



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Mercher, 2 Mawrth 2011
Wednesday, 2 March 2011**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Angela Burns	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Jeff Cuthbert	Llafur (yn dirprwyo ar ran Ann Jones) Labour (substitute for Ann Jones)
Alun Davies	Llafur (yn dirprwyo ar ran Lorraine Barrett) Labour (substitute for Lorraine Barrett)
Brian Gibbons	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Janet Ryder	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Frank Cuthbert	Pennaeth, Tîm Democratiaeth Llywodraeth Leol, Llywodraeth Cynulliad Cymru Head of Local Government Democracy Team, Welsh Assembly Government
Andrew Jeffreys	Pennaeth, Cyllidebu Strategol, Llywodraeth Cynulliad Cymru Head of Budgeting Strategy, Welsh Assembly Government
Reg Kilpatrick	Dirprwy Gyfarwddwr Polisi Llywodraeth Leol, Llywodraeth Cynulliad Cymru Deputy Director of Local Government Policy, Welsh Assembly Government
Deborah Richards	Cyfieithwraig, Yr Adran Gwasanaethau Cyfreithiol, Llywodraeth Cynulliad Cymru Lawyer, Legal Services Department, Welsh Assembly Government
Stefan Sanchez	Pennaeth y Rhaglen Buddsoddi Cyfalaf Strategol, Llywodraeth Cynulliad Cymru Head of Strategic Capital Investment Programme, Welsh Assembly Government
Carl Sargeant	Aelod Cynulliad (Llafur), y Gweinidog dros Gyfiawnder Cymdeithasol a Llywodraeth Leol Assembly Member (Labour), the Minister for Social Justice and Local Government
Alison Standfast	Dirprwy Gyfarwyddwr Caffael, Gwerth Cymru Deputy Director of Procurement, Value Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

John Grimes	Clerc Clerk
Catherine Hunt	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 9.33 a.m.
The meeting began at 9.33 a.m.*

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

[1] **Angela Burns:** Good morning and welcome to this meeting of the Finance Committee on Wednesday, 2 March. I will start by going through some general housekeeping rules. I remind you that you are welcome to speak in Welsh or English. Headsets are available for the translation. I ask that you switch off mobile phones, iPods and all similar electronic gadgets. If the fire alarm goes off, I ask that you follow the ushers' instructions implicitly.

[2] I welcome Jeff Cuthbert, who is here as a permanent substitute for Ann Jones. Alun Davies will be along in just a moment, and he is substituting for Lorraine. We have apologies from Andrew Davies and Chris Franks, neither of whom is able to attend this morning.

[3] **Jeff Cuthbert:** I declare an interest, in that one of the presenters, Frank Cuthbert, is my brother.

[4] **Angela Burns:** Thank you very much for letting us know and welcome, Frank.

[5] **Mr Cuthbert:** Two for the price of one.

[6] **Angela Burns:** Absolutely. Today is going to be a good day.

9.34 a.m.

Goblygiadau Ariannol y Mesur Arfaethedig ynghylch Llywodraeth Leol (Cymru)—Tystiolaeth Bellach gan y Gweinidog dros Gyfiawnder Cymdeithasol a Llywodraeth Leol Financial Implications of the Proposed Local Government (Wales) Measure— Further Evidence from the Minister for Social Justice and Local Government

[7] **Angela Burns:** Thank you very much for coming this morning. Welcome, Minister, and for the record, please introduce your colleagues.

[8] **The Minister for Social Justice and Local Government (Carl Sargeant):** Good morning, and thank you for the invitation to attend, Chair. I will ask Reg to start and we will then go through the team and their correct titles.

[9] **Mr Kilpatrick:** I am Reg Kilpatrick, deputy director of local government policy.

[10] **Ms Richards:** I am Deborah Richards, from Legal Services.

[11] **Mr Cuthbert:** I am Frank Cuthbert, head of the local government democracy team.

[12] **Angela Burns:** Thank you for coming this morning. I appreciate your returning to the Finance Committee to give further evidence with regard to the Proposed Local Government (Wales) Measure. We are aware that the Finance Committee's involvement in the process of a proposed Measure would normally conclude after our report, which we usually publish at Stage 1 for any proposed Measure. However, amendments have been proposed to the Proposed Local Government (Wales) Measure that introduce the possibility of sweeping powers that would have very strong consequential financial implications. Given that, the committee felt that it would be prudent to ask you back so that we could examine what

financial implications there might be, because when we saw you the first time around, those amendments had not been proposed so we were unaware of them. Is there anything that you wish to say before we begin our questioning?

[13] **The Minister for Social Justice and Local Government (Carl Sargeant):** Good morning to you all, and thank you for the opportunity to come back to discuss the implications of the amendments with you. It is only right and proper that I come before you to respond to any concerns that you may have.

[14] It would be useful for me to explain briefly some of the background. It is our intention to bring forward these powers, but it is important to explain what these powers are about and what they are not about. There has been much interpretation of these powers being reorganisation powers that would lead to the wholesale reorganisation of local government. I have said in all committees that this is not what these powers are about; they are specific to individual authorities should there be a need to invoke them, and they are not about wholesale reorganisation, which some people still believe they are.

[15] The amalgamation tool has to be seen in the round as part of the whole proposed Measure. The Local Government (Wales) Measure 2009, which is linked to this proposed Measure, sets out clear steps that I as the current Minister and any future Ministers would have to follow to invoke the new powers in order to amalgamate, so they would have to be considered first. Therefore, I would ask Members to understand that the amendments should not be viewed in isolation, but as part of a package within the proposed Measure as a whole. However, I am happy to take questions from Members.

[16] **Angela Burns:** Thank you. Peter has a quick question and then we will lead off with a question from Janet.

[17] **Peter Black:** It was not a quick question.

[18] **Angela Burns:** That is fine; ask away.

[19] **Peter Black:** I refer to the Minister's letter of 11 February to the Chair of the Finance Committee. You say in the third paragraph from the end of the letter that

[20] 'We would certainly anticipate each amalgamation producing large-scale savings arising from changes in corporate services, procurement savings and the economies of scale which would flow from the amalgamation of two or three authorities into one'.

[21] Could you explain the evidence base for that assertion?

[22] **Carl Sargeant:** Through the steps that we would have to take to demonstrate that the delivery of the amalgamation process would be applicable, we would have to present evidence to demonstrate why, for the authorities in question—and I am reluctant even to name authorities, because accusations would be made that I have my eye on those authorities, so unless I name all 22 authorities I should perhaps refrain from mentioning any at all—we believe that an amalgamation process should be undertaken, following the steps outlined in the 2009 Measure. We would then demonstrate what the cost savings and service delivery benefits would be. That would be presented as evidence to the Assembly following consultation. So, I cannot give you any actual figures, Peter, because the amalgamation could be of two authorities that vary in size and shape, and it would also depend on the service delivery in which they are already engaged. So, the way in which we can demonstrate that is unknown until we have a case.

[23] **Peter Black:** I am not asking you to give actual figures nor am I asking you to name

authorities, because I understand that you would have to make a decision on a case-by-case basis. However, you made a fairly sweeping statement in the letter that you anticipate that you would make large-scale savings. What is the evidence to support that?

[24] **Carl Sargeant:** We can offer some evidence for that.

