

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref SF/JH/3317/14

Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales
Cardiff
CF99 1NA

16 October 2014

Dear Jocelyn,

Following my appearance at Finance Committee on 2 October, I agreed to provide further information on a number of areas. However, before I address the specific action points, I thought it would be helpful to provide further information with regards the presentation of Budget information and the rationale for making comparisons against previously published plans.

Budget Presentation

As I highlighted at Committee, we publish spending plans for the years for which we have a settlement from the UK Government in order to provide our delivery partners with a degree of certainty on which to plan. However, the figures are indicative and subject to change, not least because our overall budget is subject to changes. For this reason, an important element of the presentation of the annual budget is highlighting where indicative budgets have changed and where partners' delivery plans need to change accordingly.

For example, since last December, local authorities have been planning on the basis that their indicative budget for 2015-16 would be £72m lower than their budget in 2014-15. In the Draft Budget 2015-16, we announced that the actual budget in 2015-16 would be £82.8m lower than previous plans. That is a total change of £154m between years, but only £82.8m reflects 'new' reductions. Similarly on health, our indicative plans for 2015-16 set out in the Draft Budget 2014-15, include an increase to the Health and Social Services MEG of £72m in Fiscal Resource between 2014-15 and 2015-16. Based on the uplift we announced on 30 September of £200m in 2014-15 and £225m in 2015-16, the total MEG now grows by £106m between the two years. However, to quote that figure would not reflect the totality of the decisions that have been made and the impact that this will have on services.

As the Committee will be aware, the presentation of budget information has been a recurring theme during the scrutiny of the Draft Budget in recent years and as I highlighted during last week's debate on the Best Budget Practice inquiry, the Government has remained committed to improving our approach to budgets and to the presentation of budget information. In this context, we have had a number of useful discussions in Committee on this topic and the Government has looked to take on board the concerns and views expressed, particularly in respect of year on year changes to budgets. This information has always been available through the Action Tables but, to aid scrutiny and as part of our commitment to transparency, we have also provided Spending Programme Areas (SPA) level information in the Budget Narrative. In the Draft Budget 2015-16, this information is provided at Annex B and sets out the year on year comparison both in cash terms and real terms. I know that this is a step the Committee has welcomed.

In my response to the Finance Committee on the Best Budget Practice inquiry, I also highlighted the challenges we face in balancing the needs and requirements of our various partners and stakeholders. For this reason, we continue to provide a wide range of information that allows different users the flexibility to undertake the calculations that matter to them. This is the context in which I look to determine how we can most accurately present the decisions that we have to take, in line with our commitment to openness and transparency.

Social Services Funding

Turning now to the specific action points raised in Committee, we discussed the arrangements for the additional funding of £10m, which we have allocated in 2015-16 to the Local Government MEG in recognition of the pressures and demands on social services. The Committee was particularly interested in how this funding will be allocated and how it will be monitored.

The funding will be distributed to Local Authorities through the Local Government Settlement. As we discussed, the Settlement is unencumbered and it is for Local Authorities to determine spending priorities. Given this, it is not possible to ring fence any element of the Settlement. However, as I indicated in Committee, it is possible to set out explicitly where funding has been added to the Settlement for a specific purpose and to then work with Local Authorities to ensure this funding is directed towards Welsh Government priorities.

The additional £10m has been added to the Personal Social Services (PSS) sector within the Settlement and will, therefore, be distributed on the most appropriate indicators of need, given the intended purpose of this additional funding.

This is the approach we have taken when providing funding for schools budgets at 1% above the Wales DEL, and we have monitored schools spending through dedicated annual returns. In terms of the monitoring arrangements for the additional funding for social services, expenditure will be monitored through the existing annual budget returns completed by Authorities.

Skills Gateway

I also offered to provide the Committee with further information on the development of the Skills Gateway.

