estimate for costs in 2017-18	Costs in 2017-18 if different to RIA estimate
Economy and Infrastructure				
Active Travel (Wales) Act 2013	Sustainable Travel		220,000	
<u>Historic Environment (Wales) Act 2016</u>	Conserve, protect and promote access to the historic and natural environment		220,000	
Education				
<u>Qualifications (Wales) Act 2015</u>	Qualifications		8,124,000	8,042,000
Environment and Rural Affairs				
<u>Control of Horses (Wales) Act 2014</u>	Develop and deliver overarching policy and programmes on Agriculture, Food and Marine		10,000	
<u>Agricultural Sector (Wales) Act 2014</u>	Develop and deliver overarching policy and programmes on Agriculture, Food and Marine		163,000	
<u>Planning (Wales) Act 2015</u>	Planning and Regulation		220,000	
<u>Environment (Wales) Act 2016</u>	Develop and implement climate change policy, energy efficiency, green growth and environmental protection	Part 1 - National Natural Resource Policy	115,400	
		Part 2 -Climate Change	123,500	
	Place a duty on sellers of carrier bags to apply proceeds to good causes	Part 3 – Charges for Carrier Bags	40,000	

Acts, and Bills where RIA published	Budget Action Title		RIA estimate for costs in 2017-18	Costs in 2017-18 if different to RIA estimate
	Manage and implement the waste strategy and waste procurement	Part 4 – Waste	19,000	

Annex F: Strategic Integrated Impact Assessment

Introduction

1. We have taken an integrated approach to our impact assessment, focusing on making informed strategic budget decisions based on analysis of supporting evidence about protected groups. This has enabled us to consider the impacts of our decisions on socio-economic disadvantage, children's rights, Welsh language and sustainable development, equality and tackling poverty.
2. This Welsh Government has published its Programme for Government for the next five years, *Taking Wales Forward 2016-21*. *Taking Wales Forward* sets out how we will deliver more and higher quality jobs through a stronger, fairer economy, improve and reform our public services, and build a united, connected and sustainable Wales. It sets out the four areas where we can have the greatest impact: prosperous and secure, healthy and active, ambitious and learning, united and connected.

Strategic approach

3. With demand for services continuing to rise, we must overcome the significant delivery challenges posed by the UK Government's continuing austerity agenda and any negative impacts resulting from the UK's decision to leave the EU. As a result, we have directed our resources to support our priorities, taking account of the impact of our decisions, including on protected groups, mitigating any potential negative impacts wherever possible.
4. The Welsh Government's draft Budget is a balanced and realistic response to these uncertain times. We have used the five ways of working to help us achieve this and inform plans which support *Taking Wales Forward*.
5. We need to support people when they need it most, and equip services to respond to challenges, such as an ageing population, a changing climate, new technologies and globalisation.

Population Projections

6. The UK population is on a growing trend, in contrast to many European countries. The predicted change to Wales' population is a rise from 3.1m to 3.3m by around 2039, mainly through in-migration from England and to a lesser extent from outside the UK.
7. Within this overall rise the proportion of over 65s is projected to increase from 20% of the population to over a quarter. The number of young people aged 15 and under is projected to increase up to 2023

and then fall slightly, although continuing to account for between 17-18% of the population.

8. Based on previous analysis, the young and old remain the population groups with the highest proportions of expenditure relative to their population share, suggesting that growth in these population groups could place increased pressures on finances. The service areas most sensitive to population changes are health, social services and education and to a lesser extent housing.
9. Whilst most areas in Wales are expected to experience continued population growth, the scale of this growth (and therefore the impact on services), could be significantly higher in some areas than others.
10. Based on these projections, we have identified that schools, health and social services continue to bear the greatest degree of increased future demand and are of particular importance to people with protected characteristics.

Five Ways of Working

11. We are committed to using the Well-being of Future Generations (Wales) Act to improve how we make decisions about the social, economic, environmental and cultural wellbeing of Wales. We will use the Act to build on our sustainable development legacy. Our spending plans strike a balance between the short and long-term.
 - We continue to prioritise budgets which support prevention and early intervention. For example, evidence suggests cognitive development in the early years will impact on later academic attainment, occupational outcomes and adult health and wellbeing. We are continuing to protect our Flying Start programme.
 - We are committed to involving people in the decisions that affect them through working differently and engaging with others to develop innovative solutions to the challenges that we face and help us to maximise our impact. For example, we have committed to involving parents in developing our childcare offer in order that we find the most effective model for the delivery of quality childcare.