[25] **Mr Kilpatrick:** I think that the answer here is that there have been amalgamations of authorities in England, and business cases were drawn up and extensive work was done to underpin those. On that basis, we can see that significant savings could be derived from amalgamating authorities. I am looking at the Order for Exeter and Devon, for example, and the savings there.

[26] **Peter Black:** What was the year?

[27] **Mr Kilpatrick:** It was 2010.

[28] **Peter Black:** So there is no evidence yet that that has produced savings.

[29] **Mr Kilpatrick:** No, but in terms of developing a business case on which you would be able to take the decisions, this shows that, with a good deal of thought and research, there should be savings.

[30] **Peter Black:** The point that I wanted to make was that, in 1995-6, the authorities in Wales were reorganised and statements like this were made, that there would be substantial savings, but as far as I am aware, they did not materialise. Is there any study, perhaps by the Wales Audit Office, of that reorganisation, or any other reorganisation, that has led you to make this statement, and which offers concrete evidence that such savings have been produced?

[31] **Carl Sargeant:** We are already seeing evidence of high-scale collaboration between authorities delivering cost savings across service delivery areas. I believe that it is a fair assumption that, with proper planning and scrutiny of a scoping study, there will be savings. One example would be Conwy and Denbighshire; they produced a scoping study on the director of children's services post, and they came up with a cost saving of about £0.5 million. I did not produce that—the local authorities did.

[32] **Peter Black:** They did not proceed with it, though.

[33] **Carl Sargeant:** No, they did not proceed with it, but not for reasons of cost savings, and they have not shelved it either. The fact is that they produced a document on changing service delivery. There were other reasons why they decided not to do that, but they were not financial. They demonstrated that they could make huge savings, of £0.5 million, through one service alone. For us to proceed with this Order-making process under the proposed Measure we would have to demonstrate the same things about cost savings and service delivery. This is no different to what is happening now. However, it is an unknown figure.

[34] **Peter Black:** That is the point that I am making. I am not asking you for the figure, but you cannot really substantiate this statement with any actual evidence from studies of such amalgamations.

[35] **Carl Sargeant:** I do not agree with you.

[36] **Peter Black:** Where is the substantiation? Where is the evidence?

[37] **Angela Burns:** Hang on. I have a lot of people who want to come in on this point.

You have made a very valid point, but in quick order I want to take questions—let us do this fairly—from Brian, Alun and then Janet.

[38] **Brian Gibbons:** Sorry, I think that Janet wanted to come in first.

[39] **Janet Ryder:** Could you confirm that Devon and Exeter were both unitary authorities?

[40] **Mr Kilpatrick:** I think that they were two-tier authorities, and they were being brought together.

[41] **Janet Ryder:** So it was an amalgamation of a district with a county. You are not talking about a like-for-like amalgamation of two counties' services.

[42] **Mr Kilpatrick:** No, but it is still an amalgamation of two authorities, and you could argue—

[43] **Janet Ryder:** It is a different scenario, is it not? When you amalgamate two unitary authorities, you are amalgamating two sets of staff and estates that provide the same service. That is different to amalgamating a district council, which provides certain services, with a county council, which provides others.

[44] **Mr Kilpatrick:** Yes.

[45] **Janet Ryder:** So you have based this on something that is not similar.

[46] **Mr Kilpatrick:** No. I used that as an example of amalgamating two organisations.

[47] **Janet Ryder:** Have you based it on amalgamating two similar services? Have you looked at the costs of reorganising the health service in Wales? Have you taken that as your basis for amalgamation?

9.45 a.m.

[48] **Mr Kilpatrick:** No, because the organisation of the health service is a very different set of circumstances and a different set of organisations, and there was a wholesale reorganisation of the entire NHS, rather than the targeted and focused amalgamations that are being proposed here.

[49] **Janet Ryder:** If I can just ask you therefore if you put together two county councils, two unitary authorities in Wales, which county council takes the lead on service adjustments, personnel and staffing, and how do you they pick up any costs for redundancies? Where does that money come from?

[50] **Carl Sargeant:** That is part of the proposal, Chair. If it was for two, or even three, authorities, we would have to present a case, through consultation, detailing how these councils would provide better services and financial savings. Also, with regard to financial modelling, there is a cost upfront; let us be realistic here, but we would have to demonstrate that in our evidence. We would have to demonstrate the long-term effects of the recovery of that money to interested parties. I cannot understand something and perhaps you can help me with it. We have 22 local authorities, mostly delivering the same services. We are already seeing some local authorities merging services because they recognise that they get better service and better savings. That is not my decision; I am encouraging it, but they are doing it themselves. If you are saying to me that merging authorities or merging services will not save any money, then I am surprised. The evidence that we are seeing through the Welsh Local

Government Association is completely the opposite, Chair.

[51] **Janet Ryder:** Will you explain why the Welsh Local Government Association is saying that it will? On what it is basing its costs? It is saying that it will cost money and it wants to know where that money will come from.

[52] **Carl Sargeant:** The WLGA would say that, would it not? It is representative of councils and is very protective of its body. I understand that, but it is also true to say that it has been clear on the agenda. It presented me with papers and provided evidence to Joe Simpson's review on how to drive forward collaboration to change services—not just changing services between one or two authorities, but changing services across regions and beyond. I have seen the recent letter from the WLGA; I am not surprised by it. I have had discussions with it, but my objective is to provide good quality public services. As the Minister responsible, that is what I should be doing, and that is what I will continue to do.

[53] **Janet Ryder:** I do not think anyone in this committee would doubt that; I think that is everyone's aim on this committee. However, amalgamation and collaboration are two entirely separate things, but that is perhaps not an argument for this committee. We know that you would not bring forward quite substantial amendments without having thought through and totally explored the policy behind it. I am sure that you can tell me therefore how you are going to deal with the merging, not just of one department, and one set of services at a time, but of two local authorities? I will take you back to the original question. Can you explain to me when you have two, or even three, sets of offices, providing education, social services, leisure, transport, refuse and all the other things that local government does, how you will deal with that transition? You said very clearly that you do not believe a residuary body will be needed. How will you deal with that? Where will the costs for that come from, and how will you know how much to set aside in your budgets to account for that costing?

[54] **Carl Sargeant:** You raise a couple of important points, and I will just give you a little more detail on the issues. The Minister would have to bring forward in the proposals the timescale, the rationale for amalgamation, and consideration of the tests of the effectiveness of local government. That is why I said that it is very important that we do not take the amalgamation elements separately from the whole of the proposed Measure. This links back directly to the 2009 Measure, which we must consider. I will give one example, but please do not say that I am going to merge the authorities. Anglesey is a case in point; we have intervened there. We are following through the proposals in the 2009 Measure, with the recovery board and so on. If I was to consider the next stages of a merger, or otherwise, with Anglesey—and I am not; this is just an example—I would have to demonstrate everything that we have considered in trying to recover that local authority. In the evidence presented on this element of the proposed Measure—the amalgamation part of it—we would have to, as I said, consider the 2009 Measure, and provide a regulatory impact assessment, including the costs, benefits and so on, of how we would cover the costs of that.