The Skills Gateway will provide a single engagement, assessment and referral system, providing a seamless service for businesses and individuals seeking skills

support in Wales. The essence of the Skills Gateway is to assist clients (businesses and individuals) in determining need and to ensure they know how to access the right support to meet that need.

In terms of the service for individuals, the Welsh Government is in the process of agreeing contracts with Careers Wales. The value of this contract is £12m over six years, which will support up to 54,000 unemployed adults over the age of 25 in Wales. As I mentioned in Committee, of the £12m highlighted above, we have allocated £2.37m in 2015-16 within the Employment and Skills Action in the Education and Skills MEG, which is in addition to the core funding provided for Careers Wales.

The service for businesses will provide an online Skills Assessment Tool through the established Business Wales website and an integrated telephone helpline service to help businesses address skill gaps, including signposting businesses to the most suitable provision available. The Welsh Government will provide £5m for the operation and development of the programme over six years from this month, including approximately £0.75m which is also reflected in our spending plans for 2015-16 within the Employment and Skills Action.

The Deputy Minister for Skills is due to launch the Skills Gateway later this year.

Invest-to-Save

The Committee also requested further information on the projects supported through the Invest-to-Save Fund and I have provided further details at Annex A on the transactions which have been made by the Fund since its introduction in 2009.

The Committee also requested details of the savings generated by individual projects funded through the Invest-to-Save Fund. As I have previously indicated, our approach to assess the impact of projects is through evaluation rather than crude measures of savings and the Committee will be aware of the recent independent research on the Invest-to-Save Fund. Part of this research was the in-depth analysis of a number of Invest-to-Save projects. The table at Annex B lists the projects which were reviewed as part of the research and the savings associated with each project.

The full detail of these case studies can be found at:

<http://wales.gov.uk/statistics-and-research/invest-save-fund/?lang=en>

Pupil Deprivation Grant

We also discussed the additional funding we have allocated to support the Pupil Deprivation Grant (PDG) in 2015-16 and 2016-17 as part of the Budget Agreement and the ongoing evaluation of the PDG, which is being undertaken by Ipsos Mori and WISERD. The evaluation is considering how the PDG is being interpreted and implemented, and what impact it is having on pupil performance and school practice. The evaluation incorporates three main elements: a survey of 201 schools completed in spring 2014; in-depth case studies among 22 schools; and an in-depth analysis of pupil attainment and absence data from the National Pupil Database. The report is due to be published on 22 October.

Stamp Duty Land Tax

Finally, we discussed the devolution of Stamp Duty Land Tax (SDLT), which will take place in April 2018. I am committed to consulting fully and openly on the potential options for replacing SDLT in Wales with a tax that is in line with Welsh priorities and circumstances. I will be launching a consultation on this in Spring next year, and I want the Finance Committee to be fully engaged in the process. At that time, I would be happy to attend the Committee to give evidence on our policy thinking, and for my officials to provide technical briefings as appropriate.

I hope this response is helpful.

*Best wishes,
Jane*

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Annex A – Invest-to-Save Projects and Transactions (since 2009)

In presenting this information, these are a couple of points to highlight:

- each project has its own unique features which dictate the profile of investment and repayment; and
- the initial profile of repayments is set with due regard to the savings which the project is expected to generate. Repayment profiles are sometimes adjusted: repayments can be brought forward or delayed, depending for example upon the progress which the project is making. However, there is no detriment to repayment and our recovery record to date stands at 100% of the investments made.

Table 1. Total Investments and Repayments

	£000s								
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Future Years	Total
Investments	8,140	20,074	11,937	19,024	20,198	19,329	3,106	1,050	102,858
Repayments		-668	-8,440	-8,507	-16,661	-14,646	-22,060	-31,877	-102,859

Table 2. Round I: Tranche 1 Projects (August 2009)