Priority Areas

PROSPEROUS AND SECURE

Apprenticeship

12. Apprenticeship places are key drivers to the tackling poverty agenda, and we are committed to creating a minimum of 100,000 high-quality, all-age apprenticeships over this Assembly term. Providing people with the skills they need to secure and remain in employment is key to reducing poverty levels, especially among those who are not in employment, education or training (NEETS).
13. There is evidence to suggest this policy may have a positive impact on some black and minority ethnic (BME) and disadvantaged people as some of these groups are more likely to be in poverty if they are not in employment or training.

Childcare

14. Employment, particularly full-time, continues to offer a high level of protection against poverty, particularly deep and persistent poverty. Our commitment to provide 30 hours of free childcare to working parents of three and four-year-olds is aimed at removing barriers to secure employment and help those who want to work but are currently constrained by childcare pressures.

Housing

15. Housing makes a significant contribution to the quality of life and economic wellbeing of families, contributing to tackling poverty. A safe, affordable and secure home is an important determinant of health, while poor or insecure housing can cause physical illness, for example as a result of damp or exposure to cold, and be a source of stress and anxiety.
16. Investment in housing provides support to the Welsh economy in terms of maintaining and supporting jobs in the construction industry and also the supply chain. This contributes to the tackling poverty agenda in terms of providing employment and training opportunities. Community benefits and the procurement of contracts enable the benefits of our investment to remain in Wales and be maximised in local communities.
17. Housing costs constitute the most important and most direct impact of housing on poverty and material deprivation – approximately 72% of social housing is let to those on benefits. As part of the landlord services they provide, housing associations help and support to their tenants through benefit advice and by supporting community initiatives.

Existing and new homes are also well insulated which helps reduce energy bills, helping to tackle fuel poverty.

18. Data gathered by Chartered Institute of Housing shows that every £1.00 spent on energy efficiency saves around 0.42p in health costs, so £1 million invested saves around £400,000 over 10 years. The data also indicates every £1.00 spent improving homes where residents are likely to require treatment due to excess cold saves the NHS £34.19 over 10 years. In other words, £1 million saves £34 million over 10 years.
19. Occupants of social housing are the most likely in society to be in poverty and socially disadvantaged.
20. Evidence indicates that 58% of people from a non-white background live in owner-occupied homes compared with 75% of people from a white ethnic background. 33% of people from a non-white ethnic group live in privately rented accommodation compared with 10% of people from a white ethnic group. Changing our investment in affordable housing could impact more on ethnic groups in Wales.
21. Data from the 2001 Census suggests females are more likely to be renting social housing than males and would be disproportionately affected by any changes in funding. There is also evidence to suggest that 25% of children in bad housing gain no GCSEs compared with around 10% not living in bad housing.
22. We are investing to deliver an extra 20,000 affordable homes over the term, including supporting construction of more than 6,000 homes through the Help to Buy scheme.

Environment

23. The main focus on the environment is around the theme of green growth, combining reductions in carbon emissions and increased ecological and physical resilience. We are committed to managing, using and enhancing our natural resources to deliver lasting, sustainable economic, social and environmental benefits for current and future generations.

Business Support

24. Employment offers a high level of protection against poverty, and we will continue to develop economic capacity. Business development, entrepreneurship, science and innovation activity supports future employment opportunities for everyone. Investment in strategic sites, good communications, tourism and major events make Wales an attractive destination for business and leisure in the long term.

25. A recent independent review of the evidence on business advice by the What Works Centre for Local Economic Growth found business advice can help improve business performance, particularly productivity and output. Research has shown that area based initiatives, such as enterprise zones, can have positive impacts on employment and regional GDP.
26. To demonstrate our commitment to supporting business in Wales and their impacts through supporting the Welsh economy and providing vital employment we will deliver a business rate cut, meaning smaller bills for 70,000 businesses and reducing bills to zero for half of all eligible firms. We will provide a new £10m transitional relief scheme to help small businesses, which will come into effect in April 2017.
27. We will also establish a Development Bank for Wales to support Welsh businesses, especially SMEs which are the lifeblood of the Welsh economy.