[55] There is an argument about who pays for this. There are options that could be available for local authorities, such as Invest to Save—an upfront cost for the authorities that are merging, which can be paid back over several years. That is what we would be building into our regulatory impact assessment—how would we do that, what would be the costs and how would that be determined. The transitional and electoral arrangements all have to be evidenced, upfront, before we even lay a draft Order, which is presented through consultation. Therefore, we cover all the questions that you asked, Chair. You are right to say that there is a huge difference between collaboration and amalgamation, but we are seeing clear evidence of partners being unwilling to drive forward good public services through lack of collaboration. This is a tool in the big box, and it is the end tool; we have to go through many hoops before we even get to that amalgamation.

[56] **Angela Burns:** You can ask one other question, Janet, and then I wish to bring in other Members.

[57] **Janet Ryder:** I wish to clarify what you have just said, Minister. You said that authorities will pay for this themselves, and that there will be no extra financial support to do this. Therefore, you could force authorities to amalgamate but you will not provide any extra money.

[58] **Carl Sargeant:** No, I did not say that.

[59] **Janet Ryder:** You said that they would have to use Invest to Save; that was the only financial structure that you came forward with to support them.

[60] **Carl Sargeant:** I said that using Invest to Save was an option. There are other options that we would be prepared to consider, in order to help and support authorities, as we are already doing. We have undertaken scoping studies, and we have supported authorities through the Welsh Local Government Association.

[61] **Janet Ryder:** Where is the finance for that? Have you accounted for it in next year's budget?

[62] **Carl Sargeant:** I have no intention of using these powers. This is an enabling power, should an authority, or authorities, fail to demonstrate that they have improved collaboration.

[63] **Brian Gibbons:** Is it a must-meet precondition that any merger produces savings?

[64] **Carl Sargeant:** I have always worked on the principle that there are two simple tests: will it give cost savings and will it improve services? That is what we are trying to achieve. There would be no value in merging two or three authorities unless there were benefit savings through cost and service change; I believe that that is safeguarded through the 2009 Measure. As we have seen in the past, the reorganisation of authorities is disruptive. I, or any future Minister, with these powers, would not be intent on doing that; there would be no benefit in doing that—it would have to be a test of improved services, and whether it would give better services.

[65] **Brian Gibbons:** The problem here is that it should not be an 'and'. In other words, it should not be improved quality 'and' service, because there must be many instances where it is not possible to improve services and deliver savings. Presumably, you will intervene where an organisation fails to deliver improvement in a particular service. The reasons for that failure could be lack of leadership and best practice, but, very often, the reason for failure is the lack of political prioritisation and investment in that service. So, you have created a problem for yourself by talking about improving quality 'and' making savings—because you are saying that you have to deliver both before you can make progress on this. As soon as you do that, you are into the argument that we have here at the moment. However, I think that a lot of the failures are failures of omission—people not doing things to support children or whatever. In nearly all of the areas where there have been improvements, such as Cardiff and Blaenau Gwent, money had to be put into the service to get it up and running. So, improvement did bring a cost with it, though there may have been collateral savings in the long run.

[66] However, the fact that you are making saving money a precondition is a fundamental flaw in the approach that you are taking. Another reason why you might want to have a merger is because the local authority is wasteful of its resources. If that is the reason why you want to have a merger, achieving savings is an entirely legitimate condition. However, if it is about service failure, surely it is wrong and an unnecessary precondition to require savings in

every instance.

[67] **Carl Sargeant:** There are two issues here. You are absolutely right about what we are proposing here. Looking at the bigger picture and the influences of the 2009 Measure, we have intervention to drive forward collaboration where authorities are failing to improve. If that fails, and we cannot achieve that, we go to the next stage. To be realistic about this, there will be a cost involved with the proposals to amalgamate or merge an authority. Janet has alluded to that. We have to demonstrate what we believe those costs will be and how we will recover them. There will be an early, upfront cost of merging services; that is natural. In the long term, I think that there is a saving to be demonstrated. Of course, we will have to evidence that. If we cannot evidence that, it will be a decision of the Assembly under the superaffirmative procedure. The consideration around whether we can demonstrate service improvement and cost saving—or the same amount of cost—will be for a Minsiter. That evidence will be presented. It will not be a ministerial decision; it will be for the Minister to present that evidence, and the decision will be taken under the superaffirmative procedure of the Assembly. So, it is not even a Minister's decision, it is decision of the Assembly. That is why I am saying that these proposals have huge safeguards. It is not me who has to do this—if I was minded to reorganise, as I have been accused of. The Minister—whoever that is—will have to take this to the floor of the Assembly and demonstrate all the reasons for proposing to do this.

[68] **Brian Gibbons:** Is it the case that you can institute an amalgamation Order under this proposed Measure to improve quality of services without delivering savings? If you are saying that savings have to be in the equation and that you have to demonstrate savings as well service quality—

[69] **Carl Sargeant:** No, I am not saying that.

[70] **Brian Gibbons:** Okay, so you are saying that savings are not a precondition or test for this and that the test is improved quality of service. In some instances it might be about better value for money, in other instances it might be about improved quality. So, the reference to great cost savings in your letter is a bit of a red herring with regard to the purposes of this proposed Measure. The test is service quality—end of story; there is no precondition about savings or anything like that. Okay.

10.00 a.m.

[71] I accept that, in most instances, savings may be possible, but we cannot start with the assumption that service failure is going to be improved and that savings will be generated. Swansea has had to put a lot of money into children's social services. Cardiff has done it; Blaenau Gwent has done it. It is an ongoing commitment. It is not going to go away. I just wonder at what level those savings will be calculated if that opportunity is there. Will it be at departmental level or at organisational level? I would suggest that these savings should not be a precondition. You should have powers to drive these mergers. The only test that matters is service quality—end of story. Sometimes it will deliver savings; sometimes it will not, because there has been underinvestment in the service, and, to get better, it will need extra money.

[72] **Carl Sargeant:** I thank Brian for those comments. They are important, and the precondition is not financial. If that is the impression that I gave in the letter to you, Chair, I apologise for that. That is not what we meant. What we intend is that we will have to demonstrate that amalgamation is necessary to achieve effective local government. We believe that there will be financial savings as a result of that. As we said, that has been demonstrated in collaboration across the whole of Wales. The WLGA, not I, have demonstrated that. Local authorities have done that already. I know that Peter may not agree

with me, but it is fact, and I am sure that the WLGA can demonstrate that to you as well. However, Brian is absolutely right that we have to have our eye on public service delivery. I believe that there will be cost savings, but they will not be the be-all and end-all.

[73] **Jeff Cuthbert:** What I have to say follows on from the points made by Brian. I think that it is quite reasonable that you say in your letter that you anticipate amalgamations producing significant or large-scale savings. I think that that is a reasonable statement, although I do not detract from the earlier questions. However, most people I speak to my constituency are concerned about the quality of service, not with the governance arrangements of local government or, necessarily, the size of local government. I accept that, clearly, if you have large authorities, there ought to be, with proper management, significant savings and greater resources for the delivery of services. So, would it be fair to say that what drives this is not significant savings, which one could argue is the main thrust of your letter, but the issue of cost-effectiveness in the sense of how the money available is used? I appreciate that we are coming into an era of great financial constraints and that we have to be realistic in that regard, as does local government. Is it the case that what is crucial is that what you want to see demonstrated is the most cost-effective use of public money so that services are the best that can be provided?