Project	Organisation	£000s								
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total Out	Total In
CCTV Collaborative Working	Conwy CBC	805							805	
						-805				-805
Introduction of e-procurement	Merthyr Tydfil CBC	217							217	
						-102	-115			-217
Transactional WEB development	Newport City Council	450							450	
				-90	-90	-270				-450
One Newport Information Station	Newport City Council	700							700	
						-200	-200	-300		-700
Land & property assets	City of Cardiff	252							252	
					-52	-100	-100			-252
Improving Your Space	Bridgend CBC	1,408							1,408	
				-939	-469					-1,408
Convalescence Beds	Carmarthenshire CC	200							200	
					-200					-200
Patient Services Restructuring	Powys Teaching Local Health Board	60							60	
				-60						-60
Acute Response Team (ART)	Hywel Dda UHB	92	1,020						1,112	
				-1,112						-1,112
Electronic Web Expenses	North Wales Business Support	62							62	
			-62							-62

	Partnership									
All-Wales Public Sector Broadband Aggregation (PSBA)	Welsh Government	50	600	100					750	
					-300	-450				-750
NHS Welsh Analytical Prescribing Support Unit (WAPSU)	Welsh Government	82	270						352	
				-352						-352
Non-Emergency Patient Transport	Welsh Government	100	170	30					300	
			-10	-45	-75	-130	-40			-300
5-Year Service & Financial Plan	Welsh Government	500							500	
			-500							-500
Total Round I: Tranche 1 Projects	Investments	4,978	2,060	130					7,168	
	Repayments		-572	-2,598	-1,186	-2,057	-455	-300		-7,168

Table 3. Round I: Tranche 2 Projects (December 2009)

Project	Organisation	£000s								
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total Out	Total In
i-zone, one-stop-shop for students	Cardiff Metropolitan University	719							719	
			-96	-183	-218	-222				-719
Wrexham Energy Efficiency and Carbon Reduction	Wrexham CBC	930							930	
				-70	-215	-215	-215	-215		-930
School Modernisation Programme	Powys CC	155							155	
						-55	-100			-155
Agile Working	Flintshire CC	263							263	
				-131	-131					-263
Paperless Powys	Powys CC	375							375	
					-188	-188				-375
Fostering Spend to Save Strategy	Neath Port Talbot CBC	388							388	
				-129	-129	-130				-388
Lean Systems Review of Children and Young People's Assessment	Neath Port Talbot CBC	334							334	
				-111	-111	-112				-334
Total Round I: Tranche 2 projects	Investments	3,162							3,162	
	Repayments		-96	-624	-992	-920	-315	-215		-3,162

Table 4. Round II: Tranche 1 Projects (February 2010)

Project	Organisation	£000s					
		2010-11	2011-12	2012-13	2013-14	Total Out	Total In
Reconfiguration of Molecular Pathology Services	Cardiff and Vale UHB	126				126	
				-75	-51		-126
NHS All-Wales Collaborative Procurement programme to acquire adult mental health services	Abertawe Bro Morgannwg UHB	300				300	
			-100	-100	-100		-300
Electronic Medicines Management	Informing Healthcare	500				500	
			-500				-500
Total Round II: Tranche 1 projects	Investments	926				926	
	Repayments		-600	-175	-151		-926

Table 5. Round II: Tranche 2 Projects (May 2010)

Project	Organisation	£000s								
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Future Years	Total Out	Total In
Voluntary Early Release	Abertawe Bro Morgannwg UHB	3,000							3,000	
				-1,500	-1,500					-3,000
Critical Alarm Monitoring	Bridgend CBC	225							225	
			-113	-112						-225
Implementation of service line reporting (SLR) systems within NHS to promote improved benchmarking of costs for front line services.	Cwm Taff UHB	600							600	
			-300	-300						-600
Establishing a dedicated Long-term Ventilation Transitional Care Service	Cardiff and Vale UHB	118							118	
				-118						-118
Accelerating the benefits of PSBA	Welsh Government	4,000							4,000	
			-1100	-1250	-1250	-400				-4,000
Cardiff & Vale UHB - mobile working	Cardiff and Vale UHB	343							343	
			-100	-243						-343

