



Llywodraeth Cymru  
Welsh Government

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# Welsh Government Draft Budget 2016–2017

Fairer, Better Wales –  
Investing for the Future



December 2015

## Ministerial Foreword

### Fairer, Better Wales - Investing for the Future

On the 25 November, the Chancellor of the Exchequer announced a further round of real terms cuts to the Welsh Budget. Despite a slight lessening of the pace of cuts, the cumulative impact on us is pronounced. By 2019-20 our Budget will be 11 per cent lower in real terms than in 2010-11. Today I am publishing the Government's spending plans, which set out how the Welsh Government will respond to this latest round of real terms cuts.

Despite a falling budget in recent years, we have sought to manage the reductions without jeopardising the services that matter most to the people of Wales, reflecting a strategy that is sustainable in the longer term in the context of the fiscal outlook and the future needs of Wales. We are spending more per head on health than in England and our spending per head on health and social services combined, and on education, is greater than in England. This is a testament to the value we place on our key public services in Wales.

We have faced difficult choices and decisions along the way but these decisions have been guided by our principles and values of fairness, equality and social justice and investing in the economy and communities for the long term.

We have looked to the Well-being of Future Generations Act to help us respond to this challenge. In advance of full implementation of the Act we have reflected the sustainable development principle in preparing for a further round of difficult budget decisions, seeking the views of those providing vital services and those who use our public services. Having undertaken a Budget Tour, speaking to people who work in public services at the front line, as well as people who use our services – carers, apprentices, volunteers – I am clear about their priorities, what is working well and where there is scope to drive further integration of services and greater collaboration to achieve our collective ambitions for Wales. The Draft Budget we are publishing today reflects those considerations.

At the centre of our Budget is an additional £293.5m for the NHS in Wales. This funding builds on the extra £1.1bn in capital and revenue we have invested in the NHS over the last two years. This investment, together with the measures we are taking to place prudent healthcare at the heart of the NHS in Wales, will help to ensure the continuing affordability of the NHS in Wales, investing in the long-term benefits for the people of Wales.

Throughout this Assembly, we have based our allocations on an understanding that there is more to achieving a healthy Wales than funding the NHS. We have taken steps over the last five years to protect local authority social service provision from the worst of the cuts. We are protecting funding for Social Services delivered through the local government settlement and going further by allocating an additional £21m next year. We

are also allocating £30m of the additional funding for the NHS next year to the Intermediate Care Fund, further strengthening the integration of health and social care. Taken together, these measures complement the safeguarding of the health budget and also reflect the way in which social services care for the most vulnerable.

With a focus on prevention and early intervention, we are also protecting funding for Flying Start, Supporting People, and Communities First from cash reductions in 2016-17.

Protecting and increasing resources for frontline schools delivery has been the cornerstone of our approach for major improvements in the education system over the last five years. We are continuing to deliver on our commitment to protect schools funding by 1 per cent above changes to our settlement overall, with the extra funding being delivered mostly through the local government settlement thereby supporting the direct delivery of core schools provision. This approach together with the protection for social services provides an important boost to local government in these challenging financial times.

Central to our vision for education and skills is helping to support as many learners as possible stay in education and get the skills they need for the workplace. In line with this we are protecting the further education budgets cash flat and providing additional funding for apprenticeships. We are also maintaining our commitment that no full-time higher education student should pay more for their degree in real terms than if they had been students in 2010-11.

Investing in vital infrastructure has been key to our 'economic stimulus' approach to fighting austerity by boosting growth and jobs, and we have continued this despite a capital budget that has fallen in real terms. We welcome the small cash increase in our capital budget next year, but our capital budget will still be nearly a third lower in real terms by 2020-21 than it was in 2009-10. We are allocating an additional £230m of capital in 2016-17, nearly £80m of which is to the Economy, Science and Transport portfolio in recognition of the importance of creating jobs and growth.

Despite the reductions we have seen to our budget, we are resolute in our commitment to do everything possible to protect the people of Wales and the Welsh public services. Even in the toughest of financial times, we are not letting up on this commitment. Central to our approach is a focus on delivering real and long-lasting change for the people of Wales. **'Fairer, Better Wales – Investing for the Future'** builds on the decisions we have taken over this administration and provides the foundations for ensuring the economic, social and environmental well-being for our own and future generations in Wales.

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## **1. Strategic Context**

- 1.1** The Welsh Government has today published its spending plans for 2016-17 – the last Budget of this Administration. Austerity has been a defining feature of public services since 2010. Our Programme for Government set ambitious plans which we have successfully delivered at a time when budgets have been falling. The resources received from the UK Government continue to fall in real terms and decisions taken by the UK Government, for example through welfare reform, continue to place increased pressure on Welsh services and budgets. Against this backdrop, it is more important than ever that the Welsh Government focuses on aligning resources to its priorities and approaches its decisions to ensure that short term responses do not have longer term detrimental impacts.
- 1.2** The budget proposals published today have been shaped in the light of our new duties under the Well-being of Future Generations Act from April 2016. They reflect the priorities and commitments that we set out in the Programme for Government in 2011 and the Wales Infrastructure Investment Plan in 2012. The budget proposals respond to the further real terms cuts that we face as a result of the UK Government's Spending Review.

## **Programme for Government**

- 1.3** Our Programme for Government set out an ambitious and comprehensive programme for the whole of this Assembly term, and provided a basis on which the Government's actions and achievements could be assessed. Despite tough financial times, 95 per cent of the commitments included in the Programme have been delivered or are on track to be delivered. The Programme for Government continues to define the Government's priorities and shape the Budget presented today, focused around our overarching priorities of health and health services; educational attainment; supporting children, families and deprived communities and growth and jobs.

## **Wales Infrastructure Investment Plan**

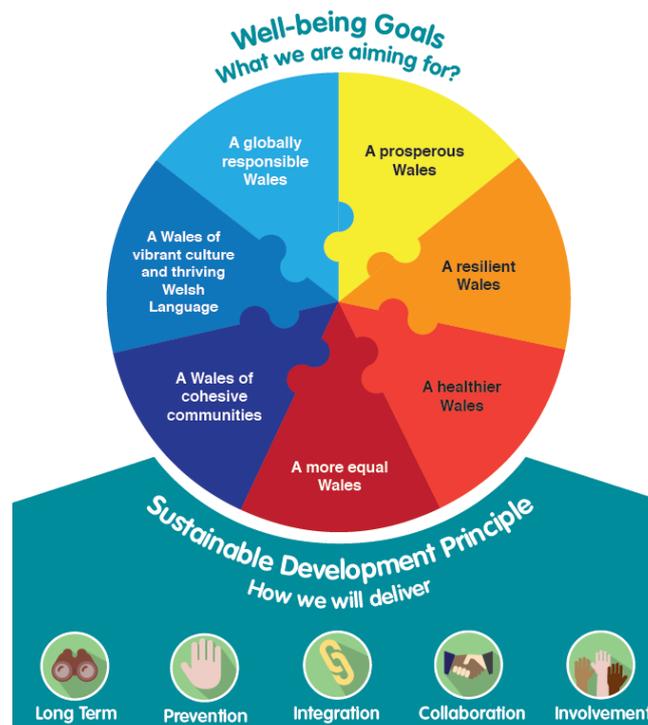
- 1.4** Since 2012, we have shaped our capital investment around the seven core investment priorities in the Wales Infrastructure Investment Plan (WIIP), which in turn align to the priorities in the Programme for Government. Despite some small cash growth in the Spending Review, our capital budget will still be almost 30 per cent lower in 2019-20 in real terms than it was at its peak in 2009-10. The WIIP helps us to allocate these reduced resources in the right place and to

develop innovative sources of funding to boost the resources available. The WIIP's approach to longer term planning, prioritising investment and collaboration is aligned to the Well-being of Future Generations Act and continues to shape our infrastructure plans set out in this Budget.

## The Well-being of Future Generations Act 2015

- 1.5** The Well-being of Future Generations Act is an opportunity to improve how we make decisions which improve the social, economic, environmental and cultural well-being of Wales. Throughout this Government term, the Programme for Government has supported our drive to an improved focus on outcomes.
- 1.6** The Well-being of Future Generations Act will help us to develop this approach further and to embed integration, involvement, collaboration, prevention and long-term thinking across the public sector in Wales. The seven Well-being Goals for Wales establish a legally binding common purpose for national and local government, and for other specified bodies working across Wales and will help us all work together to deliver improvements for people and communities across Wales now and in the future.

## The Well-being Goals



**1.7** The Well-being Goals and the five sustainable ways of working apply to the Welsh Government in the same way that they do to the other public bodies listed in the Act. We will continually look to maximise our contribution to achieving them. The seven Well-being Goals and the five ways of working need to be reflected in every part of decision making, at every level in the public sector so that we are focused on the outcomes for people and communities. The way in which we spend money is an important driver for change and this Budget gives us an early opportunity to lay the foundations for the successful implementation across Wales and we have changed our approach to Budget preparations accordingly.

### **Approach to the Budget preparations**

**1.8** We have adopted the five key ways of working established by the Well-being of Future Generations Act. These ensure that public bodies take a long-term perspective when making decisions; that they consider what actions are required to prevent problems arising in future, or to prevent current problems from getting worse; that they take an integrated and collaborative approach to decision making; and that they involve users in the planning and delivery of services. This approach has been crucial in dealing with the uncertainty of a late Spending Review.

**1.9** By their very nature, the seven Well-being Goals are cross cutting, and reflect the fact that many different factors and services can and should contribute to achieving them. In preparing for this Budget, we have focused on the ways that we can contribute to the Well-being Goals across all Ministerial responsibilities and all public service organisations, rather than being restrained by the way that funding has historically been distributed.

**1.10** We have explored how the Welsh Government approaches policy and funding, considered how those approaches influence public services on the ground, what their needs are in the future and what that tells us about how we should approach budget allocations. It has helped us reach a view on how funds can best be spent in line with the Act. Further work will be required in the run up to full implementation of the Act from April 2016, but it was important to us to begin to make the necessary changes now before the new duties come into force.

**1.11** Over recent months, we have worked closely with the Commissioner for Sustainable Futures as we look ahead to the legislation coming into force next year. This has helped to shape the decisions that we have taken in this Draft Budget and the way that we have presented the information. This Autumn, working with the Commissioner and

Cynnal Cymru, we consulted on Shared Purpose: Shared Future: Draft Statutory Guidance for public bodies to realise the benefits from the Well-being of Future Generations Act 2015. We also published a draft set of national indicators for consultation to measure how the seven Well-being Goals are being progressed.