[74] **Carl Sargeant:** Yes, absolutely. The issue for me as Minister responsible for local government and service delivery is that, as Jeff quite rightly put it, people out there want good services and are often not too interested in who is delivering them. There are 22 authorities, which are very precious about the services they deliver. Some deliver very good services, and some deliver some not-so-good services. We have to encourage collaboration. To go back to some of our examples again, we have some very good ones. In south Wales, legal services go beyond the boundaries of one or two authorities. I think there are seven authorities—it may be more—involved in that. It goes beyond that into the education sector and the police. They are delivering a service that goes beyond the boundaries of what they would normally do because they can and because they have seen cost-saving benefits across the whole spectrum. That is a very good example, but some authorities still refuse to follow the collaboration agenda, even when it is demonstrated that there will be cost savings and service improvement. For whatever reason—whether political or institutional—they just do not want to do that. I believe that it is wrong for authorities to do that, and I or whoever the next Minister is need the tools to drive forward public service improvement.

[75] **Angela Burns:** Thank you for that. I will come on to Alun next, because he has been waiting for ages, and I will then come back to Peter. I totally accept what Jeff said about his local constituency. However, in my constituency, the old Dyfed council was hated with a passion beyond belief by the people of Carmarthenshire, Ceredigion and Pembrokeshire, especially by the smaller elements, Ceredigion and Pembrokeshire, which felt marginalised. I suspect that if you were to say that better public services would result from an amalgamation of these three authorities, you would have a very tough sell. I am interested—I am sure that we will get onto it later on—in your consultation process, and the costs that you are prepared to underwrite to ensure that the citizen is also consulted, because all parties in the Assembly have a passion for and belief in the localism agenda. It would be interesting to see how this ties in with that comment. I accept that there will be varying degrees of acceptance for this in different areas of Wales, but I feel that I have to put the opposing side on the record as well.

[76] **Alun Davies:** I agree with the points that you made, although I would also make the point that Dyfed council for most of its existence provided services under a Tory Government, which sought to cut rather than deliver services. So, we have to put that into context. In terms of where we are today, Minister, I have listened very carefully to the exchanges between you and other Members. I thought that your letter of 11 February was one of the most curiously written and worded letters that I have seen for some time.

[77] **Carl Sargeant:** Thank you.

[78] **Alun Davies:** That was not meant entirely as a compliment, but if you wish to take it as such, I would be pleased for you to do so. Where we are now is looking at the legislation in terms of the amendment that you have proposed. We have spoken about the wording of the amendment in another committee, so I will not go into any of that today. However, you have created a context for any amalgamations, which is the implementation of the Local Government (Wales) Measure 2009 in terms of service delivery, so the driver is not cost savings—the driver is service delivery; we have reached that point. Is that right? I assume that that is the case from your earlier answers.

[79] **Carl Sargeant:** Yes. That is, I believe that there will be significant financial savings.

[80] **Alun Davies:** I understand that you believe that, but the driver of policy, as defined in the legislation, is service delivery.

[81] **Carl Sargeant:** Yes.

[82] **Alun Davies:** Therefore, I assume, and I would be grateful if you could clarify this, that were an Order to be laid saying that you were going to amalgamate two authorities—I will not name any, given the trouble that that would cause—you would at that time need to produce a very detailed explanatory memorandum that would outline to us the costs of amalgamation and the ongoing revenue costs, and whether there would be additional costs or, in fact, savings. Therefore, I assume that this committee or its successor committee would have an opportunity to examine the robustness of any financial case that you make at the time.

[83] **Carl Sargeant:** There are two points to make there. The costs of a specific amalgamation would not be included in the explanatory memorandum, because we would not know what they were, because we would not know which authorities would be involved.

[84] **Alun Davies:** I meant for the Order.

[85] **Carl Sargeant:** Absolutely. As I said earlier, it would be a long process. We would have to announce the proposal to merge an authority with another authority or authorities. The detail that we would have to produce would include the timescale for the proposals, the rationale for the amalgamation and the reasons why a Minister would consider it, the driver being service delivery and/or cost savings.

[86] **Alun Davies:** May I stop you there? The legislation is very clear. As I recall, cost savings are not in that legislation: it is about the delivery of services and the implementation of the 2009 agenda.

[87] **Carl Sargeant:** That is correct. However, within the evidence that we would present, we would demonstrate whether there would be service improvement and/or cost savings. We would provide evidence as to what we would project in savings. Considering all of the tests of the effectiveness of the 2009 Measure, we would ensure that we had gone through that process, and did not take the amalgamation Order in isolation. In terms of the transition and electoral arrangements and processes, we would provide evidence on that through public consultation. We would then present a draft Order to the Assembly. Currently, Assembly committees can call in an Order to be scrutinised by them during the consultation period. Following that, it goes to the floor of the Assembly as a draft Order to be discussed and voted on via the superaffirmative procedure. It is not an easy process for any Minister to take forward. The reasons and benefits must be fully evidenced. Any non-consultation or a lack of evidence to demonstrate that there will be service improvement will be easily highlighted through this process.

[88] **Alun Davies:** The legislation, as it is currently written, does not demand such a high barrier for making such a proposal. Minister, would you be prepared to consider an amendment to this, which would demand that any future Government publish such an explanatory memorandum and such financial details so that there is that guarantee on the face of the proposed Measure that such information would be made available at a future date?

[89] **Carl Sargeant:** We believe that the provision to do this is already within the Order process. We must present reasons that are reasonable. We believe that any future Minister, as would I currently, would have to produce that in—

[90] **Alun Davies:** Therefore, you believe that what the current legislation demands is a sufficient safeguard.

[91] **Carl Sargeant:** Yes.

[92] **Angela Burns:** It concerns me greatly that, in the fourth Assembly, there is no guarantee that the Finance Committee will be reconstituted in its current form. There is no guarantee either that that the Finance Committee will have the remit that it currently has, or the mandate that it currently enjoys. There is no obligation for any committee to examine the Order, and there is no automatic referral to any committee of a Government Order. My conclusion, having sat in this position for a number of years now, is that scrutiny is something that people are often quite keen to evade rather than to enjoy.

[93] **Alun Davies:** I am not sure that you can justify—

[94] **Angela Burns:** I will continue, Alun. You may intervene later.

[95] It is very easy for all of the people that we have seen over a great many years. There is reluctance by certain organisations, for example, to come before this committee and others. Quite often there is a difficulty in getting hold of the information that our committee or other committees require. My genuine concern is that what we produce for the people of Wales is true and good scrutiny. I have absolutely no doubt whatsoever, Minister, about the veracity of your intentions and what you are trying to do with this Order. However, you and I, and many other people, may not be here in future. It behoves us to try to put something in place that will ensure that scrutiny does live on in a very strong way. I believe that the public is asking Assembly Members or Members of Parliament—it does not matter whether it is Westminster or Cardiff—to ensure that we deliver for them good scrutiny, good legislation and good law. Alun made the comment about us all having the chance to call this in to look at it, and I simply want to remind everyone in this committee that that is not a dead cert. If the fourth Assembly chooses to constitute all of its committees in a very different way from how they are constituted currently, there is a great possibility that such an Order could go through with very little scrutiny.

10.15 a.m.