Rural

28. The draft Budget will support the development and growth of food production while also protecting the food and drink industries in Wales. We will work with partners in the public, private and voluntary sectors and throughout the food chain to build on the strengths of the industry and add value to Welsh food at every point in the supply chain. This sector is especially significant to the rural economy and sustainability.

City Deal

29. Prosperity brings security to individuals, families and communities. We will continue to support the Cardiff Capital Region City Deal; support the development of a similar deal for Swansea and a growth deal for North Wales. All of these are key elements in our focus to improve Wales' economic outlook.

HEALTHY AND ACTIVE

Health and Social Care

30. Our aim is to help people take care of their own health and wellbeing through the co-production approach – people making informed and shared decisions about their health with their healthcare professionals. We are transforming the NHS so more care is provided in local communities, closer to people's homes rather than in hospital. This requires a sustained shift, through collaboration in financial and workforce resources, to deliver more healthcare in communities. We are continuing to improve access to GP surgeries and investing in the primary care workforce. We will also work with schools to promote physical activity and awareness of healthy lifestyle choices.

31. We must meet the health needs of our ageing population, while also responding to the growing demand for healthcare and the persistent gap between the health of the richest and poorest communities in Wales. Analysis by the Nuffield Trust in 2014, and more recently by the Health Foundation in their report, “The path to sustainability: Funding projections for the NHS in Wales” published on 13 October described the challenges and opportunities facing the Welsh NHS over the medium and longer term.
32. Like most other health systems, the Welsh NHS is having to respond to the demands associated with an increasingly elderly population. Our decision to provide an additional £240m for the NHS is a response to the pressures and demands identified by the analysis in the Health Foundation Report.
33. The level of additional funding provided recognises the disproportionately positive impacts on protected groups that spending on health services has. Per head, the NHS spends more on older people and on young children – households containing both these individuals are concentrated in below-average income groups. In agreement with Plaid Cymru, we are also providing additional funding towards end-of-life care.
34. The new Treatment Fund will give people in Wales faster access to new and innovative treatments for all health conditions. It will not prioritise one particular patient group or disease over another.
35. We continue to recognise the important role of mental health services in improving patient outcomes. We are therefore maintaining core funding for mental health services within the £240m allocation to the NHS.
36. In order to support our commitments, and our shared ambition with Plaid Cymru, to increase the number of GPs and nurses – fulfilling the requirements of the new nurse staffing law – and the ongoing development of the NHS workforce, we are providing an additional £7m for healthcare professional education, including medical schools.
37. The NHS must reflect the needs of our society – there must be closer links between health and social services and we must work harder to provide more care in local communities supported by integrated and sustainable health and care services, which are capable of meeting current demand and future need. As part of our shared priority with Plaid Cymru, we are providing £1m towards eating disorder and gender identity provision in Wales, which will positively impact protected groups including supporting gender reassignment.
38. We recognise the important contribution that social care can make in providing more care out of hospitals and in the community. We are maintaining our Intermediate Care Fund which is enabling health

boards and local authorities to develop services to help older people and those with chronic conditions maintain their independence in the community and support early discharges from hospital. We will work with communities to support our ageing population to stay well.

39. We believe people who have worked hard all their lives should be able to pass on their savings to their families and their loved ones. We will therefore more than double the capital people can keep when entering residential care from the current limit of £24,000 to £50,000 by the end of this term.

Sport

40. Sport and active recreation contributes to overall levels of physical activity and to the preventative health agenda. Providing support to encourage uptake of active recreation is an important part of our continuing effort to make Wales healthier and we will review options to ensure current expenditure targets hard-to-reach groups and people who do not currently do any exercise.

AMBITIOUS AND LEARNING

Schools

41. Education is one of the most important investments we can make to improve the life chances of children, particularly those from deprived communities and those with protected characteristics.
42. Raising educational attainment and skills at all levels is fundamental to future Welsh economic performance as well as contributing to breaking the cycle of disadvantage and inequality. We are therefore investing £100m over this Assembly term to raise standards in schools, together with £2bn in new and refurbished schools, community schools and college buildings by 2024. In this Budget, we are also doubling the Early Years Pupil Deprivation Grant to support eligible learners in the Foundation Phase.
43. Funding on education will, by its nature, have a positive impact on young people overall and is important under Article 28 of the United Nations Convention on the Rights of the Child – children have a right to an education. It will also have a positive impact on tackling poverty and socio-economic disadvantage by benefiting protected groups and have significant positive impacts on the Welsh language.