**1.12** In November, the Minister for Natural Resources announced the appointment of the new statutory Future Generations Commissioner for Wales. This replaces the non-statutory role of the Commissioner for Sustainable Futures. The new Commissioner will have a vital role in supporting the changes needed to achieve the seven Well-being Goals across Wales.

### Using the Five Ways of Working to Shape Budget Planning

**1.13** The five ways of working have been at the fore of our Budget preparations and provide an important step in preparing for the full implementation of the Act next April and in securing sustainable public services for the people of Wales that are fit for the future.



**Long Term**

In planning our Budget, we have considered the impact of current trends and future projections on public services over the longer term. This has enabled us to plan on the basis of recognising challenges before they arise so that we are able to balance short-term pressures with the long-term needs.



**Prevention**

Our spending decisions have not only considered how best to meet the current demand for services, but have also focused on supporting interventions that are able to prevent problems arising in the future. Our preventative approach is an important part of our planning for public services, both now and in the future.



**Collaboration**

In shaping our plans for the Draft Budget 2016-17, we have worked across the traditional boundaries of Ministerial responsibilities in order to focus on the services and outcomes that matter to the people for Wales.



### Integration

As part of our collaborative approach to the Draft Budget 2016-17, we have considered the connections between service areas and how these links can be maximised to increase economic, social, environmental and cultural well-being for all.



### Involvement

Over the Summer, the Minister for Finance and Government Business undertook a Budget Tour across Wales. This was an opportunity to draw on the first-hand experience of delivery partners and users of public services to explore what is working well and where there is scope to drive further integration of services and greater collaboration to improve outcomes.

## Looking to the long-term

**1.14** One of the key drivers for public service delivery in Wales over the medium to long term is the projected change in population and its impact on the services required to meet the needs of this population. However, other important social, economic and environmental trends such as climate change will also shape the public services required into the future. For public service delivery, this means how to provide services that meet current and future needs.

**1.15** Wales' population is predicted to rise from 3.1 million in 2014 to 3.3 million by 2033. Of this, the proportion of over 65s is projected to increase from 20 per cent of the population to over a quarter. Associated with more people living longer are projected increases in the occurrence of specific and complex conditions, such as dementia, which are more common in the elderly and are likely to place increasing demand on our social services.

**1.16** In addition, the number of young people is projected to increase up to 2023, accounting for around 18 per cent of the population over this period. These demographic changes suggest increased future demand for key public services, such as schools, health and social services. A key consideration is therefore ensuring that there is appropriate capacity and that we are delivering the right services to meet the population's needs.

- 1.17** From the outset of our Budget preparations, we have focused on how best to meet the growing needs of key service areas in the face of reducing budgets. In successive Budgets, we have prioritised preventative spending as a way of avoiding more costly interventions at a future point, and to improve the quality of people's lives over the long term. In line with the Finance Committee's previous recommendation to provide further clarity on how our Budget supports preventative interventions, we are working with the Third Sector to develop a common definition of preventative spend.
- 1.18** It is an analysis of evidence on current trends and projections that has helped us to focus on those areas which are most critical to delivering the needs of the population of Wales and which has informed these spending proposals.
- 1.19** We have assessed the evidence and identified the key service areas that contribute the most to the achievement of our overarching priorities, and looked closely at the actions required, particularly what we can do now to prevent problems arising in future, to ensure these services are sustainable and can meet current and future needs.

## **Involvement**

- 1.20** In shaping our plans we have involved our key partners, including the Third Sector and public service users, to explore the challenges and opportunities of dealing with decreasing budgets, including where there is scope to encourage innovation in service delivery and where there are opportunities to take more collaborative and joined up approaches. This engagement provides a vital link to understanding how budget decisions impact on people's lives across Wales.
- 1.21** We have continued our regular engagement with the Budget Advisory Group for Equality (BAGE), and their advice and expertise has made a valuable contribution to our Budget preparations. The Group was asked to advise on priority areas for investment in advance of preparations for the Draft Budget 2016-17, and through this work they provided an evidence base that has shaped our decision making, particularly in where we can take steps to mitigate the impact of budget reductions for the most disadvantaged.

## **Finance Committee's Inquiry into Best Practice Budget Procedures**

- 1.22** The Finance Committee has completed an Inquiry into best practice budget procedures and how existing processes need to be altered to reflect new fiscal responsibilities. A key recommendation of Part II of the inquiry was to establish a two stage budget process, with the first stage focused on high level allocations to Ministerial portfolios and the

second stage focused on the detailed Ministerial decisions and allocations within portfolios.

**1.23** In producing this summary of the Welsh Government's spending plans, we have tried to reflect the spirit of these recommendations and have focused on the strategic high level decisions that are taken, along with the evidence to support the strategic decisions. We have also taken an integrated approach to assessing the impact of our decisions, and alongside the publication of the Draft Budget 2016-17 we are publishing our Strategic Integrated Impact Assessment. Going forward, we are working with the Assembly Commission to consider the future budget procedure.

## European Funding

**1.24** The Welsh Government has been very successful in supporting its programmes with European Structural and Investment (ESI) Funds, which play a vital role in the Welsh economy and labour market.

**1.25** These funds from the European Union include the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF). Together, they are worth over £2.4 billion to Wales in the 2014–2020 funding period, driving investments in the areas of research and innovation, business competitiveness, renewable energy and energy efficiency, connectivity (including ICT and transport), urban development, helping people into work and training, youth employment, and improving competitiveness in the agriculture and forestry sector, and fostering sustainable rural businesses and communities.

**1.26** To maximise the impact of EU funds to support economic growth and job creation, we have taken a more strategic approach to delivery, with EU funds supporting schemes which focus on key economic development opportunities and add wider value to public and private investments in the Welsh economy and labour market.

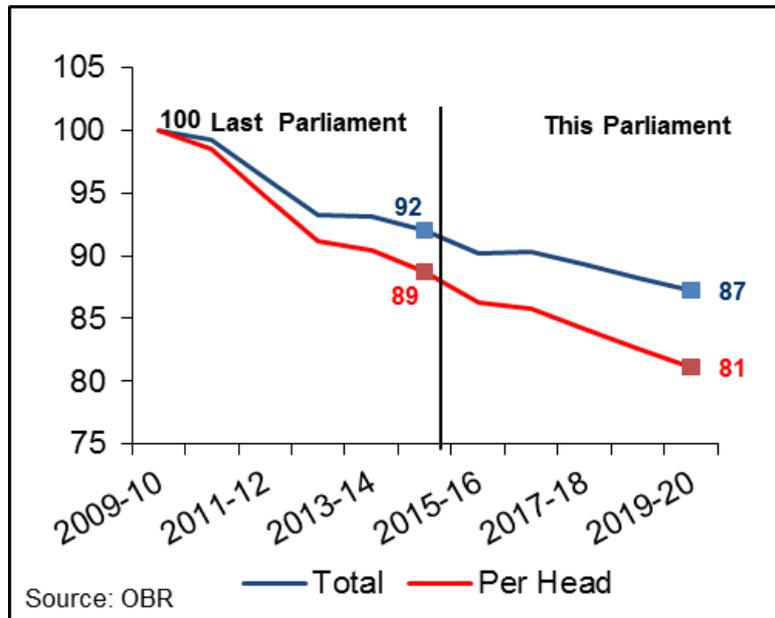
## **2. Financial Context**

- 2.1** In April 2018 the devolution of the minor taxes of Landfill Tax and Stamp Duty Land Tax will commence. The Welsh Government continues to be primarily funded by a block grant from the UK Government. Decisions that the UK Government takes in comparable spending areas result in changes to the Welsh Government's budgets. The Spending Review therefore sets the financial context in which we operate.

### **The UK Government's Spending Review 2015**

- 2.2** The UK Spending Review set the next four years of revenue spending and the next five years of capital spending for all UK Government Departments. Through the Barnett Formula, changes to budgets for UK Departments in devolved areas will result in changes to the Welsh Government's Budget. The UK Government continued the practice of providing some relative protection for large areas of public spending; notably on health, schools, defence and overseas aid. However, severe real-terms reductions in budgets – and in some instances cash-terms reductions - in most non-protected areas are set to continue until the end of this decade. This means that despite real terms growth in NHS funding across the period, our overall budget continues to fall in real terms.
- 2.3** The pace of cuts to overall spending is broadly similar to those experienced over the last Parliament. However, this is on top of five years of unprecedented cuts to public spending, and in the context of growing pressures on pay and cumulative increases in need. Chart 1 shows the trajectory of UK spending on services since 2009-10, alongside the announced cuts to spending over the next Spending Review period.

**Chart 1 UK Spending on Government Services  
(Real Terms, 2009-10 = 100)**



### Implications for Wales of the Spending Review 2015

**2.4** The Welsh Government's Budget from 2016-17 to 2019-20 was set by the UK Government in its Spending Review, which concluded on 25 November 2015. The settlement for the Welsh Government is set out below in Table 1. Overall, the Welsh Budget increases in cash terms in each year of the settlement. By 2019-20, it will be approximately 4 per cent higher than in this year, with an increase of a little under £400m in revenue and £200m in capital.