[96] Please understand that I am not impugning your personal integrity or the integrity of others who have come before this committee. I am stating something that is obvious to an awful lot of people and is commented on by many people outside of these hallowed walls, which is that scrutiny is incredibly important. This is a major piece of legislation. It is not the only piece of legislation that has come before us in relation to which we have raised these kinds of concerns about where future scrutiny may be done. I apologise if I have trodden on anyone's toes by saying this, but I believe that this is very important to Wales going forward and to building a strong and vibrant democracy here.

[97] **Alun Davies:** I agree with the thrust of your remarks and I think that a committee like the Finance Committee should be constituted in the next Assembly. However, it would be wrong if anyone were to leave this meeting with the impression that there is a widespread belief in this committee—it is certainly not my belief—that Ministers have sought to evade scrutiny.

[98] **Angela Burns:** I did not say that.

[99] **Alun Davies:** I am anxious that we do not leave that impression.

[100] **Angela Burns:** Absolutely.

[101] **Alun Davies:** One of the things that I have enjoyed in this committee is the ability to bring Ministers back in repeatedly. The Minister for finance has been here repeatedly and even the Deputy First Minister, when we were involved in a terrible tussle with him about roads, returned to the committee repeatedly to subject himself to scrutiny. So, in recognising those points, it is also important to recognise that I cannot think of an occasion when a Minister has actively sought to avoid the scrutiny of this committee and its members. That is an important point to note, while agreeing with the main thrust of your remarks.

[102] **Angela Burns:** Thank you for that.

[103] **Peter Black:** I just want to add to those remarks. A very different level of scrutiny and timescale is applied to an Order than to a proposed Measure. A proposed Measure goes through four stages—[*Interruption.*] It is true; that is in Standing Orders. A proposed Measure goes through four stages: evidence is taken, amendments are considered—you cannot amend an Order in the same way—and then there is a two-stage debate in Plenary, where amendments are considered, followed by a debate on the proposed Measure itself. However, that process does not apply to an Order. So, even with the superaffirmative procedure, you get far less scrutiny of this if it is done through an Order than you would if it were done through a proposed Measure. That is another important point to note.

[104] I have been disappointed in the Minister's responses to the Members opposite.

[105] **Carl Sargeant:** I am not surprised that you are disappointed; you always are.

[106] **Peter Black:** I am disappointed because you have been unable to answer my questions, Carl. You have again confused collaboration with amalgamation, and have again made the assertion that there are savings, without providing any evidence to support that. You have said in this letter that you anticipate savings, but you have not yet come up with a single study, despite the fact that there have been a number of local government reorganisations in Wales, to demonstrate what those savings would be.

[107] **Carl Sargeant:** I have a few points on the points that you made, Chair. I certainly do not want to interfere with the Standing Orders of the National Assembly or the Government of Wales Act 2006, but I support you in understanding and recognising the importance of the Finance Committee in the structure for scrutiny. As you will be aware, we are focusing today on one amendment, but the broad thrust of this proposed Measure is about improved the scrutiny and development of local government, which I fully support. So, I welcome your comments. I also welcome, since my last appearance at this committee, your report, which welcomed my comments, openness and transparency. So, I am glad that I could come back to try to explain further the issues around this amendment.

[108] I am disappointed that I cannot satisfy Peter's request for more detail. I refer him back to the Welsh Local Government Association papers, which demonstrate that significant

cost savings are to be made through collaboration. So, I refer the committee to the WLGA's paper, which I am happy to provide you with, if that would be helpful, with regard to demonstrating that there are significant financial savings to be made through collaboration. Collaboration and amalgamation are very different; I said that earlier on. I am saying that, where there are failures to demonstrate this collaboration, we must move to the next level; I have said that throughout this process. It is not about reorganisation, but about demonstrating a process of driving through public service improvements.

[109] **Peter Black:** You keep relying on collaboration to justify amalgamation, when you are not providing any evidence on that.

[110] **Carl Sargeant:** That is not true.

[111] **Peter Black:** It is true.

[112] **Angela Burns:** Stop there; make it snappy, Peter, because I want to ask about consultation and the cost of it.

[113] **Peter Black:** I have an important question on service quality because we have talked about the quality of services. If you work in an authority and are part of a service that is failing, an intervention board has come in, all sorts of money has been thrown at you, management consultants have come in to try to sort out the service, but you have still failed, and you are then told that you are going to amalgamate with another authority that is not failing, and that the service in that authority is okay, suddenly, your job is at risk and the whole service is going to be thrown up in the air and reorganised. How long do you think that it would take for that service to get back to a certain level of quality—even the level that it was delivering beforehand—once that amalgamation has taken place? That is an important point.

[114] **Carl Sargeant:** It is an important question; Swansea is a good example, and you will be aware of its issues with social services and the way that it has had to alter service delivery. It is an open-ended question, Chair, depending on what the scale of the problem is, which authorities we are talking about and to what extent those authorities are already committed to collaboration work. I know that some authorities are already collaborating in certain areas, but there are other weak services within those authorities on which they are not seeking to collaborate.

[115] **Peter Black:** He is not answering the question.

[116] **Angela Burns:** Thank you, Peter.

[117] **Carl Sargeant:** Ensuring that local authorities address their failures in service delivery is a challenge. We have to ensure that we provide them with the support needed to improve services if we identify failings. If we cannot do that through collaboration or other means of intervention and recovery, there must be an end game to deal with that service failure. This is the tool to achieve that; it is no more or less than that. There is a raft of issues that we have to go through before we get to amalgamation.

[118] **Peter Black:** I am not talking about collaboration. How will amalgamation improve the service? You have not even been able to demonstrate that.

[119] **Mr Cuthbert:** We are being asked questions that are impossible to answer substantially, because you cannot answer them until you know which organisations you are seeking to amalgamate. Powys is a good example of this, where the local health board and the county council were considering establishing a unified organisation. They did not ultimately

do that, but they made significant moves towards collaboration. A detailed report was prepared for them by consultants as to what savings and improvements could be made in that situation. To attempt to predict what savings or improvements might be made when we do not know what organisations might be considered for amalgamation is beyond any Government.

[120] **Peter Black:** We are not the ones making the assertion that we will make savings; you are. It is reasonable for us to ask you to justify what you are saying, and you have not been able to do so with evidence in any way.

[121] **Angela Burns:** I would now like us to move on. Janet, you have a question.

[122] **Janet Ryder:** As you have clearly stated, you have had this intention from the very beginning; therefore, I expect that you have gone through all of the possibilities as to what might happen and where the costs are going to come from. You have said that you cannot give us any indication as to what those costs are going to be because you do not know how you are going to use this power when you get it. However, you must know where the costs of consultation will come from: will they come from your budget or from local government budgets? How will that consultation cost be met, and how will the consultation be carried out? Who will meet the costs for the boundary reviews that will be needed? When you merge two or three councils, there will be way too many councillors. You will be breaking your own law in merging those, because you cannot have more than around 70 councillors per unitary authority—I think that the figure is 73. When will the costs for all of that be brought forward and how will those costs be met? It is important that we know that. There has been public consultation on the proposed Measure for 18 months, but you have made it pretty clear that this was your intention all along, therefore, a number of people need to hear a justification as to why the amendments were brought forward so late and were not included in the original explanatory memorandum, on which you were complemented because of the detail in it.