Post-16 Education

44. We are supporting the programmes which help to deliver a skilled workforce with high-quality opportunities for all learners, which in turn contribute to the creation of growth and jobs. Post-16 education makes

a significant contribution to tackling poverty by increasing the skill levels of the Welsh workforce.

45. It is important we strike a balance between provision of post-16 education and the opportunity to access higher education. Some young people, including those from deprived communities and BME groups, are more likely to experience poverty if they are not in employment, education or training (NEET). Post-16 education and training, including apprenticeships are important in meeting the challenge of reducing the number of young people not in employment, education or training is central to our Tackling Poverty Action Plan. We are maintaining the post-16 education budget to ensure further education opportunities and the ability to access skills training is available for all. A further £5m will be allocated to further education as part of the Budget agreement with Plaid Cymru.

Higher Education

46. We are committed to our key goal of fairness for all, ensuring an individual's financial situation is not a factor in deciding whether to pursue a university education. We consider student support is an investment in the young person and that the choice of institution and course should be driven by individual circumstances not by the cost of fees. We will continue to provide our tuition fee grants while considering the recommendations of Professor Ian Diamond's review of higher education and student finance arrangements. This will impact positively on people, whatever their background, helping to providing a route out of poverty.
47. In Wales, higher education makes a significant contribution to our economy and wider society. Universities have a positive impact on local economies and communities – with some playing a major role. As an employer, higher education institutions create large numbers of jobs at all skills levels, which benefit the people they employ.

UNITED AND CONNECTED

Infrastructure and Transport

48. Our capital and infrastructure programmes are a key lever to build resilience in our built and natural environments to meet current and future needs. We have provided a four-year capital Budget to provide clarity for longer-term plans. We recognise that future transport planning and investment cannot exist in isolation from wider changes, such as the associated health and poverty implications linked to different modes of transport in meeting future needs.
49. We are investing in our roads' networks which enables us to maximise opportunities for local businesses. An efficient, effective rail network

also has an important role to play in enabling people to access jobs, services, recreation and link communities across Wales.

50. The nature of the rail network in Wales is such that it provides critical connectivity for many communities, including in rural areas and deprived communities. In particular, public transport schemes benefit those on lower incomes with no access to cars. An Equality Impact Assessment was developed for the National Transport Finance Plan which included engagement with equality groups.
51. The assessment concluded that some groups of people with protected characteristics rely on public transport and active travel to access jobs and services because of poverty, age, health or disability. A Children's Rights Impact Assessment was undertaken for the National Transport Finance Plan and identified that the schemes proposed in the plan will have a positive impact on children's rights as they seek to improve access to services and facilities across Wales and to promote safer journeys. A Welsh Language Impact Assessment was also undertaken and concluded that there are indirect positive effects. It also identified future opportunities on the specification for the next rail franchise to enhance Welsh Language provision.
52. To provide the infrastructure which meets current and future needs for all, as part of the Budget agreement with Plaid Cymru, we are also making £2m available to encourage investment in ports infrastructure, as well as providing £0.5m to conduct feasibility studies into reopening Carmarthen to Aberystwyth railway line and establishing a national cycleway. We will also be providing £1m of additional funding to support school transport and safer routes to schools, and £3m for a pilot to end town centre car parking charges.

Culture

53. Our local museums, archives and libraries, the National Library, the national museums and Cadw sites provide a wealth of opportunities for children and young people to learn about and be inspired by our rich heritage and culture.
54. We provide young people the opportunity to participate in arts activities through our five-year arts in education programme *Creative Learning through the Arts*, which makes a significant contribution to educational attainment and learning.
55. The Welsh Government has taken the lead in articulating the powerful role arts and culture can play in tackling poverty. It also contributes to tackling inequality, supporting tourism and improving our international reputation. We continue to work collaboratively with our partners to maximise these benefits. It is for these reasons, through our agreement with Plaid Cymru, that we are investing an additional £3m for the Arts, including the Arts Council of Wales, the National Museum and National

Library, and the Welsh Books Council. We are also providing funding to support feasibility studies into a national art gallery, and a football museum in North Wales.