**Table 1 Welsh Government Cash Settlement, £Billions**

	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Revenue</b>	12.92	13.03	13.15	13.21	13.29
<b>Capital</b>	1.46	1.53	1.52	1.57	1.65
<b>Total</b>	14.38	14.56	14.67	14.77	14.93

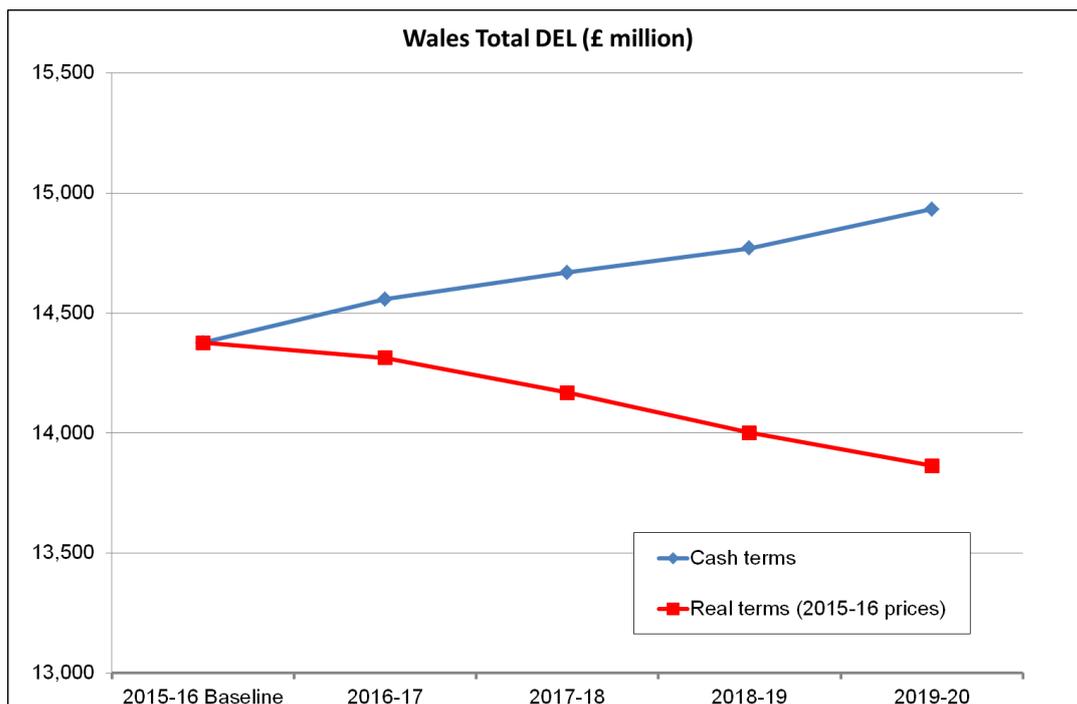
**2.5** However, as shown in Table 2, after taking inflation into account, the Welsh Government Budget will decline by 3.6 per cent in real terms over this period.

**Table 2: The Welsh Government Real Terms Settlement £Billions (2015-16 prices)**

	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Revenue</b>	12.92	12.81	12.70	12.52	12.33
<b>Capital</b>	1.46	1.51	1.47	1.48	1.53
<b>Total</b>	14.38	14.31	14.17	14.00	13.86

**2.6** Chart 2 illustrates the overall real terms decline in our Budget between 2015-16 and 2019-20.

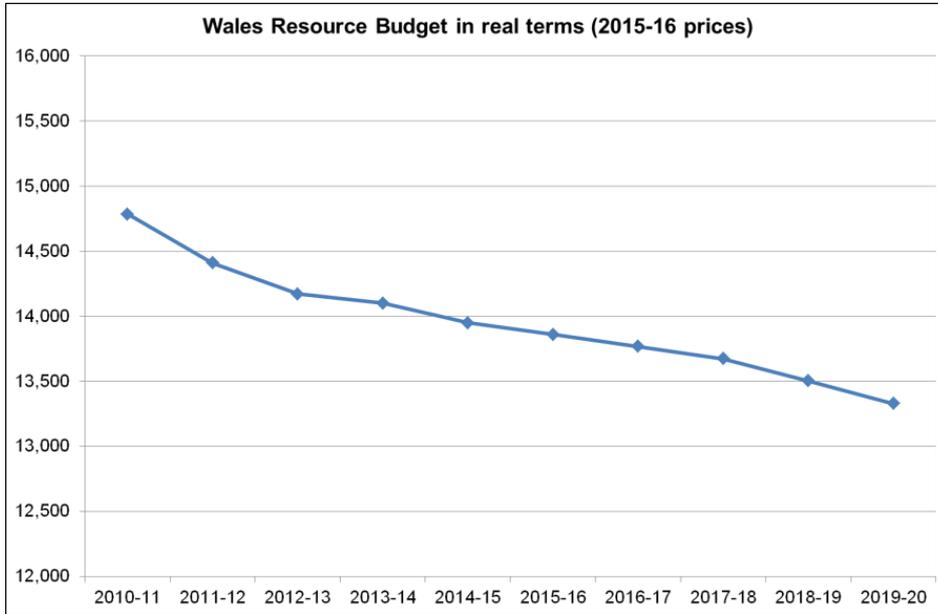
**Chart 2: Wales Total DEL (£million) – Comparison of Cash and Real Terms**



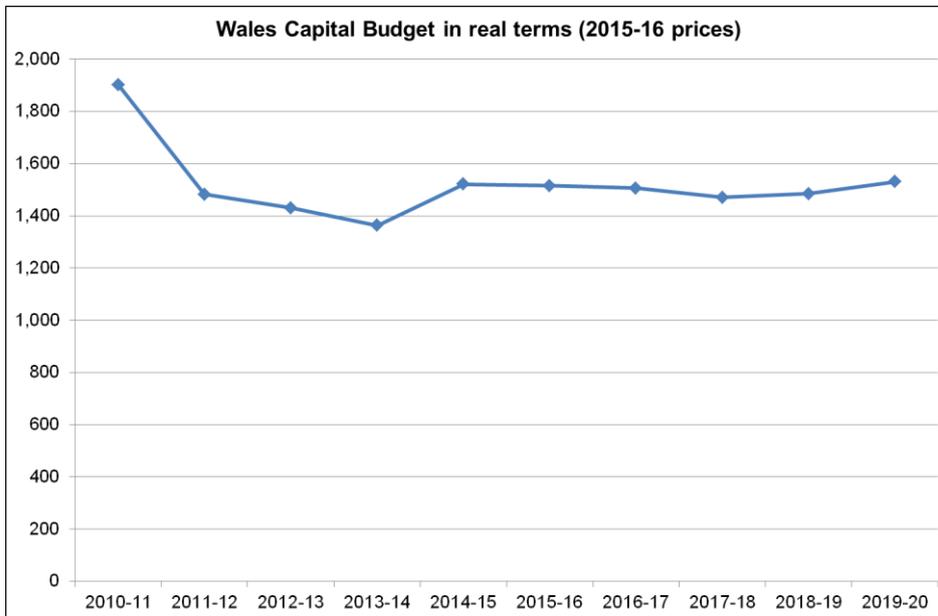
**2.7** It should also be emphasised that, while the rate of decline over this period is a little slower than under the previous UK Coalition Government, the settlement remains exceptionally challenging in historic terms, particularly as the real terms cut in our budget comes on top of the severe cuts already imposed under the previous UK administration. As shown in Charts 3 and 4, since the beginning of

austerity in 2010, the Welsh Government's Budget will have faced a real terms cut of 10 per cent to its revenue budget and a real terms cut of 20 per cent to its capital budget by the end of this decade.

**Chart 3: Wales Revenue Budget in real terms**



**Chart 4: Welsh Capital Budget in real terms**



## Financial Challenges for Wales

- 2.8** Ahead of the Spending Review, the Welsh Government repeated its calls for the UK Government to rethink its adoption of an inflexible and inappropriate target for the budget deficit and the associated plans for further cuts to public expenditure. We believe that further cuts to public expenditure run the risk of jeopardising the economic recovery.
- 2.9** Much needed investment in infrastructure and skills, and maintaining and developing economic capacity and productivity is essential to achieve a balanced recovery. This is the approach that the Welsh Government itself has sought to adopt, albeit within the severe constraints imposed by the UK Government. We welcome the small cash increase to our capital budget for 2016-17, but this still represents a real terms reduction. Coupled with the real terms cuts to the Welsh Budget over the last five years, it means we are facing even tougher financial times in the years ahead. Within these financial constraints, our priority remains doing all we can to mitigate the impact of these cuts and focus the limited resources we have on the services and outcomes that matter most to the people of Wales, whilst strengthening areas of public spending where it is most needed.

## Fairer Funding for Wales

- 2.10** A key aim of the Welsh Government is to secure fair funding for its devolved public services. However, the way in which we are funded through the Barnett Formula is outdated and not based on the needs of the Welsh population. Levels of relative need in Wales continue to be higher than in England, which means that over time the relative spending advantage is being eroded – this is known as convergence, or the ‘Barnett squeeze’.
- 2.11** In October 2012, the UK Government recognised for the first time that there had been convergence in Welsh relative funding since the start of devolution, and that this was a significant concern in Wales. In February 2015, the UK Government committed to introduce a ‘funding floor’ for Wales which would adjust the allocation from the UK Government. However, at that stage no further detail was provided on how the floor would operate, or when it would come into force.
- 2.12** Discussions on the funding floor have continued between the Welsh and UK Government, leading to an announcement in the recent Spending Review that the UK Government will ensure that spending per head during the current Parliament remains above that in England – at 115 per cent of comparable spending per head. However, the UK Government has pronounced that the floor will then be re-set in future

Spending Reviews. This represents a small step forward; although this will not ensure long-term funding certainty for Wales and leaves open many questions about how such funding commitments will be calculated and delivered in the future. The Welsh Government welcomes the cross-party support on 3 December 2015 to securing a long-lasting inter-Governmental agreement on the funding floor.

## Welsh Government's Spending Plans

- 2.13** The late timing of the Spending Review has presented additional challenges for the Welsh Government in terms of its Budget preparations. Not only have we been faced with managing a further round of unconfirmed reductions but we need to balance providing early funding certainty to our delivery partners with ensuring that the Assembly has the opportunity to complete meaningful scrutiny of the spending plans.
- 2.14** Taking all of these considerations into account, the Draft Budget 2016-17 sets out our spending plans for one year only, the first year of the next Spending Review period. 2016-17 is the last year of the current Welsh Government, and it will be for the next administration to set out its plans for the remainder of this Spending Review period next autumn.
- 2.15** In line with the broad principles outlined in the Finance Committee's report on the Best Practice Budget Inquiry, the Budget narrative is focused on the high level strategic priorities informing MEG level allocations. Detail on the portfolio spending plans will be provided in Ministerial evidence papers to subject committees.

### **3. Our Spending Priorities**

- 3.1** Our analysis of evidence and current trends has shaped our spending priorities for 2016-17.

## **HEALTH AND HEALTH SERVICES**

### **Contribution to the Well-being Goals**

- 3.2** Continuing to invest in the NHS to drive up standards, improve outcomes for patients and secure a sustainable, universal health service for the people of Wales is a priority for this Government and is central to achieving a healthier Wales.
- 3.3** We are committed to reducing health inequalities and closing the gap in health outcomes between the poorest and richest in our communities, contributing to a more equal Wales. Action is focused on early intervention and prevention to make the greatest contribution to our aims on poverty and inequality.
- 3.4** Good health and well-being is important for everyone and is also an economic asset. Investing in health and health services also reaps rewards in the medium and longer-term, supporting better educational outcomes which should follow through to a more skilled and productive workforce. As well as directly supporting the well-being goals of a healthier Wales and a more equal Wales, the additional investment for the NHS set out in the Draft Budget will also contribute to goal of a prosperous Wales.