[123] **Carl Sargeant:** We will pay for the consultation and we will pay for the boundary commission's work. However, I cannot give you the detail on that because I have not identified any areas that I intend to amalgamate. It is an enabling tool should a Minister have a need to do that after exhausting the process in the 2009 Measure. I think that this is the third time that I have said that we would have to produce evidence, a timescale, a rationale for amalgamation, consideration of the tests in the 2009 Measure, regulatory impact assessments, transitional arrangements and electoral arrangements. In the letter, we say that we anticipate savings and we do anticipate savings. The assertion is not, 'We will save x amount'; we are saying that we anticipate savings. Peter has said constantly that we have not evidenced that. The evidence is based on papers from local government, not national Government, which say that savings will be made. Local government has produced papers that indicate the amount of the cost savings. A lot of work has been going on in that respect, and these are not general assumptions that we have made. I will be happy to present the WLGA's paper to you, Chair, regarding cost savings in relation to collaboration.

[124] **Peter Black:** Not amalgamation—

[125] **Angela Burns:** Brian, you were next.

[126] **Brian Gibbons:** I think that—*[Interruption.]*

[127] **Angela Burns:** Thank you, Peter.

[128] **Jeff Cuthbert:** Respect the Chair, Peter.

[129] **Angela Burns:** Thank you, Peter. Brian, you are next.

[130] **Brian Gibbons:** There will be a regulatory impact assessment in relation to the amendment in question, not for individual Orders. Will there be a regulatory impact assessment and an explanatory memorandum for them?

[131] **Carl Sargeant:** Yes.

[132] **Brian Gibbons:** You asked a question earlier about the legal services in south-east Wales—I think that you referred to that—and why one or two local authorities hold out on taking part in greater collaboration or amalgamation—

[133] **Peter Black:** They are not the same thing.

[134] **Brian Gibbons:** I know; that is why I said ‘or’, not ‘and’. In my constituency there is a strong local authority that, in some areas, is surrounded by ‘weak’ local authorities, and it is nervous about engaging with them because that will be a cost to it. Much of the conversation has taken place from the point of view of the ‘weak’ local authorities, but in fact the strong local authority that might have to contribute could incur a cost. I would suggest that the reason why there is often not a full sign-up is that the better performing local authorities do not want to be dragged down to the level of the underperforming local authorities. In broad conceptual terms, how do you intend to address that? The local authority that is performing well will have to give up officer time, and possibly member time. Will the ‘weak’ authority compensate it as part of the proposal? Will the Assembly Government give the strong authority some resource? There is nothing in it for the strong authority if it engages in the process, unless there is some incentivisation. So, from a financial point of view, where is that incentivisation built into this?

10.30 a.m.

[135] **Carl Sargeant:** You are right, Brian, and we have actually seen that, where prominent local authorities that deliver good services do not want to risk that by taking on a failing or a weaker authority. Why would they want to risk that? I have had some really useful discussions with the WLGA and leaders and chief executives across the 22 local authorities, who are involved in the Joe Simpson review of regional, national or local services. They are now a lot more grown-up about looking beyond their boundaries, whereas, 12 months ago, local authorities were very inward looking. There is a different world out there now with regard to looking across borders and learning how to do things better. However, they will have to take risks.

[136] With regard to the amalgamation Order, we would have to demonstrate in the explanatory memorandum what the service improvements would be across the two or three authorities. We would have to measure that improvement and explain to Members the rationale behind those decisions. Whoever the Minister would be would then have to make a judgment call on whether he or she would be prepared, once the evidence had been provided during the consultation period, to present that evidence to the Assembly and to take an Order forward. If he or she did not think that it stood up to scrutiny, then there would be no point in doing it in the first place. So, that has to be measured in the explanatory memorandum, early on.

[137] **Brian Gibbons:** The explanatory memorandum and the regulatory impact assessment will be heavily biased towards the benefits for the weaker authority. In conceptual terms, will you also estimate the cost to the stronger authority in the regulatory impact assessment? I accept your point that a real culture change has happened over the past 12 or 18 months; you are absolutely right that people are now thinking things that they would not have considered two years ago. Nonetheless, the stronger authorities will, in some instances, have to be dragged kicking and screaming to amalgamation, if the cost to them as the stronger authorities

is not addressed, because that will compromise the services that they provide to their citizens or residents.

[138] **Mr Kilpatrick:** That is right, and part of the regulatory impact assessment will consider the risks. There will be costs and benefits, but the risks to existing services and to the delivery of the savings that we anticipate must also be addressed. Part of that would be to mitigate those risks and to decide which packages of support that the Minister referred to earlier might be put in place to, for example, help support a well-performing authority through the process.

[139] **Angela Burns:** May I confirm that these regulatory impact assessments and memoranda of understanding would happen as each proposed amalgamation was being debated? There is a debate on this next week, is there not?

[140] **Carl Sargeant:** Yes.

[141] **Janet Ryder:** You answered Brian's question, which was: will you bring forward a regulatory impact assessment and an explanatory memorandum for these amendments? Your answer was 'yes'. When will they be published?

[142] **Carl Sargeant:** There are two different things. Are you talking about the Order?

[143] **Janet Ryder:** I am talking about these amendments.

[144] **Carl Sargeant:** What is the timescale for that, Reg? Can we give that?

[145] **Mr Kilpatrick:** We have an addendum to the explanatory memorandum, which will be published early next week.

[146] **Janet Ryder:** Will that be on Monday, so that we can read it before Tuesday's debate?

[147] **Peter Black:** The debate is a week Tuesday.

[148] **Carl Sargeant:** There is no debate next week that I am aware of, Chair, but there is one on 15 March.

[149] **Janet Ryder:** So, they will be published early next week, before the deadline to lay further amendments.

[150] **Carl Sargeant:** That is my understanding—

[151] **Janet Ryder:** It is just so that we have that on record.

[152] **Carl Sargeant:** I will check that with the legal team, so that we do not tell you something that is not true.

[153] **Janet Ryder:** All these, namely the regulatory impact assessment and the explanatory memorandum, will be published, allowing Members time to consider further amendments to be laid.

[154] **Carl Sargeant:** Yes, we have to publish them by 8 March. However, we intend to do so early next week.

[155] **Angela Burns:** May I ask one question? You said that you would be happy to bear

the cost of the consultation. I am conscious of the time, Minister, but how widely do you anticipate that consultation on any proposal would go?

[156] **Carl Sargeant:** We left this quite open, because the danger is that, when you start naming consultees, people take that as a tick-box exercise and say, 'I have consulted A, B and C, never mind about the rest'. We have said 'affected persons' and we are considering tightening it up and saying 'the unitary authorities affected, the community and town councils affected in those regions and other interested stakeholders'. For us, they would include the WLGA and the fire service, which would have an interest in these areas. It is endless, but we were reluctant to put down a list because it is possible to miss people off a list, and we were trying to be open and transparent and to offer consultation to as many people as possible.

[157] Let us not forget that we have the upfront consultation period, in which we have to demonstrate the reasons behind the amalgamation Order and then it comes back to the Assembly for a 60-day period, in which Members can choose—it is not my choice, but is laid out in Standing Orders—to bring the Order before the Assembly for further scrutiny and then into Plenary for the superaffirmative vote. During the Stage 2 proceedings, namely the 60 days before an Assembly committee, there is a huge opportunity for further consultation with bodies that feel aggrieved that they have not been consulted. There is an opportunity to do that within that 60-day period. So, we are not purposely trying to miss out people. If you have suggestions about who should be on the list, I am open to them, but I am genuinely trying to create an environment in which interested parties, whoever they may be, should be consulted.