Hywel Dda HB - Mental Health Rehabilitation & Recovery Reconfiguration	Hywel Dda UHB	564							564	
										-564
All Wales Enhanced Recovery 1000 lives Collaborative Programme	National Leadership and Innovation Agency for Healthcare	348	221						569	
										-569
Gwent Frailty	Caerphilly CBC and Aneurin Bevan UHB	375							375	
										-375
		2,400	2,250	1,289	750				6,689	
					-1,000	-1,500	-1,500	-2,689		-6,689
Total Round II: Tranche 2 projects	Investments	11,973	2,471	1,289	750				16,483	
	Repayments		-1,613	-4,678	-3,966	-2,037	-1,500	-2,689		-16,483

Table 6. Round III Projects (November 2010)

Project	Organisation	£000s					
		2010-11	2011-12	2012-13	2013-14	Total Out	Total In
North Wales Regional Telecare Call Monitoring Service	Conwy CCBC	300				300	
			-150	-150			-300
Shared Services Arrangements for NHS Wales	Welsh Government	250				250	
				-250			-250
Wrap Around Care Provision	Wrexham CBC	106				106	
			-53	-53			-106
eTrading implementation	Welsh Government						
Mental Health CHC Placement Repatriation	Welsh Government	169				169	
				-169			-169
Connectivity for Gwent (PSBA)	Aneurin Bevan UHB	4,160				4,160	
			-2,802	-679	-679		-4,160
Non Emergency Patient Transport - 4th Pilot	Welsh Ambulance Service NHS Trust	130				130	
				-130			-130
Total Round III projects	Investments	5115				5,115	
	Repayments		-3,005	-1,431	-679		-5,115

Table 7. Round IV Projects (May 2011)

Project	Organisation	£000s							
		2011-12	2012-13	2013-14	2014-15	2015-16	Future Years	Total Out	Total In
PSBA Connectivity Tranche 3 for North Wales	PSBA and Flintshire County Council	2,000	1,000					3,000	
				-500	-500	-500	-1,500		-3,000
National Asset Working Group - Cardiff Local Service Board	City of Cardiff	34						34	
					-34				-34
National Asset Working Group - Blaenau Gwent County Borough Council	Blaenau Gwent CBC	82						82	
				-82					-82
National Asset Working Group - University Hospital Wales	University Hospital Wales	41						41	
			-14	-14	-13				-41
National Asset Working Group - Powys County Council	Powys CC	30						30	
				-30					-30
Integrated electronic NHS Web Expenses System	NHS Wales Shared Services Partnership	73	52					125	
			-31	-94					-125
Digital Dictation / Speech Recognition	Betsi Cadwaladr UHB	40	268	211				519	
				-200	-319				-519
"Greening the Garden" - PV Solar installation	National Botanical	90						90	

	Garden of Wales			-20	-20	-20	-30		-90
PSBA Connectivity (Remaining Organisations)	Public Sector Broadband Aggregation	2,000						2,000	
				-500	-500	-500	-500		-2,000
Total Round IV Projects	Investments	4,390	1,320	211				5,921	
	Repayments		-45	-1,440	-1,386	1,020	-2,030		-5,922

Table 8. Round V Projects (November 2011)

Project	Organisation	£000s							
		2011-12	2012-13	2013-14	2014-15	2015-16	Future Years	Total Out	Total In
Re-thinking Environmental Management in Wales	Welsh Government		2,549	476				3,025	
					-1,512	-1,513			-3,025
Workplace Transformation	Blaenau Gwent CBC		180	200				380	
					-200	-180			-380
Roll out Community Ward Model of Care	Hywel Dda UHB		2,270	440				2,710	
				-500	-900	-1,290	-20		-2,710
E-Rostering Implementation Including Medical Workforce	Hywel Dda UHB	69	186					255	
				-128	-127				-255
Voluntary Early Release Scheme (VERS) for NHS Wales	Welsh Government	4,877	1,523					6,400	
				-6400					-6,400
Total Round V Projects	Investments	4,946	6,708	1,116				12,770	
	Repayments			-7,028	-2,739	-2,983	-20		-12,770