### **Evidence of investment need**

- 3.5** In the face of an increase in demand for NHS services in recent years, people in Wales are being treated faster, receiving better outcomes, and living longer, with help from the care they receive from the Welsh NHS.
- 3.6** Funding for the Welsh NHS stands at record levels, with £6.7bn being spent this year, despite the pressures we have faced on the Welsh Budget as a result of the UK Government's austerity measures. Over the last two years, the Welsh Government has invested an extra £1.1bn in capital and revenue funding in the NHS. This includes the additional £225m for the NHS in 2015-16 which was announced in the Draft Budget 2015-16 last Autumn.
- 3.7** In revenue alone, the health budget has increased by more than 9 per cent since 2013-14 on a recurrent basis, which is equivalent to an extra £178 being spent on health for every person in Wales. The

latest figures published by the Treasury show spending per head on health in Wales was 1 per cent higher than in England in 2014-15 and grew faster in Wales in that year than in any of the other UK Countries.

- 3.8** The figures also show that combined spending per head on health and social services was £172 or 7 per cent higher than in England. This is a testament to the value we place on the key public services that matter most to the people of Wales. It also demonstrates our commitment to delivering a truly integrated health and social care service and the importance of working across service boundaries.
- 3.9** The NHS has continued to deliver efficiency savings by continuing to make changes to the way it delivers services. Between 2010-11 and 2014-15, the NHS has made more than £1.1bn in efficiency savings through service changes including increasing day surgery rates, providing more care closer to people's homes; service reconfiguration; increased productivity; demand management; pay restraint and more effective prescribing. This is equivalent to an average annual saving of more than 4 per cent of health board revenue allocations. The contribution that our preventative public health interventions are making are showing evidence of improvements in key areas. For example, smoking has fallen to its lowest ever level and obesity rates have not increased over the past two years.
- 3.10** Informed by the work of the Bevan Commission and others around the world, the NHS in Wales embraces the principles of prudent healthcare as it seeks to respond to the challenges of rising costs and increasing demand in this age of austerity. Prudent healthcare puts NHS Wales at the forefront of a growing international movement to secure greater value from healthcare systems for patients.
- 3.11** By placing greater value on patient outcomes rather than the volume of activity and procedures delivered, as is so often currently done, prudent healthcare aims to rebalance the NHS and create a patient-centred system. A NHS based on prudent healthcare principles ensures people receive the most appropriate care to achieve mutually-agreed goals, which reflect the contribution individuals can make to their own health and wellbeing. As the Well-being of Future Generations Act secures prevention as a core principle guiding the activities of all public service, prudent healthcare is providing the framework for using resources as effectively as possible.
- 3.12** The principles of prudent healthcare are:

- rebalancing the healthcare system by strengthening primary and community-based care;
- supporting the establishment of a more equal relationship between the individual and healthcare professional; and
- changing the relationship between healthcare services and the public, characterised by a shared responsibility for securing improved health outcomes.

**3.13** However, we do not underestimate the scale of the challenges facing the NHS in Wales. Expenditure on delivering Health services is affected by the increasing population in terms of the overall numbers being treated for illness, and demand for unscheduled care and social care. Specific demographic trends can increase the pressures. For example, the number of people with dementia in the UK is estimated to increase significantly up to 2051 and older people are more likely to have complex conditions that have an impact on demand and capacity. These challenges and pressures are faced by all countries in the West.

## Spending Priorities

**3.14** It was in recognition of these challenges, that last year we commissioned an independent review of the NHS by the Nuffield Trust. 'A Decade of Austerity in Wales?' This report, together with the information from Health Boards' and NHS Trusts' integrated medium term plans informed our decision to provide an additional £225m for the NHS in 2015-16.

**3.15** In preparing for this year's Budget, and as part of the cross cutting approach we have taken, work has been undertaken to update the Nuffield model to reflect the latest assumptions on spending pressures and efficiencies in the NHS. We have focused on preventative spend and the link between health and social services.

**3.16** As a result we are allocating an additional £260m of revenue to the NHS in 2016-17. This comprises:

- £200m to support core NHS delivery, demonstrating our commitment to a sustainable NHS in Wales based on the reforms outlined in the Nuffield report, which also acknowledges the scope for the NHS to continue to achieve efficiency savings in the medium to longer term;
- Boosting funding for the Intermediate Care Fund by £30m to £50 million in 2016-17. This additional funding brings investment in the Fund back to the level it stood at in 2014-15, demonstrating our commitment to strengthening primary and community based care. This fund has supported a number of successful schemes, which have

improved outcomes for older and vulnerable people by helping them to maintain their independence in their own home, prevent hospital admission and facilitate early discharge from hospital. We expect this Fund to be deployed fully in partnership with local authority social services, using the new partnership arrangements which have been put in place through our Social Services and Well-being Act. This will ensure that the Fund is targeted through joint planning and services to focus on prevention and early intervention. Through our investment, this approach must become embedded in mainstream service delivery and not seen as investment which is either project based or time-limited, and;

- £30m extra for older people and mental health services. We spend more on mental health services than any other part of the NHS and this additional investment is a further demonstration of our commitment to this vital part of the health service.

**3.17** The additional funding we are allocating to the Health and Social Services MEG in our Budget proposals means this budget is now the largest it has ever been and will account for 48 per cent of the funding allocated to Welsh Government MEGs in 2016-17.

## **GROWTH AND JOBS**

### **Infrastructure**

#### **Contribution to the Well-being Goals**

**3.18** A key component of our approach to supporting sustained economic growth during these difficult financial times has been concerted action to boost infrastructure investment. This provides important economic stimulus, creating the conditions for increased and sustainable growth in the medium and longer term, thereby providing the foundations for a prosperous Wales. Infrastructure also provides the essential underpinnings of all our service delivery, and is a fundamental to achieving all of our national well-being goals.

#### **Evidence of investment need**

**3.19** The capital landscape has changed significantly since 2009-10. In sharp contrast to the previous decade where our capital budget nearly doubled, our capital budget has reduced significantly over this period. Despite the small cash growth in the Spending Review our capital budget will still be nearly a third lower in real terms in 2020-21 than it was at the start of this decade.

**3.20** Despite this challenging financial climate, we have not allowed our ambitions to be constrained. When we published the Wales

Infrastructure Investment Plan (WIIP) in 2012, we signalled a more strategic and focused approach for infrastructure investment in Wales shaped around our seven core investment priorities - to improve transport networks, to improve telecommunications networks, to support the development of the energy industry, to invest in housing, to deliver more efficient and economical public services, to improve the quality of the educational estate and to develop our Enterprise Zones. As well as providing a detailed investment pipeline for three years, it also sets out long term priorities and a direction of travel.

**3.21** The WIIP approach helps us to ensure that we concentrate our resources where we can add the most value, while developing innovative approaches to lever in significant additional investment for public infrastructure investment where it offers value for money.

**3.22** Since 2012, the Welsh Government has developed a major programme of innovative finance schemes to provide a much needed boost to infrastructure investment across Wales. We have already implemented around £0.5bn of innovative finance schemes to provide additional investment in housing, schools and highway projects across Wales, through the Housing Finance Grant and the Local Government Borrowing Initiative. We have announced a forward pipeline of projects, forming an investment programme of a further £1.9bn which will provide economic and social infrastructure across the whole of Wales. This pipeline includes the use of the £500m of direct borrowing that we have the power to undertake as a result of the Wales Act 2014.

**3.23** We have also continued to explore European sources of funding to increase investment in Welsh infrastructure, including consideration of the new European Fund for Strategic Investment. We have engaged regularly with the European Investment Bank to promote more than ten Welsh schemes with the potential to be financed by EFSI and other EIB financing instruments. The projects extend across a range of sectors in all parts of Wales, including the Tidal Lagoon scheme, dualling sections 5 and 6 of the A465 scheme, Energy Island Projects, the Metro and the Velindre Cancer Centre. Reflecting our efforts, the European Investment Advisory Hub held an event in Wales in October 2015 to talk directly with project promoters from across the Welsh public and private sectors. This was the first event of its kind that the Hub has undertaken in the UK, and amongst the first in Europe.

## Spending Priorities

**3.24** In preparing for a further period of public spending constraint, we have undertaken an assessment of capital plans and investment needs, while also looking to invest in new important infrastructure

projects that boost growth and jobs. As existing infrastructure ages, undertaking backlog maintenance and replacing obsolete equipment requires an ongoing level of investment. Taking preventative measures now to stop problems getting worse is a key principle of the Well-being of Future Generations Act. It is in line with this approach, we are allocating £150m to boost MEG core budgets in 2016-17.

**3.25** In line with our approach to longer term planning, we are also allocating an additional £80.4m in line with our WIIP investment priorities, comprising £29.1m traditional capital and £51.3m financial transaction funding. Details of these additional capital allocations are as follows:

### Investing in Housing

**3.26** Our WIIP priority of investing in Housing directly supports the national Goal of **‘A prosperous Wales’** helping individuals and families to purchase a new-build home and helping to increase housing supply and boost the construction industry. Investment in Housing also strongly supports the well-being goals of **‘A Wales of cohesive communities,’ ‘A more equal Wales’** and **‘A healthier Wales’**. In line with this we are allocating additional financial transactions of £26.3m to support the first year of Phase 2 of our Help to Buy Cymru Scheme.

### Developing our Enterprise Zones and Economic Development

**3.27** Investment in our Enterprise Zones is key to achievement of **the ‘A prosperous Wales’** and **‘A more equal Wales’**. Job creation provides a means by which people can fulfil their potential in an economy that generates wealth. We are allocating £25m financial transactions and £3m traditional capital to support the development of our Enterprise Zones, wider business activity and economic growth. This includes the remaining £7m of the £10m package previously announced for Cardiff International Airport route development.