[158] **Angela Burns:** That is understood. I was just trying to get a handle on the costs of consultation, because it can be a never-ending exercise. We have probably come towards the end of our session with you, Minister, otherwise we will be covering the same ground again and again. The issue is not so much with regard to this proposed Measure, but a number of Measures, Orders and so on have been put before the Finance Committee in relation to which we have struggled to get a handle on the consequential costs that could be borne by organisations that are affected by them. Two spring to mind, namely the Welsh Language (Wales) Measure 2011 and the Waste (Wales) Measure 2010. This is a concern, and perhaps it should be addressed by others in the next Assembly, who may want to look again at how we carry out financial scrutiny and at what stage of the process this is done, because a lot of high-level stuff is being introduced.

[159] I take on board the point that the Government has business to do and it cannot work out absolutely everything before it gets to certain points, but we need to ensure that when the Government gets to those points, if a sweeping or large situation needs to be looked at, someone is around to look at it. That is very much highlighted by this particular proposed Measure, because it is probably one of the biggest that has come before us in terms of potential financial consequences. So, I want to ensure that you understand that this is not specifically about the Proposed Local Government (Wales) Measure, but a reflection of other Measures that have come before us on which we have had the devil's own job to try to get hold of succinct information.

[160] It is not the job of this committee or any Assembly committee to nit-pick its way through Government policies and the Government's programme, but it is our job, when you are putting forward new ideas and concepts, to look at consequential impacts on the Welsh Assembly Government, the National Assembly for Wales and other organisations that would be involved. As Chair of this committee, I recommend that, at some point in the fourth Assembly, someone looks at which point in the lifecycle of a piece of legislation it would be appropriate to have a long hard look at the financial element. That is the piece that is missing. We are too far ahead of the game when we look at it, because we cannot get hold of that information, and yet, once the legislation has left us, that is it—bang goes the chance of any other financial scrutiny being undertaken, and that is not good either.

[161] **Janet Ryder:** Following on from what you have just said, Chair, the Minister has admitted today that these amendments might have big financial implications up front as regards staffing and the amalgamation of two or three local authorities. Had these amendments been included from the beginning, an assessment of those implications could have been made. That point has to be made about this piece of legislation, or any other that has significant amendments coming forward at a very late stage. It is an unusual procedure for this committee to go back to look at a proposed Measure once it has passed Stages 1 and 2.

[162] **Carl Sargeant:** Thank you for your comments and questions this morning. What I have tried to demonstrate, from my first appearance, was openness on the proposed Measure. What we understood, we shared with you, in terms of the financial implications, and I hope that that has come across. I do not agree with Janet, and she is putting words into my mouth that I did not say. I said that there would be upfront costs in terms of amalgamation, but we do not know what they are because we do not know which bodies might be involved. We would not have known that if the amendments had come forward earlier, either. I cannot identify which authorities would be amalgamated, as I hope I have explained pretty clearly today.

[163] I know that there are Members who are opposed to the principle of doing this, and there is nothing that I can do to persuade them otherwise. It is their duty to frustrate these amendments, or otherwise, as we take these amendments forward. My duty as the Minister responsible for driving forward public service improvement is to ensure that we have the tools in the box to do that. I recognise your concerns, and the concerns of other committees, that this is an ad hoc tool to reorganise local government. I do not believe that that is the case. It is a provision that is heavily linked to the 2009 Measure, and seen as a whole, these are appropriate tools to drive forward improvement in public services for the people of Wales, as they deserve.

[164] **Angela Burns:** I thank you for your time today, and that of your officials. I propose a brief adjournment, perhaps for a few minutes, so that people can get a coffee, and then we will carry on with the next item.

*Gohiriwyd y cyfarfod rhwng 10.43 a.m. a 10.49 a.m.
The meeting adjourned between 10.43 a.m. a 10.49 a.m.*

Dyranriad Adnoddau Cyfalaf—Trafodaeth gyda Gwerth Cymru Allocation of Capital Funds—Discussion with Value Wales

[165] **Angela Burns:** This item is a continuation of our inquiry into capital funding. We have invited representatives from Value Wales to appear before us. I thank you very much for coming; my apologies for keeping you waiting. For the record, please introduce yourselves and make any opening comments you may have on the role of your organisation before we start our questioning.

[166] **Mr Jeffreys:** My name is Andrew Jeffreys. I will say a little about what my bit of the Assembly Government is responsible for. My team—strategic budgeting—looks after the annual budget process for future years and also the in-year budget process for allocating reserves and moving budgets around between ministerial departments. We are also responsible for advice on strategic resource allocation decisions and financial implications of policy and other related matters. So, my team looks after strategic resource allocation in the Assembly Government, and that is largely allocations at a ministerial portfolio level, as opposed to the programme or project level.

[167] **Mr Sanchez:** I am Stefan Sanchez, head of strategic capital investment. I am

responsible for overseeing the strategic capital investment fund and the centrally retained capital processes, which are the best practice approach to business assurance. I am going to talk today about the business assurance side of things, which is all about how we make robust spending decisions in the organisation.

[168] **Ms Standfast:** My name is Alison Standfast, deputy director of Value Wales. Our role now is about procurement. I thought that the order would flow that way, because our role, once the decision to spend the money is made, is about looking at how we ensure that procurement is carried out so as to maximise the most benefit from that money.

[169] **Angela Burns:** So, you do the buying, but who does the decision-making? Is that your department, Stefan?

[170] **Mr Sanchez:** No. We do not do the decision-making. We offer advice and support for departments to enable them to make the decisions in the right way. Business assurance is essentially about doing the right things. Alison will be talking about doing things right and the programme project management assurance.

[171] **Mr Jeffreys:** Perhaps one way to put this is that it is the Minister with responsibility for finance who allocates resources to ministerial portfolios—makes strategic decisions between health and education and the other big buckets, as it were—and individual portfolio Ministers make decisions about allocations to programmes and projects within their areas. The role of Stefan's team, in part, is to allocate resources that are held centrally to projects and programmes, but, in large part, it is individual portfolio Ministers who make the decisions as to which projects and programmes on the capital side receive investment. Does that make sense?

[172] **Angela Burns:** Yes. Thank you.

[173] **Nick Ramsay:** In relation to the Welsh Government's overall capital programme, what proportion of the departmental projects and programmes does Value Wales become involved in?

[174] **Ms Standfast:** Our role as Value Wales is to look at improving procurement across the public sector. I suppose that the best way of thinking of us is as an improvement agency. We incorporate a corporate procurement service, which is the Welsh Assembly Government's own procurement unit, and that is involved directly in the provision of advice on Welsh Assembly Government expenditure, with the exception of transport and highways, which has its own unique area. Therefore, of the roughly £400 million that is spent directly by the Welsh Assembly Government, my team provides advice on around £300 million of it.

[175] **Nick Ramsay:** Is there compulsion for a department to approach Value Wales when undertaking a capital project?