Table 9. Round VI Projects (June 2012)

Project	Organisation	£000s					
		2012-13	2013-14	2014-15	2015-16	Total Out	Total In
"The Wyn Campaign"	Cardiff and Vale UHB	1,900	1,295			3,195	
					-3,195		-3,195
E-rostering	Aneurin Bevan UHB	240				240	
			-120	-120			-240
Medicines Management	Aneurin Bevan UHB	240	200			440	
				-440			-440
Integrated Whole System Intermediate Care Model	Cwm Taff UHB	500	1,080			1,580	
				-200	-1,380		-1,580
All-Wales contract for provision of Mental Health/ Learning Disabilities	NHS Wales Shared Services Partnership	300				300	
			-300				-300
Voluntary Early Release Scheme (VERS) for NHS Wales	Welsh Government	6,527				6,527	
				-6,527			-6,527
Total Round VI Projects	Investments	9,707	2,575			12,282	
	Repayments		-420	-7,287	-4,575		-12,282

Table 10. Round VII Projects (January 2013)

Project	Organisation	£000s					
		2013-14	2014-15	2015-16	Future Years	Total Out	Total In
Welsh National Procurement Service	Welsh Government	1,184	2,368	2,368		5,920	
					-5,920		-5,920
Implementing Health Roster Medics	Betsi Cadwaladr UHB	256				256	
				-256			-256
Flintshire Connects	Flintshire CC	698				698	
			-300	-398			-698
Implementation of RFID Tagging	Aneurin Bevan UHB	353				353	
			-80	-125	-148		-353
Natural Resources Wales VERS	Welsh Government	3,750				3,750	
				-2,500	-1,250		-3,750
NAWG - Collaboration and Modernisation of the County Farms Estate in Wales	Led by Powys County Council	45	45			90	
					-90		-90
Enhanced Care at home in North Wales	Betsi Cadwaladr UHB	882	1,021			1,903	
				-150	-1,753		-1,903
Digital Dictation	Hywel Dda UHB	246				246	
			-46	-120	-80		-246
Powys Asset Backed Vehicle	Powys CC	200	170			370	
					-370		-370
NHS VERs	NHS Wales	7,432				7,432	
				-7,432			-7,432
Total Round VII Projects	Investments	15,046	3,604	2,368		21,018	
	Repayments		-426	-10,981	-9,611		-21,018

Table 11. Round VIII Projects (April 2014)

Project	Organisation	£000s					
		2013-14	2014-15	2015-16	Future Years	Total Out	Total In
Property Asset Review - Challenging use to achieve efficiency	Vale of Glamorgan Council		50			50	
					-50		-50
Citizen Self Service Project	Wrexham CBC		200			200	
					-200		-200
Joint Emergency Control Centre, Bridgend - South Wales Fire & Rescue Service	South Wales Fire and Rescue Service	500	2,500			3,000	
					-3,000		-3,000
Exit Scheme for natural Resources Wales	Natural Resources Wales		3,000			3,000	
					-3,000		-3,000
Paperless Wrexham	Wrexham CBC		72			72	
				-18	-54		-72
Review of Staffing at Management Level	Sport Wales		197			197	
				-65	-132		-197
National Library Severance Package	National Library of Wales		500		1,000	1,500	
					-1,500		-1,500
ICT Business Modernisation Programme	CAFCASS Cymru		210			210	
					-210		-210
Digital Health Records	Aneurin Bevan UHB		700	300		1,000	
					-700		-1,000
LED Lighting for Children's Hospital	Cardiff and Vale UHB		250			250	
				-83	-167		-250
NHS Wales Sickness Absence	Abertawe Bro Morgannwg UHB		151		50	201	
					-201		-201
NHS Wales Sickness Absence	Cardiff and Vale UHB		75			75	