### Improving Transport Networks

**3.28** The WIIP priority of making investments that improve our transport networks is crucial to **‘A prosperous Wales’**. It is also key to ensuring **‘A Wales of cohesive communities’** and **‘A resilient Wales’**. In this Draft Budget we are providing funding to continue and support development work for the following transport schemes:-

- Llangefni link road, phase 2 - £1.3m;
- Northern Gateway Highway Infrastructure works - £2.7m; and
- Dyfi Bridge on the A487, as part of the 2014 Budget Agreement with the Welsh Liberal Democrats - £6m.

## Supporting the Development of the Energy industry in Wales

**3.29** The additional investment we are making in respect of this WIIP priority particularly focuses on the cornerstone of the Well-being of Future Generations Act - sustainability. These investments also help us to achieve the goals of '**A globally responsible Wales**' and '**A resilient Wales**'.

**3.30** We are providing, subject to the application of full business assurance set out in the WIIP, additional funding as follows;

- Green Growth Wales – traditional capital of £5m, to support an initiative which aims to increase and accelerate projects to deliver green investment in Wales. It focuses in infrastructure projects which will reduce carbon emissions, including renewable energy generation, resource efficiency, and energy from waste projects.
- Warm Homes: Nest scheme – traditional capital of £5m, providing support to individual householders to help tackle fuel poverty and improve the performance of the housing stock in Wales.

**3.31** We are allocating additional traditional capital funding to the following projects which also support sustainability;

- St Asaph Flood Risk Management Scheme - £3m to reduce risk along the River Elwy and protect over 400 properties.
- The Coastal Risk Management Programme - £3m for preparatory work required to enable full utilisation of the £150m innovative financing which is to support the development of coastal adaptation and resilience to climate change projects

## **Support for Business**

**3.32** The financial devolution of Non-Domestic Rates (NDR), which was achieved in April 2015, provides the Welsh Government with greater flexibility to determine policies which support growth and jobs in Wales. As part of this Draft Budget, we are making an early decision to extend the current Small Business Rates Relief Scheme for a further 12 months. The funding provided by the Welsh Government for this scheme will reduce the overall NDR payments from small businesses in Wales by around £90m in 2016-17.

## EDUCATIONAL ATTAINMENT

### Contribution to Well-being Goals

**3.33** Education changes lives, creates opportunities and allows individuals to shape their future. It builds stronger, **more cohesive communities**, and is the foundation of a strong economy. We believe that education should be open to all, regardless of background, and it is the cornerstone of our approach to creating a **more equal Wales** in which everybody has the means to fulfil their potential. Through our education system we want to create ambitious capable learners who are knowledgeable about their culture, community, society and the world.

**3.34** Achieving our vision for education will support Wales to become a productive and **prosperous** nation, with a highly skilled workforce that is able to make our economy globally competitive. Our Universities themselves also make an important contribution to the Welsh economy, and contribute to the **vibrant culture** of Wales.

### Evidence of investment need

**3.35** Investing in education has been the foundation of our preventative approach to Tackling Poverty, with the most recent figures showing that our spending per head on Education is 4 per cent higher than in England.

### Schools and Early Years

**3.36** We have long recognised that investing in the early years through education has a significant influence on a child's development, and is fundamental to breaking the cycle of disadvantage and inequality. Since 2011 we have protected funding for schools budgets at 1 per cent above changes to the Wales DEL overall as part of our commitment to give all children the best possible start in life.

**3.37** The evidence shows that our investment is working. More children are achieving five good GCSEs including English, Welsh or Maths and fewer children are leaving school without qualifications. The most recent statistics show that pupils from less wealthy families have improved performance by nearly 4 per cent - showing progress is being made in narrowing the attainment gap. These achievements are a reflection of the priority we have placed on Education over this Assembly, investing resources where they can make a difference to outcomes.

**3.38** With a projected growth in young people over the medium term, and staff costs accounting for a high proportion of spend, we anticipate increasing pressure on school budgets. A key consideration for future budget planning is ensuring that there is appropriate provision to meet increasing demand, and that we continue to invest resources to ensure all children are able to achieve their full potential.

### **Post 16 Education**

**3.39** Education and skills are crucial to gaining employment, which offers a high level of protection against poverty - particularly deep and persistent poverty - and contributes directly to an individual's well-being. This is why we are working to ensure access to education for all those with the potential to benefit, regardless of background.

**3.40** Equipping people with the right skills for the future will support Wales to evolve into a highly-skilled nation, capable of raising productivity and strengthening the economy. In line with international trends, we expect that Wales will have undergone a restructuring of its skills base by 2020, with an increase in the proportion of people in employment with high-level skills alongside a decline in the proportion of people in employment with low or no skills. It is important that we prepare for this, and our policy statement on Skills, published earlier this year, sets out how we need to re-balance the economy and better meet the specific needs of business for a highly skilled workforce in order to be internationally competitive.

### **Higher Education**

**3.41** Education is a significant driver of social mobility, and we believe that everyone should have the opportunity to access Higher Education, regardless of background.

**3.42** Over this administration, we have continued to deliver on our commitment to ensure that no full time undergraduate student ordinarily resident in Wales pays more for their degree in real terms than if they had been students in 2010/11. Upon graduating, debt for Welsh students is considerably lower than their counterparts in England. Over the course of a three year undergraduate degree, current students from Wales are around £17,000 better off than their English counterparts.

## Spending Priorities

### Schools and Early Years

- 3.43** Investing in frontline schools delivery has been the cornerstone of our approach to driving improvements in Educational Attainment. As part of this we are continuing to increase funding for schools at 1 per cent above changes to the Welsh DEL in 2016-17.
- 3.44** In 2016-17 we will allocate an additional £39.7m for frontline schools funding, the majority of which will be allocated through the Revenue Support Grant for the delivery of core schools provision by local authorities. We have also protected the overall amount of funding to, or in support of, schools for specific purposes from cash reductions in 2016-17. We are also continuing to provide funding for our successful Schools Challenge Cymru scheme in 2016-17, making £15m available next year. Over the last two years, the majority of participating schools have seen an improvement in attainment, with some reporting their best results ever.
- 3.45** We also recognise the importance of schools in supporting the conditions for a thriving welsh language. The additional money we are providing for schools will impact equally on Welsh medium, English medium and bilingual schools.

### Post 16 Education

- 3.46** Based on the work we have done to understand the particular impacts of previous budget reductions on the post-16 sector, it has become clear that there is limited ability to absorb future cuts while also delivering the range of provision necessary to create the workforce of the future.
- 3.47** In light of the importance of education and skills to achieving a **prosperous and more equal Wales**, we are protecting budget provision for post 16 education in 2016-17 from cash reductions. We are also providing an additional £5m for work based learning, the equivalent of 2,500 new apprenticeships starts in 2016-17. During this time we will look to the further education sector to continue working closely with local communities and businesses to provide a sustainable base for future provision.

## Higher Education

**3.48** We commissioned Professor Ian Diamond to undertake an independent review of higher education funding and student finance arrangements. A key priority of the review is to consider the long-term financial sustainability of the Higher Education system. The findings of this review will be published in 2016 and will help inform the next steps for higher education funding in Wales. In the interim, we are allocating an additional £10m to Higher Education in recognition of the pressures on student support for 2016-17. This will enable the continued delivery of our tuition fees commitment.

## **SUPPORTING CHILDREN, FAMILIES AND DEPRIVED COMMUNITIES**

### **Contribution to the Well-being Goals**

**3.49** We are committed to achieving a society where everyone is able to do well in life, no matter what their background or circumstances. Our vision for a **more equal Wales** means that we are investing in activity that can improve outcomes for all, ensuring that we create a Wales of **cohesive communities**, where every individual and family has the support they need to live **healthy, prosperous** and independent lives.

### **Evidence of investment need**

**3.50** Evidence suggests investing effectively in services and programmes to ensure every child has the best start in life, supporting families and creating **cohesive communities** we can work to break the cycle of disadvantage before it begins. As a Government we are committed to tackling both the causes and effects of poverty and we are committed to helping people to avoid falling into the poverty trap. We need to do all we can to mitigate the impacts of the UK Government's welfare reform and austerity agenda. We want to ensure that people can maintain control over their lives, including the decisions about the care they receive.

### **Investing in Early Years**

**3.51** Flying Start is our flagship early years programme targeted at children from zero to three years old in our most disadvantaged communities. Early evidence from the programme shows that it is beginning to have a positive impact on children, and that when starting school, Flying Start children are ready to learn and are more confident in mixing with other children.

**3.52** Once in school, our free school breakfast provision makes available a nutritious breakfast, as well as childcare support at the start of the

day, to all Welsh children in primary schools. A recent study using data from the scheme provided evidence of the improvement that a healthy breakfast can make to educational performance, as well as improving longer-term health outcomes. Sitting alongside this, our free school milk provision provides vital nutrition to children during the school day, and our free swimming for under-16s encourages the formation of active and healthy lifestyles. These programmes are crucial to our efforts to break the link between poverty and educational attainment, increase physical and mental well-being, and improve the life chances of all our children.

## Investing in Communities

**3.53** It is important that gains made in school are not lost at home. We want every child to grow up in a **vibrant, cohesive community** that can help them fulfil their potential. Our Communities First programme is targeted at the most deprived areas in Wales with the long term aim of contributing to alleviating persistent poverty. Communities First focuses on raising educational attainment, improving **health** and well-being, and increasing **prosperity** and employment, with a particular emphasis on reducing youth unemployment.

**3.54** We want our communities to be places where the Welsh language can **thrive**. Austerity has meant difficult choices over the past few years, and in order to minimise potential impacts on the Welsh language and Welsh-speaking communities, we are allocating £1.2m in 2016-17 to mitigate reductions to Welsh language budgets.

## Investing in Social Services

**3.55** Our consideration of future trends indicates that demographic trends will be likely to place additional demand on core social services and evidence suggests that pressures on social services are set to rise over the longer term. The ability to manage future demands alongside current cost pressures requires different models for delivering services. We are keen to see the development of service delivery models which prevent or reduce the need for more costly interventions by the NHS or social care, and that can help people to live as independently as possible.

**3.56** The potential for increased integration between services has been central to our considerations in planning the Draft Budget 2016-17, particularly where there is evidence we can achieve a greater impact by understanding how the NHS, local government and other key partners can work better together to tackle the challenges that we face.

**3.57** In setting our plans we have used a ‘whole system’ approach to undertake a broader assessment of how social services provision interacts with a variety of other support interventions to meet people’s needs. As part of our commitment to this, in 2015-16 we invested an additional £10m in local government for social services. This enabled local government to respond to increasing demand and begin to shift their services in more preventative approaches. We have also continued to provide support for concessionary fares, which provide older and disabled people with the means to access amenities and remain independent.