56. The number of adults participating in the arts is increasing, continuing to reverse the decline experienced since 2009. However children's participation has remained broadly unchanged, albeit with some recent increases. The longer term trend for attendance at arts events by under-represented groups remains positive. An initial evaluation of the Fusion programme which brings together cultural providers with social services providers through the 'Pioneer Areas' has demonstrated good progress in developing new ways of working and in the potential for culture as a way back into skills and employment.
57. Tourism is not only about Wales as an attractive destination for business and leisure but it also is an important employer for communities in Wales, with a higher rate of employment for both BME and young people than the average employment rate in Wales for these groups. In agreement with Plaid Cymru we are investing an additional £5m in Visit Wales to continue to promote Wales as a first-class place to visit, study and live.

Local Services

58. In our draft Budget 2017-18, we have once again protected local government from the worst of the impact of austerity. This has been supported by £25m of additional funding for local authorities in 2017-18 provided as part of the Budget agreement with Plaid Cymru. We have also identified an additional £25m within the local government settlement specifically for the provision of social services.

Welsh Language

59. As the ambition of this Government is one million Welsh speakers by 2050, it is appropriate to set out a new strategy that looks to the future. We are currently consulting on this draft Welsh language strategy which identifies the importance of normalising the language and increasing people's use of Welsh. In line with our shared ambition with Plaid Cymru we are providing an additional £5m to see the Welsh language used more extensively and to encourage more people to speak Welsh.

Annex G: Evidence on Protected Groups Used to Inform the Development of the Draft Budget

1. In making Budget decisions, the impacts on protected areas are central in shaping decision making. The following analysis of protected characteristics was provided to help inform Budget considerations. However when making decisions a range of evidence has been considered to inform our spending plans and decisions taken about allocating resources. We have integrated information about future trends and impacts in order to help inform our choices about best value decisions.

Age

2. The Equality and Human Rights Commission's *Is Wales Fairer* report (2015) stated that young people were significantly worse off in many ways including income, employment, poverty, housing and access to mental health services than five years previously.
3. As people live longer there are increases in the prevalence of specific conditions, which are more common in the elderly. For example, the number of people with dementia in the UK is estimated to increase significantly up to 2051.

Disability

4. For disabled people, less than half (42%) were in employment during 2015 compared with more than three-quarters (77%) of non-disabled people. Also persons with a disability were more likely to hold no qualifications than non-disabled persons.
5. Disabled people make up 28% of people in poverty, and a further 20% of people in poverty live in a household with a disabled person.
6. The gap in educational achievement between children with special educational needs (SEN) and other children is already evident in foundation phase, and continues through to Key Stage 4. In the 2014-15 academic year pupils with SEN scored lower than the average at all key stages.

Gender Reassignment

7. Recent research has indicated an increased prevalence of mental health issues for transgender people. A 2012 study based on a UK non-random sample identified high rates of diagnosed depression and anxiety among participants, and reported that 35% of participants overall had attempted suicide at least once. (McNeil et al (2012) Trans Mental Health Study.)

Marriage and Civil Partnership

8. There has been a reduction of 6% of married households between 2001 and 2011 while single households have increased by 5% in the same period.
9. The average household size in Wales is falling and this is projected to continue, due to increasing numbers of single person households. Despite this, across the UK house building has continued to be geared around bigger houses with a mortgage market premised around dual income households. For example over the last five years (to 2015) around 19% of new social housing had one bedroom compared with just 8% of private sector housing. With around 42% single person households in the social sector there may not be enough one-bedroom homes available.

Pregnancy and Maternity

10. Total number of conceptions in Wales in 2014 was 41,348, equating to 7% of the total female residents aged 15 to 44 or around 1% of the total population.
11. In Britain in 2015, around one in nine pregnant women or new mothers (11%) were dismissed, made compulsorily redundant or treated so poorly they felt they had to leave their job.
12. The rate of teenage pregnancies in Wales has reduced by more than 40% in the period 2006 to 2014, being 3.9% of total pregnancies, but is still higher than the European Union average and higher in more deprived areas.