					-75		-75
NHS Wales Sickness Absence	Powys Teaching Health Board		24			24	
					-24		-24
NHS Wales Sickness Absence	Velindre NHS Trust		22			22	
					-22		-22
NHS Wales Sickness Absence	Wales Ambulance Service Trust		85			85	
					-85		-85
Electronic prescribing for hospital patients	Cardiff and Vale UHB		200	50		250	
				-100			-250
E-Rostering and E-Job Planning for Medical And Dental Staff	Cwm Taf UHB		131	98		229	
					-229		-229
Transitioning to Digital Records	Betsi Cadwaladr UHB		490	290		780	
					-780		-780
NHS Voluntary Early Release Scheme	Welsh Government on behalf of NHS Wales		5,748			5,748	
					-5,748		-5,748
Bed Frames and Mattress	Betsi Cadwaladr UHB		220			220	
				-220			-220
Development of Office Accommodation Strategy	Aneurin Bevan UHB		50			50	
					-50		-50
Development of the Acute Assessment Service	Cwm Taf UHB		350			350	
					-350		-350
Introduction of a Mental Health Liaison service for hospitals	Cwm Taf UHB		500			500	
					-500		-500
Total Round VIII Projects	Investments		500	15,725	738	1,788	18,013
	Repayments				-486	-17,527	-18,013

Annex B - Projects Reviewed as part of Independent Evaluation

Project	Invest-to-Save Investment	Evaluation Review Savings
Agile Working - Flintshire	£262k (plus £88k from Flintshire)	£460k per annum
Public Sector Broadband Aggregation	£4,000k	20% reduction in network connectivity costs £1,000k efficiency saving per annum
Mental Health Rehabilitation and Recovery Reconfiguration	£564k (plus £1,436k from Hywel Dda University Health Board, Ceredigion County Council, Carmarthenshire County Council and Pembrokeshire County Council)	£541k in the first year and projected to continue
One Newport Information Station	£700k	£580k per annum property savings and service delivery savings of £139k
Our Space Cardiff	£250k (plus £3,085k from City of Cardiff)	£400k per annum savings A target of £6,750k capital receipts
Paperless Powys	£375k (plus £125k from Powys County Council)	£5,400k over a five year period
NHS Voluntary Early Release Scheme	£17,000k (plus £13,000k from NHS Wales)	£33,000k savings per annum (£18,800k attributable to Invest-to-Save)
NHS All Wales Collaborative Procurement	£300k	£1,260k savings
The Wyn Campaign: Regaining and Retaining Independence	£3,200k (plus £2,000k from City of Cardiff and Vale of Glamorgan Council)	The project was ongoing at the time of the evaluation so outcomes are not yet quantified.
Wales Enhanced Recovery After Surgery 1000 Lives Plus Collaborative Programme	£569k (plus £191k from NHS Wales)	Benefits realised as non cash releasing savings through the more efficient use of bed stays.
North Wales Regional Telecare Call Monitoring Service	£300k (plus £100k from Isle of Anglesey County Council, Gwynedd Council and Flintshire County Council)	Savings by 2014-15 of £1,460k

Background Note

Various factors need to be taken into account in considering the level of savings achieved, including:

- whether the project would have taken place without Invest-to-Save funding as projects may have been undertaken on a smaller scale or delayed without Invest to Save funds;
- what proportion of any savings realised can be attributed directly to Invest-to-Save funding, and what proportion to investment made by the organisations themselves;
- over what timeframe we attribute savings to a project. It is not cost effective to continue monitoring the savings effects of projects several years after they have been completed, and circumstances change meaning savings may no longer be as clearly attributable to the original project; and
- other benefits delivered by projects. These may overall have a financial effect, such as allowing the deployment of staff to other areas of activity, or, they may be more qualitative impacts such as improving service delivery through more joined up working. It is very important to take these kinds of benefits, which can mean real improvements the way services are provided to citizens, into account in evaluating projects quantified or monetised.