**3.58** Similarly, our Supporting People Programme helps individuals and families who are homeless or at risk of becoming homeless to find and keep their home, improving outcomes for the most vulnerable and relieving pressure on other services. For 2015 -16, this programme is on track to help almost 60,000 people.

### Spending Priorities

**3.59** For 2016-17 we are protecting the Flying Start budget at 2015-16 levels so that it is able to build on its current success. We are also continuing with our commitment to protect funding for free school breakfast, free school milk and free swimming at 1 per cent above changes to the overall Welsh block grant. In recognition of the importance of programmes that can improve outcomes for people and communities, we are protecting the budgets for social care related specific grants including Communities First, Supporting People, from cash reductions as well as continuing our commitment to fund concessionary fares at 1 per cent above changes to the overall Welsh block grant. We are also protecting social services funding through the RSG – including the additional £10m allocated in 2015-16 - and going further by providing an additional £21m next year to support the delivery of social services by local government.

**3.60** We are using our funding alongside our legislative powers to transform the way that social services are delivered. Our Social Services and Well-being (Wales) Act sets the framework for service delivery, requiring greater service integration and partnership working and bringing a greater focus on prevention and early intervention. Local authorities and health boards will be required to work together to secure innovation, change and integration including using the pooled budget powers set out in the Act to drive increased efficiency and effectiveness. The additional £30m we are allocating to the Intermediate Care Fund in 2016-17 will support of the aims of the Act.

**3.61** In 2016-17, in recognition of the budget pressures on Health Inspectorate Wales, Care and Social Services Wales, and Estyn, we are allocating £3m to mitigate the impact of budget reductions and

support them in working with service providers to deliver safe and quality services.

## Local Government

- 3.62** We value the wide variety of public services provided by local government, services on which people depend and services which become more important in tough times. Since 2010 we have provided some cushioning to local authorities to mitigate the impact of the UK Government's reductions to our Budget, meaning local authorities in Wales have received more favourable settlements than Councils in England. Spending on local services in England has decreased by around 9.8 per cent in cash terms over this period, while in Wales it has increased by 2.5 per cent. Wherever possible, we have taken the decision to invest additional resources in local services through local authorities' core budgets, not through ring-fenced grants. This is in direct response to calls for increased flexibility.
- 3.63** We are continuing our commitment to protect schools funding by 1 per cent above changes to the Welsh Budget overall. Building on the level of funding protected for schools in 2015-16 (£2.141bn), we are investing £39.7m for schools next year, £34.8m of which is being delivered through the RSG to support frontline schools delivery as part of our wider commitment to the simplification of local government funding.
- 3.64** In shaping our plans for Social Services, we have drawn on evidence in a joint report produced by ADSS Cymru and the Welsh Local Government Association to inform our assessment of future budgetary pressures. This evidence has helped to shape our decision making. We are protecting social services funding through the RSG, and investing an additional £21m in 2016-17 in support of local government provision of social services.
- 3.65** With a focus on prevention and early intervention, we are also protecting funding for Flying Start, Supporting People, and Communities First on a cash flat basis in 2016-17.
- 3.66** In our funding decisions for the Draft Budget 2016-17, we have taken measures to mitigate the impact of reducing budgets on local government, and our decisions mean they will receive a better overall settlement in 2016-17 than Councils in England. However we do not underestimate the financial challenge that the settlement represents for other local services delivered by local government. This why it is important for local government, together with all public services, to continue to explore innovation in service delivery and how they can

invest in transforming services in preparation for more challenging settlements.

**3.67** Going forward, we are working in collaboration with local government to achieve operational efficiencies and reduce the costs of their administrative functions. We are also looking for opportunities to support the Cabinet's aim to simplify the way Government works with partners by reducing unnecessary and costly administrative overhead and embed the ways of working set out in the Well-being of Future Generations (Wales) Act.

**3.68** In line with our vision of creating one Welsh public service that works together to deliver better outcomes for citizens, we are working with Local Government to develop better mechanisms to provide assurance about the outcomes being delivered through the significant funding we make available to Local Authorities. As part of this work we are looking again at the scope to increase funding flexibilities for Local Authorities and, where appropriate, to move funding out of specific grants and into unhypothecated funding (RSG). Over £160m of grants have been moved into RSG during the current Assembly term and, following the abolition of Council Tax Benefit as part of welfare reform, the Welsh Government has provided £244m of annual funding for the Council Tax Reduction Scheme through the unhypothecated Settlement.

**3.69** The draft budget confirms that over £30m which previously supported Outcome Agreements is moving into RSG and in discussion with Local Authorities, we continue to explore the scope to do more around dehypothecation both for 2016-17 and to develop further options for an incoming administration to consider in relation to 2017-18.

**3.70** Details of the provisional local government settlement including individual authority allocations will be published on 9 December.

### **2014 Budget Agreement**

**3.71** Last year, we agreed a two-year package of measures with the Welsh Liberal Democrats shaped around our commitment to supporting children and young people and early intervention. These measures contribute to the delivery of the better well-being outcomes for people now and in the future that lie at the heart of the Well-being of Future Generations Act.

**3.72** Our Budget proposals reflect the financial implications of the measures agreed for 2016-17.

### Pupil Deprivation Grant

**3.73** In 2015-16 we provided an extra £44m to increase the Pupil Deprivation Grant (PDG) from £918 to £1,050 per eligible child for pupils from disadvantaged backgrounds, in line with our shared commitment to close the attainment gap for learners from disadvantaged backgrounds. In 2016-17 we are allocating a further £7.2m to increase the PDG from £1,050 to £1,150 per eligible pupil.

**3.74** The PDG continues to be funded above the level of investment the Welsh Government provides for schools budgets overall, reflecting the priority we place on breaking the link between educational attainment and poverty. We will also continue to provide the grant for under-5s, to ensure that those most disadvantaged children have access to high quality education in their early years.

### Youth Concessionary Fares

**3.75** For many young people, the public transport system is vital to being able to access opportunities for work, education and training, particularly in rural areas. In September 2015 we introduced a discounted travel scheme for 16 and 17 year olds to ensure that affordability is not a barrier to participation. In 2016-17 we are allocating £9.75m for Youth Concessionary Fares to continue our support of this scheme.

### Apprenticeships

**3.76** Apprenticeships expand opportunities for young people, providing them with valuable route into promising careers. Over this administration we have invested hundreds of millions of pounds in creating apprenticeship places to benefit businesses and young people alike.

**3.77** As part of the 2014 Budget Agreement we announced plans to allocate £10m for apprenticeships over the two-year period to help mitigate against planned cuts. Our budget proposals for 2016-17 reflect our commitment to allocate an additional £5m, enabling continued support for around 2,500 apprenticeships. This is in addition to the £5m we are allocating in 2016-17 in support of Work Based Learning.

### **Childcare in Further Education**

**3.78** Recognising the importance of ensuring that young people have the support they need to continue their education, as part of the Budget Agreement, we are funding a feasibility study in 2015-16 to determine what further support to young parents is needed to help them return to further education where childcare is a barrier. The results of this study will inform a pilot, for which we have made available an additional £350k in 2016-17.

### **Capital Investment**

**3.79** £6m has been allocated in this Draft Budget to support the planned new Dyfi Bridge near Machynlleth which forms part of the Welsh government's commitment to improving transport links between north and south Wales. An allocation of £0.05m has been allocated in respect of Hafren Theatre signage, which also formed part of the Agreement.

## 4. Welsh Government Budget Proposals

### Wales DEL Budget

**4.1** Devolved expenditure in Wales for 2016-17 comprises the Wales Departmental Expenditure Limit (DEL) £15.1bn and Annually Managed Expenditure (AME) of £1.5bn.

**4.2** Table 4.1 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.

**Table 4.1 – Allocation of the Wales DEL Budget**

<b>MAIN EXPENDITURE GROUPS (MEGs)</b>		<b>£000s</b>
		<b>2016-17</b>
<b>Departmental Expenditure Limits (DEL)</b>		
Health and Social Services		6,984,269
Local Government		3,367,323
Communities and Tackling Poverty		677,323
Economy, Science and Transport		938,747
Education and Skills		1,746,578
Natural Resources		366,575
Central Services and Administration		311,897
<b>Total Allocation to Welsh Government MEGs</b>		<b>14,392,712</b>
Resource Reserves	Fiscal Resource DEL	221,017
	Non-Fiscal Resource DEL	209,871
Capital Reserves		293,747
Assembly Commission		54,438
Auditor General for Wales		4,339
Public Services Ombudsman for Wales		6,928
Direct Charges to the Welsh Consolidated Fund		707
<b>Total Expenditure within the Wales DEL Budget</b>		<b>15,183,759</b>

**4.3** The largest element of the Wales DEL is the funding allocated to Welsh Government MEGs, which in the Draft Budget 2016-17 comprises £13.2bn of Resource and £1.2bn of Capital.

**Table 4.2 – Allocation of the Welsh Government’s Fiscal Resource DEL Budgets**

MAIN EXPENDITURE GROUPS (MEGs)	£000s		2016-17 Plans
	2015-16 Baseline	Changes	
Health and Social Services	6,316,592	244,646	6,561,238
Local Government	3,431,780	-87,777	3,344,003
Communities and Tackling Poverty	336,614	-3,022	333,592
Economy, Science and Transport	496,297	-25,341	470,956
Education and Skills	1,472,678	1,201	1,473,879
Natural Resources	290,743	-16,323	274,420
Central Services and Administration	276,793	7,584	284,377
<b>Total Allocation to Welsh Government MEGs</b>	<b>12,621,497</b>	<b>120,968</b>	<b>12,742,465</b>

**Table 4.3 – Allocation of the Welsh Government’s Non Fiscal Resource DEL Budgets**

MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2015-16 Baseline	Changes	2016-17 Plans
Health and Social Services	170,000	0	170,000
Local Government	407	-7	400
Communities and Tackling Poverty	0	0	0
Economy, Science and Transport	116,677	0	116,677
Education and Skills	106,931	0	106,931
Natural Resources	3,340	0	3,340
Central Services and Administration	16,000	0	16,000
<b>Total Allocation to Welsh Government MEGs</b>	<b>413,355</b>	<b>-7</b>	<b>413,348</b>

**Table 4.4 – Allocation of the Welsh Government’s Capital DEL Budgets**

MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2015-16 Baseline	Changes	2016-17 Plans
Health and Social Services	219,550	33,481	253,031
Local Government	22,920	0	22,920
Communities and Tackling Poverty	275,420	68,311	343,731
Economy, Science and Transport	271,700	79,414	351,114
Education and Skills	143,834	21,934	165,768
Natural Resources	63,180	25,635	88,815
Central Services and Administration	9,935	1,585	11,520
<b>Total Allocation to Welsh Government MEGs</b>	<b>1,006,539</b>	<b>230,360</b>	<b>1,236,899</b>

## Reserves

- 4.4 In this Draft Budget, our Fiscal Resource Reserves for 2016-17 are set at 1.7 per cent of the Fiscal Resource DEL. Our Capital Reserves for 2016-17 are set at 19.2 per cent of the Capital DEL.