Race

13. In the year ending March 2016 unemployment rates remain higher for non-white groups than white, although since the same period in 2012 unemployment has decreased at a faster rate for non-whites. A gap still remains in employment rates between non-white ethnic minority and white groups – 60% compared with 72%.
14. Chinese or Chinese British ethnic background have a higher percentage of pupils than any other ethnic group achieving level two at foundation phase and each key stage. Black or Black British pupils continue to be the lowest achieving from the main ethnic groups at Key Stage 2 and Key Stage 4, while other ethnic groups are lowest at foundation phase and Key Stage 3.

Religion and Belief

15. Between the 2001 and 2011 census the percentage of people living in Wales giving their religion as Christianity fell from 72% to 58%. The percentage saying that they had no religion increased from 18% to 32% while Muslim, Hindu and Buddhist populations have approximately doubled although this only represents 2% of the population. While these may be small in relative terms, these groups do account for significant numbers of people in some areas.

Sex

16. Women provided a higher proportion of unpaid care than men in the 2011 Census; the percentage difference was 3.2%. However, for the 65 and above age group, the disparity reversed, with the percentage of men providing unpaid care exceeding the percentage of women.
17. Based on the Pupil Level Annual School Census 2015 data girls are continuing to outperform boys in Wales at education key stage 2, 3 and 4, although the gap has narrowed over recent years.

Sexual Orientation

18. From the 2014 Integrated Household Survey only 2% of over-16s identified themselves as lesbian, gay and bisexual although the data relies on small sample sizes. It should be noted that 4% did not identify a specific orientation.

Annex H: Glossary

Action	Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions. Tables showing budgets at Action level are available at: www.wales.gov.uk/budget
Ambits	Descriptions of the specific purposes for which Welsh Ministers are authorised by the National Assembly for Wales to spend resources. Ambit descriptions and resource limits are contained within the annual Budget motion. Ambits correspond to MEGs.
Annually Managed Expenditure (AME)	Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and pre-Budget report processes. AME typically consists of programmes which are large, volatile or demand-led; for example the issue of student loans.
Budget Exchange System	The system under which the Welsh Government is able to carry forward underspends, up to an agreed cap. The agreed cap is 0.6% of our resource DEL budget and 1.5% of our capital DEL budget.
Budget Motion	The means by which the National Assembly for Wales authorises Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.
Capital	Expenditure that in the main results in a physical asset, for example a new building. The Welsh Government DEL and AME budgets have separate capital and resource limits.
Departmental Expenditure Limit (DEL)	The multi-year budget limit for the Welsh Government set by the HM Treasury. DEL is planned and controlled on a multi-year basis in Spending Reviews.
Depreciation	The drop in value of an asset due to wear and tear, age and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a non-fiscal resource DEL item.

Direct Charges on the Welsh Consolidated Fund	Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct charges include the remuneration of the Presiding Officer and Auditor General.
Financial Transactions Capital	Financial transactions are part of the capital DEL settlement that can only be used for loans and equity investments to third parties. A proportion of the funding must to repaid to the Exchequer.
Fiscal Resource DEL (previously known as near-cash)	Accruals measures of transactions that normally turn into cash flows soon, for example, pay, current procurement, resource grants and subsidies.
Main Expenditure Group (MEG)	The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently seven MEGs: Health, Well-being and Sport; Local Government; Communities and Children; Economy and Infrastructure; Education; Environmental and Rural Affairs; and Central Services and Administration.
Non-Fiscal Resource DEL (previously known as non-cash)	Accruals measures included in budgets to ensure they reflect the full economic cost of activities even though there is not a direct link to cash flows in the relevant period - for example, depreciation and provisions. Non-fiscal resource DEL cannot be used to fund fiscal resource DEL spending.
Receipts	Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the budget as negative figures.
Resource budgeting	The Welsh Government's budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budgeting includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.
Resource (previously known as revenue)	Current expenditure, for example funding for the pay of public sector workers and to purchase consumable goods and services.

Spending Programme Area (SPA)	Within each MEG, budgets are allocated to SPA according to the kind of services they will deliver.
Spending Review	Every two or three years HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming three years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula, which is the mechanism used by HM Treasury to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.
Total Managed Expenditure (TME)	The total Departmental Expenditure Limit plus Annually Managed Expenditure.
Welsh Consolidated Fund	The account into which the money voted by the UK Parliament for use by the Welsh Government, the Assembly Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.
WGSB	Welsh Government Sponsored Body.