

Jane Hutt AC / AM
Y Gweinidog Cyllid
Minister for Finance



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: SF/JH/0617/14

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

5th March 2014

Dear Jocelyn,

When I gave evidence to the Finance Committee on the Second Supplementary Budget 2013-14, I agreed to provide further information on a number of issues that were raised.

Firstly, during the Committee session, we touched on the concerns raised by the Auditor General for Wales in correspondence to the Permanent Secretary about the presentation of the additional funding for health in the Draft Budget 2014-15. In line with my commitment to provide transparency around Budget information, I agreed to provide a note to clarify the position.

As was acknowledged in the Committee, the issue that was raised relates to the baseline year we use for comparisons. As you know, this is an issue we have previously discussed in some detail at Committee and, as a result of a specific Committee recommendation, we use the most recently published figures for the previous financial year as a baseline. In the case of the Draft Budget 2014-15, the baseline we used was the First Supplementary Budget 2013-14. In his response to the Auditor General, the Permanent Secretary acknowledged that the presentation of the health funding in the Draft Budget 2014-15 did not fully reflect the announcement that accompanied the Budget in relation to the £150m for the health service in 2013-14. That is why in the Final Budget 2014-15, we took steps to include a footnote to the comparable Table to highlight the real terms reduction in NHS funding in 2014-15 once the in-year allocation is included. This issue arose because of a specific set of circumstances where an announcement was made about a significant in-year allocation alongside the Draft Budget announcement. We will, of course, keep this in view in terms of the presentation of future Budgets.

Secondly, during the Committee session we also discussed the Invest-to-Save fund allocation in respect of the voluntary early release of staff from the NHS and I agreed to provide further information on the level of savings expected from this investment.

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The Invest-to-Save fund has, since 2010-11, invested some £25m to support the NHS voluntary early release programme covering Health Boards and NHS Trusts. Overall, NHS organisations estimate that they will have generated cumulative savings of approximately £39.3m from this investment by 2014-15, a return of approximately 36%. This includes savings of £9m relating to the latest £7.4m investment, which are recurrent and, therefore, similar benefits at this level will be generated annually thereafter. The main focus of cost reduction for VERS has been management / administrative posts, particularly in corporate departments and including posts in estates and ancillary departments. The funding increases flexibility to maximise workforce deployment and efficiency, which includes generating costs reductions and increased flexibility to redesign services.

In terms of savings expected under the Invest-to-Save Fund overall, to date, some £77m of repayable Invest-to-Save funding has been invested in 68 public service improvement projects. Collectively these projects are forecasting significant benefits and improvements to public services, not least total annual savings of some £104m within five years of commencing, with further recurrent savings thereafter.

In the context of the Invest-to-Save Fund, we also discussed the importance of encouraging a wider understanding of Invest-to-Save through the publication of annual reports. As the Committee is aware, I have previously introduced measures to help increase the transparency of the Fund and my annual reports include individual project investments and their associated benefits in a directory and budget details showing the origin of funding, including repayments. In terms of actual Invest-to-Save expenditure, this level of detail will be published in the Welsh Government's accounts, commencing with the Whole Government Accounts 2013-14.

I will continue to publish annual reports about the Invest-to-Save Fund and will lay them in the Table Office. I published the latest report, *Investing-to-Save 4*, in October at the time of the Draft Budget and I will, as previously advised in my letter of 6 November, also consider the scope to provide further financial information in future reports.

Finally, I agreed to confirm the budget allocation for the administration of the Discretionary Assistance Fund.

As the Committee may recall, the UK Government transferred a total of £12.4m following the abolition of the Social Fund, which included £10.2m in respect of grant payments and £2.2m in respect of administration costs. These allocations were reflected in the First Supplementary Budget 2013-14 in respect of the in-year adjustment and in the Final Budget 2014-15 for future years.

Following the budget transfer from the UK Government, we have awarded a contract for the administration of the Discretionary Assistance Fund. In doing so, we were able to deliver significant cost savings.

In terms of the grant payments, there has been an underspend this year as a result of the initial slow take up of the grant. As I said during the Committee session, demand is now at expected levels and we do not anticipate underspends in future years.

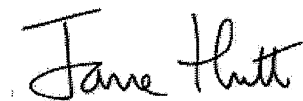
The adjustments to reflect actual costs in 2013-14 for both the administration costs and the grant payments have been reflected in the Second Supplementary Budget 2013-14 and are set out in the table below. Of these adjustments, £0.6m was transferred from the Tackling Poverty Action to the Children, Young People and Families Action to support the Children's Play Duty. The remaining £2.7m was transferred from the Tackling Poverty Action to help manage pressures in other areas.

Discretionary Assistance Fund – Budget Allocation

	£million		£million
	First Supplementary Budget 2013-14 (July 2013)	Changes	Second Supplementary Budget 2013-14 (February 2014)
Grant	10.2	2.5	7.7
Administration	2.2	0.8	1.4
Total	12.4	3.3	9.1

I hope this response is helpful.

Yours Sincerely,



Jane Hutt AC / AM
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