## Annually Managed Expenditure

- 4.5 Table 4.5 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 E – the Glossary.

**Table 4.5 – Welsh Government AME Budget**

MAIN EXPENDITURE GROUPS (MEGs)	£000s	
	2016-17	
	Resource	Capital
Health and Social Services	135,400	0
Local Government	1,001,593	0
Communities and Tackling Poverty	0	0
Economy, Science & Transport	37,967	0
Education and Skills	-79,376	449,575
Natural Resources	2,900	0
Central Services and Administration	2,652	0
<b>Total Welsh Government AME Budget</b>	<b>1,101,136</b>	<b>449,575</b>
Assembly Commission	1,500	0
Public Services Ombudsman for Wales	-249	0
<b>Total Welsh AME Budget</b>	<b>1,102,387</b>	<b>449,575</b>

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

**Table 5.1 - Health and Social Services**

	<b>£000s</b>
<b>DEL</b>	<b>2016-17</b>
Resource	6,731,238
Capital	253,031
<b>AME</b>	
Resource	135,400
Capital	0
<b>Total Managed Expenditure</b>	<b>7,119,669</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs and NHS bodies	-235,400
Supported Borrowing	-3,602
National Insurance Fund Receipts (and collection costs)	-1,082,470
<b>Resources requested</b>	<b>5,798,197</b>

**Table 5.2 - Local Government**

	<b>£000s</b>
<b>DEL</b>	<b>2016-17</b>
Resource	3,344,403
Capital	22,920
<b>AME</b>	
Resource	1,001,593
Capital	0
<b>Total Managed Expenditure</b>	<b>4,368,916</b>
<b>Reconciliation to Resources</b>	
National Non Domestic Rates payable (and collection costs)	-982,172
Resource Consumption of WGSBs	-400
<b>Resources requested</b>	<b>3,386,344</b>

**Table 5.3 - Communities and Tackling Poverty**

	<b>£000s</b>
<b>DEL</b>	<b>2016-17</b>
Resource	333,592
Capital	343,731
<b>AME</b>	
Resource	0
Capital	0
<b>Total Managed Expenditure</b>	<b>677,323</b>
<b>Reconciliation to Resources</b>	
Supported Borrowing	-31,340
<b>Resources requested</b>	<b>645,983</b>

**Table 5.4 - Economy, Science and Transport**

	<b>£000s</b>
<b>DEL</b>	<b>2016-17</b>
Resource	587,633
Capital	351,114
<b>AME</b>	
Resource	37,967
Capital	0
<b>Total Managed Expenditure</b>	<b>976,714</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-6,281
Supported Borrowing	-10,336
Direct Charges on the Welsh Consolidated Fund	-1,655
PFI	-8,244
<b>Resources requested</b>	<b>950,198</b>

**Table 5.5 - Education and Skills**

	<b>£000s</b>
<b>DEL</b>	<b>2016-17</b>
Resource	1,580,810
Capital	165,768
<b>AME</b>	
Resource	-79,376
Capital	449,575
<b>Total Managed Expenditure</b>	<b>2,116,777</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-6,082
Supported Borrowing	-33,781
<b>Resources requested</b>	<b>2,076,914</b>

**Table 5.6 - Natural Resource**

	<b>£000s</b>
<b>DEL</b>	<b>2016-17</b>
Resource	277,760
Capital	88,815
<b>AME</b>	
Resource	2,900
Capital	0
<b>Total Managed Expenditure</b>	<b>369,475</b>
<b>Reconciliation to Resources</b>	
Resource Consumption of WGSBs	-5,990
Supported Borrowing	-9,741
<b>Resources requested</b>	<b>353,744</b>

**Table 5.7 - Central Services and Administration**

	<b>£000s</b>
<b>DEL</b>	<b>2016-17</b>
Resource	300,377
Capital	11,520
<b>AME</b>	
Resource	2,652
Capital	0
<b>Total Managed Expenditure</b>	<b>314,549</b>
<b>Reconciliation to Resources</b>	
<b>Resources requested</b>	<b>314,549</b>

## Annex B - Year on Year Changes

Table 6.1 – Resource DEL

	£000s			
	2015-16	2016-17		
	Supplementary Budget June 2015	Draft Budget Plans	Year on Year % Change	Year on Year % Change (Real)
<b>Resource DEL Budget</b>				
Health and Social Services	6,472,279	6,731,238	4.0%	2.3%
Local Government	3,430,187	3,344,403	-2.5%	-4.1%
Communities and Tackling Poverty	341,514	333,592	-2.3%	-4.0%
Economy, Science and Transport	628,474	587,633	-6.5%	-8.1%
Education and Skills	1,589,009	1,580,810	-0.5%	-2.2%
Natural Resources	288,558	277,760	-3.7%	-5.4%
Central Services and Administration	311,477	300,377	-3.6%	-5.2%
<b>Total Welsh Government MEG Allocations</b>	<b>13,061,498</b>	<b>13,155,813</b>	<b>0.7%</b>	<b>-1.0%</b>

**Table 6.2 – Capital DEL**

	£000s			
	2015-16	2016-17		
	Supplementary Budget June 2015	Draft Budget Plans	Year on Year % Change	Year on Year % Change (Real)
<b>Capital DEL Budget</b>				
Health and Social Services	234,550	253,031	7.9%	6.1%
Local Government	22,920	22,920	0.0%	-1.7%
Communities and Tackling Poverty	395,420	343,731	-13.1%	-14.5%
Economy, Science and Transport	486,200	351,114	-27.8%	-29.0%
Education and Skills	173,834	165,768	-4.6%	-6.2%
Natural Resources	115,680	88,815	-23.2%	-24.5%
Central Services and Administration	11,435	11,520	0.7%	-0.9%
<b>Total Welsh Government MEG Allocations</b>	<b>1,440,039</b>	<b>1,236,899</b>	<b>-14.1%</b>	<b>-15.5%</b>

**Table 6.3 – Resource AME**

	£000s			
	2015-16	2016-17		
	Supplementary Budget June 2015	Draft Budget Plans	Year on Year % Change	Year on Year % Change (Real)
<b>Resource AME Budget</b>				
Health and Social Services	195,400	135,400	-30.7%	-31.9%
Local Government	980,593	1,001,593	2.1%	0.4%
Communities and Tackling Poverty	0	0	0.0%	0.0%
Economy, Science and Transport	75,331	37,967	-49.6%	-50.4%
Education and Skills	-82,444	-79,376	-3.7%	-5.3%
Natural Resources	2,900	2,900	0.0%	-1.7%
Central Services and Administration	9,494	2,652	-72.1%	-72.5%
<b>Total Welsh Government AME</b>	<b>1,181,274</b>	<b>1,101,136</b>	<b>-6.8%</b>	<b>-8.3%</b>

**Table 6.4 – Capital AME**

	£000s			
	2015-16	2016-17		
	Supplementary Budget June 2015	Draft Budget Plans	Year on Year % Change	Year on Year % Change (Real)
<b>Capital AME Budget</b>				
Health and Social Services	0	0	0.0%	0.0%
Local Government	0	0	0.0%	0.0%
Communities and Tackling Poverty	0	0	0.0%	0.0%
Economy, Science and Transport	0	0	0.0%	0.0%
Education and Skills	421,248	449,575	6.7%	4.9%
Natural Resources	0	0	0.0%	0.0%
Central Services and Administration	0	0	0.0%	0.0%
<b>Total Welsh Government AME</b>	<b>421,248</b>	<b>449,575</b>	<b>6.7%</b>	<b>4.9%</b>

## Annex C - Reconciliation between First Supplementary Budget 2015-16 Allocations and 2016-17 Baselines

### Table 7.1 Health and Social Services

<u>DEL</u>	£000s
<b><u>Resource</u></b>	
<b>First Supplementary Budget 2015-16</b>	<b>6,472,279</b>
<b>Adjustments to remove non-recurrent transfers to or from Reserves</b>	
Add back: Non-recurrent transfer out to Department for Work and Pensions in respect of Independent Living Fund	6,600
Deduct: Non-recurrent transfer in from Home Office in respect of Migrant Surcharge	-5,900
<b>Adjustment in respect of Invest to Save Fund</b>	
Add back: Net repayment to Invest to Save Fund reflected in First Supplementary Budget 2015-16	13,613
<b>Baseline for 2016-17</b>	<b>6,486,592</b>
<b><u>Capital</u></b>	
First Supplementary Budget 2015-16	<b>234,550</b>
<b>Adjustments to remove non-recurrent allocations from Reserves</b>	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>Development of Adult Mental Health Unit - University Hospital Llandough</i>	<i>-10,000</i>
<i>Ysbyty Glan Clwyd redevelopment</i>	<i><u>- 5,000</u></i>
	-15,000
<b>Baseline for 2016-17</b>	<b>219,550</b>

**Table 7.2 Local Government**

<b><u>DEL</u></b>	<b>£000s</b>
<b><u>Resource</u></b>	
<b>First Supplementary Budget 2015-16</b>	<b>3,430,187</b>
<b>Adjustment to reflect prior commitment</b>	
Add: 2016-17 uplift to Local Government Borrowing Initiative - 21st Century Schools	2,000
<b>Baseline for 2016-17</b>	<b>3,432,187</b>
<b><u>Capital</u></b>	
<b>First Supplementary Budget 2015-16</b>	<b>22,920</b>
<b>Adjustments to remove non-recurrent allocations from Reserves</b>	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	0
<b>Baseline for 2016-17</b>	<b>22,920</b>

**Table 7.3 Communities and Tackling Poverty**

<b>DEL</b>	<b>£000s</b>
<b>Resource</b>	
<b>First Supplementary Budget 2015-16</b>	<b>341,514</b>
<b>Adjustment to remove non-recurrent transfers to or from Reserves</b>	
Deduct: Non-recurrent allocation from Reserves to support implementation of the Housing Bill.	-4900
<b>Baseline for 2016-17</b>	<b>336,614</b>
<b>Capital</b>	
<b>First Supplementary Budget 2015-16</b>	<b>395,420</b>
<b>Adjustments to remove non-recurrent allocations from Reserves</b>	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>Affordable Housing Land Scheme</i>	-12,000
<i>Flying Start</i>	- 2,000
<i>Gypsy Traveller Sites programme</i>	- 2,000
<i>Help to Buy Cymru Shared Equity Scheme</i>	-71,000
<i>Home Improvement Loans</i>	- 3,000
<i>Houses into Homes</i>	-10,000
<i>Social Housing Grant</i>	-15,000
<i>Town Centre Loan Fund (pilot)</i>	- 5,000
	-120,000
<b>Baseline for 2016-17</b>	<b>275,420</b>

**Table 7.4 Economy, Science and Transport**

<b>DEL</b>	<b>£000s</b>
<b>Resource</b>	
<b>First Supplementary Budget 2015-16</b>	<b>628,474</b>
<b>Adjustments to remove non-recurrent transfers to or from Reserves</b>	
Deduct:	
Allocation to support the 2015-16 Wales Retail Relief Scheme	-15,000
Allocation to support the Enterprise Zone Business Rate Scheme in 2015-16	-1,500
<b>Adjustment in respect of Invest to Save Fund</b>	
Add back: Net repayment to Invest to Save Fund reflected in First Supplementary Budget 2015-16	1,000
<b>Baseline for 2016-17</b>	<b>612,974</b>
<b>Capital</b>	
<b>First Supplementary Budget 2015-16</b>	<b>486,200</b>
<b>Adjustments to remove non-recurrent allocations from Reserves</b>	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>A465 Heads of the Valley Dualling - Section 2</i>	<i>-40,000</i>
<i>A55 Tunnels Route Resilience and Life Safety Improvements</i>	<i>-12,000</i>
<i>Cardiff Airport Route Development</i>	<i>- 3,000</i>
<i>Eastern Bay Link Road</i>	<i>-30,000</i>
<i>Ebbw Vale town centre rail extension and station scheme</i>	<i>- 2,000</i>
<i>Finance Wales Investment Funds for SMEs</i>	<i>-27,500</i>
<i>Life Sciences Fund</i>	<i>-15,000</i>
<i>M4 Brynglas Tunnels Carriageway Reconstruction, Safety and Resilience</i>	<i>-30,000</i>
<i>Next Generation Broadband</i>	<i>-10,000</i>
<i>North Wales Transport scheme</i>	<i>-10,000</i>
<i>South Wales Integrated Transport</i>	<i>-29,800</i>
<i>National Library of Wales</i>	<i>- 200</i>
<i>Capital Loan Scheme for Sport and Leisure Facilities</i>	<i>- 5,000</i>
	<b>-214,500</b>
<b>Baseline for 2016-17</b>	<b>271,700</b>

**Table 7.5 Education and Skills**

<u>DEL</u>	<b>£000s</b>
<b>Resource</b>	
<b>First Supplementary Budget 2015-16</b>	<b>1,589,009</b>
<b>Adjustment to remove non-recurrent transfers to or from Reserves</b>	
Deduct: One year allocation to recognise pressures on the Education and Skills MEG in 2015-16	-8,400
<b>Adjustment to reflect prior commitment</b>	
Deduct: Increase in Education and Skills contribution to Local Government Borrowing Initiative - 21st Century Schools	-1,000
<b>Baseline for 2016-17</b>	<b>1,579,609</b>
<b>Capital</b>	
<b>First Supplementary Budget 2015-16</b>	<b>173,834</b>
<b>Adjustments to remove non-recurrent allocations from Reserves</b>	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>21st Century Schools (Local Government Borrowing Initiative)</i>	<u>-30,000</u>
	-30,000
<b>Baseline for 2016-17</b>	<b>143,834</b>

**Table 7.6 Natural Resources**

<u>DEL</u>	<b>£000s</b>
<b>Resource</b>	
<b>First Supplementary Budget 2015-16</b>	<b>288,558</b>
<b>Adjustment to reflect Machinery of Government change</b>	
Add: UK Government transfer in respect of British Cattle Movement Society	1,512
<b>Adjustment in respect of Invest to Save Fund</b>	
Add back: Net repayment to Invest to Save Fund reflected in First Supplementary Budget 2015-16	4,013
<b>Baseline for 2016-17</b>	<b>294,083</b>
<b>Capital</b>	
<b>First Supplementary Budget 2015-16</b>	<b>115,680</b>
<b>Adjustments to remove non-recurrent allocations from Reserves</b>	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>Green Growth Fund</i> - 5,000	
<i>Arbed Eco</i> -35,000	
<i>Flood and Coastal Risk Management Programme</i> <u>-12,500</u>	
	-52,500
<b>Baseline for 2016-17</b>	<b>63,180</b>

**Table 7.7 Central Services and Administration**

<b>DEL</b>	<b>£000s</b>
<b>Resource</b>	
<b>First Supplementary Budget 2015-16</b>	<b>311,477</b>
<b>Adjustment to remove non-recurrent transfers to or from Reserves</b>	
Deduct: Non-recurrent transfer from Ministry of Justice in respect of Administrative Justice Tribunal Council	-58
<b>Adjustment in respect of Invest to Save Fund</b>	
Deduct: Invest to Save budget in 2015-16 NB The value of the Fund varies in each year according to the profiled repayments from previous projects and does not form part of the core Central Services and Administration budget.	-18,626
<b>Baseline for 2016-17</b>	<b>292,793</b>
<b>Capital</b>	
<b>First Supplementary Budget 2015-16</b>	<b>11,435</b>
<b>Adjustments to remove non-recurrent allocations from Reserves</b>	
Deduct non-recurrent allocations in respect of the Wales Infrastructure Investment Plan:	
<i>e-Procurement Services Programme</i>	
	<u>- 1,500</u>
	-1,500
<b>Baseline for 2016-17</b>	<b>9,935</b>

## Annex D - Costs of Legislation in 2016-17

MEG	Title of Act or Bill		Budget Action Title	Costs for Welsh Government in 2016-17 At Published RIA Stage or Enactment
	Bill Introduced into Assembly and RIA Published	Enacted		
Health and Social Services		Human Transplantation (Wales) Act 2013	Delivery of Targeted NHS Services	£617,000
Health and Social Services		Social Service and Well-being (Wales) Act 2014	Social Services Strategy	£4.3m
Health and Social Services		NHS Finance (Wales) Act 2014	Delivery of Core NHS Services	£25,000
Health and Social Services	Public Health (Wales) Bill		Promote Health Improvement & Healthy Working	£720,000
Health and Social Services	Regulation and Inspection of Social Care (Wales) Bill		Social Services Strategy	£1.471m
Local Govt		Well-being of Future Generations (Wales) Act 2013	Funding Support for Local Government Action	£2,500

<b>Local Govt</b>		Local Government (Wales) Act 2015	Funding Support for Local Government Action	£125,000
<b>Local Govt</b>		Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	Domestic Abuse Action	£468,700
<b>Communities and Tackling Poverty</b>		Housing (Wales) Act 2014	Independent Living Action	£10,000
			Homelessness Prevention Action	£3.2m
			Communities and Tackling Poverty Action	£1.54m
			Achieve Quality Housing Action	£15,000
			Housing Revenue Funding Action	£15,000
<b>Communities and Tackling Poverty</b>	Renting Homes (Wales) Bill		Independent Living Action	£140,000
<b>Economy, Science and Transport</b>	Historic Environment (Wales) Bill		Improve protection of the Historic Environment	£230,000
<b>Economy, Science and Transport</b>		Active Travel (Wales) Act 2013	Providing funding to local authorities to carry out mapping duties	£200,000
<b>Education and Skills</b>		Qualifications Wales Act 2015	Qualifications Action	£8.169m

<b>Natural Resources</b>		Agricultural Sector (Wales) Act 2014	Enforcement of the Act and establishment and operation of the Agricultural Advisory Panel for Wales	£163,000
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## Annex E – Glossary

<b>Action</b>	<p>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:</p> <p><a href="http://www.wales.gov.uk/budget">www.wales.gov.uk/budget</a></p>
<b>Ambits</b>	<p>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.</p>
<b>Annually Managed Expenditure (AME)</b>	<p>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.</p>
<b>Budget Exchange System</b>	<p>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.</p>
<b>Budget Motion</b>	<p>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.</p>
<b>Capital</b>	<p>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.</p>
<b>Departmental Expenditure Limit (DEL)</b>	<p>The multi-year budget limit for the Welsh Government set by the HM Treasury. DEL is planned and controlled on a three year basis in Spending Reviews.</p>
<b>Depreciation</b>	<p>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.</p>

<b>Direct Charges on the Welsh Consolidated Fund</b>	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.
<b>Financial Transactions</b>	Financial transactions are not traditional capital grants and can only be used for loans and equity purposes. A proportion of the funding also has to be repaid to the Exchequer.
<b>Fiscal Resource DEL (previously known as near-cash)</b>	Accruals measures of transactions that normally turn into cash flows soon, for example, pay, current procurement, resource grants and subsidies.
<b>Main Expenditure Group (MEG)</b>	The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently 7 MEGs: Health and Social Services; Local Government; Communities and Tackling Poverty; Economy, Science and Transport; Education and Skills; Natural Resources; and Central Services and Administration.
<b>Non-Fiscal Resource DEL (previously known as non-cash)</b>	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.
<b>Receipts</b>	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.
<b>Resource budgeting</b>	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.
<b>Resource (previously known as revenue)</b>	Current expenditure, for example, funding for the pay of public sector workers and to purchase consumable goods and services.

<b>Spending Programme Area (SPA)</b>	Within each MEG, budgets are allocated to Spending Programme Areas according to the kind of services they will deliver.
<b>Spending Review</b>	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.
<b>Total Managed Expenditure (TME)</b>	The total Departmental Expenditure Limit plus Annually Managed Expenditure.
<b>Welsh Consolidated Fund</b>	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.
<b>WGSB</b>	Welsh Government Sponsored Body.