[176] **Ms Standfast:** In terms of the procurement, yes. Any contract that is placed with a value above £25,000 has to be overseen, in terms of the documentation, the notice that is placed and the whole process, by people who work in my team.

[177] **Nick Ramsay:** Do they have to take notice then of the guidance that you give, or is that up to them?

[178] **Ms Standfast:** At the end of the day, the responsibility lies with the accounting officer. However, it would be very unusual for our advice not to be followed, but it would be possible for an accounting officer to do that if he or she so wished.

- [179] **Nick Ramsay:** Is it usually followed?
- [180] **Ms Standfast:** Yes.
- [181] **Brian Gibbons:** Is that the departmental rather than the finance accounting officer?
- [182] **Ms Standfast:** It is the departmental accounting officer. I will have to turn to Andrew for how many there are. I think there are six.
- [183] **Mr Jeffrey:** Yes. The Permanent Secretary is the accounting officer overall, but there is delegated authority for some accounting officers—five directors general have responsibility for combinations of portfolios or individual portfolios.
- [184] **Janet Ryder:** May I just clarify that point? Did you say that transport was not included in your list?
- [185] **Ms Standfast:** It is transport and highways—the directorate that spends money on roads. It has a separate procurement unit, which is based in the Department for the Economy and Transport, but we work closely together.
- [186] **Janet Ryder:** Why was it not included in this? Why does it stand apart?
- [187] **Ms Standfast:** Why is it not attending today?
- [188] **Janet Ryder:** No, in terms of an overall Government policy. If it is an overall Government policy, why is one department standing alone?
- [189] **Ms Standfast:** It has grown up that way, because you are required to have a certain expertise in the procurement of roads and highways, which is a specialist area. That is how it is currently structured. For example, on our community benefits work, we provide the policy, and they have made the decision to incorporate that. We align with each other in terms of how we go about things, but I am not accountable for what they do.
- [190] **Angela Burns:** So, what major capital projects would you do the procurement for? Could you name a few off the top of your head?
- [191] **Ms Standfast:** We provide assurance and advice to, for example, the new generation broadband project. We need to consider how procurement is structured and carried out across the Welsh Assembly Government, and whether we are doing it in the best way at the moment. There are projects that we are considering that may change the structure in the longer term. It could be that that area should come under our remit and work with us. However, at present, that is not how it is structured.
- [192] **Angela Burns:** Peter wants to come in on this point.
- [193] **Peter Black:** Do the capital projects that you procure have the same overspend as the highways?
- [194] **Ms Standfast:** No. For example, the Llandudno Junction project, for which we provided procurement advice, did not. We provide procurement advice to many of the areas that Richard Wilson has been responsible for.
- [195] **Angela Burns:** How big is your team, as a matter of interest?
- [196] **Ms Standfast:** The internal corporate procurement service has about 15 people. In

Value Wales as a whole, there are about 60 people. We are currently running a big e-procurement programme, which has two more years to run, so our permanent structure is probably about 45 people.

[197] **Janet Ryder:** Regarding the departments that you influence—and, hopefully, transport—do you, in any way, attempt to standardise the procedures and the processes that are aimed at securing value for money?

[198] **Ms Standfast:** Yes, we do. Part of our core role is to provide guidance to try to ensure that processes are improved. Construction is one of the biggest spend areas across the public sector. We provide step-by-step online guidance through a procurement route planner, which has a specific construction section. That is based very much on the Office of Government Commerce's achieving excellence in construction advice, through which we provide templates and documentation to help improve the process. Another example is looking to standardise and improve the pre-qualification process, which has often been felt to be a barrier to smaller suppliers. A further example is work that we have undertaken on advice on the supplier qualification. We are currently trialling a standard approach, which is a more proportionate approach to that aspect of procurement. So far, that has shown positive results in getting smaller suppliers to be more successful in a number of cases.

[199] **Janet Ryder:** I may be stepping on the toes of future questioners, but one issue that is always raised is that, if you follow general guidelines, a number of our small companies are ruled out because they do not qualify financially. They may well be capable of handling the contracts, but they do not meet the financial qualification. Are you now saying that you are looking at other ways of allowing those small and medium-sized companies in Wales to compete?

11.00 a.m.

[200] **Ms Standfast:** That is one of the activities that we are trying to achieve. It has to be on a case-by-case basis according to what it is that you wish to procure. However, the message that we are pushing is that one size does not fit all and that you need to think about what you are buying and the process that you are following to make it possible. We have seen more small firms being successful over the last year than in previous years, so we feel that we are starting to see a change in the way in which some organisations, and particularly local authorities, approach that issue.

[201] **Janet Ryder:** So, with regard to the financial qualification, you now say in your guidance that, just because a company does not meet the financial qualification, it does not mean that it is not capable of doing the work and that other ways of assessing it should be considered.

[202] **Ms Standfast:** It depends what it is. A particular issue with that is how much a financial burden that company has to carry to do the project. It would be irresponsible to put the company in a position where it had to carry more than would be right. So, we are not, in every case, making it possible for very small companies to do big jobs, but we are trying to make it appropriate and proportionate.

[203] **Janet Ryder:** Does that advice go beyond Welsh Government departments and beyond county councils? Does it go to other public bodies?

[204] **Ms Standfast:** Our role is to work with all public sector organisations that are based in Wales.

[205] **Janet Ryder:** Is that same message going out to them all?

[206] **Ms Standfast:** Yes. We work through groups; we attend a local authority collaborative works group and we have set up a construction steering group, which has both public and private sector representatives discussing these issues together to try to find solutions.

[207] **Angela Burns:** So, if someone in Wales decided that they needed to build a new school, do they have to talk to you, are they advised to talk to you or do they not talk to you?

[208] **Ms Standfast:** They certainly do not have to. We are here to provide advice and guidance. Taking schools as an example, we support the Department for Children, Education, Lifelong Learning and Skills policy people working on the twenty-first century schools programme. So, our advice is given to individual organisations and on the way that that programme is set up. People do not have to come to us; it is more about trying to provide value and making them want to.

[209] **Angela Burns:** Is it the same for someone building a new doctors' surgery or hospital?

[210] **Ms Standfast:** Yes.

[211] **Angela Burns:** Would they have to come to you then, Stefan, to ensure that they had the strategic overview to do it?

[212] **Mr Sanchez:** No, they would not have to come to me. I do not hold any power over departments in that sense, but my team is there to advise and support departments in making the business decisions in the first place. On the question as to whether they should build a school, they should be going through the five key stages. To give business assurance, they need to be asking whether there is a robust case for change, or whether they could deliver what they want to achieve by improving other schools in the area. So, they need to ask whether there is a robust case for change, whether a wide range of options has been considered, and whether they have been assessed to determine which option provides the optimal value for money. They need to ask whether there is a market for the proposal, what the trading arrangements will be, and whether the proposal is affordable and deliverable. So, it is about providing the evidence to support those questions and making the decision that it is right to build a new school rather than refurbish or reconfigure services. My team will provide departments with the support that they need to make those decisions.

[213] **Jeff Cuthbert:** I have a comment on the construction of schools and GP surgeries, which is a good example. I chair the cross-party group on the built environment, and one of the complaints—let us call it that—that smaller builders raise with me is that they find it very difficult to come in on procurement, and that the rules tend to favour the bigger operators. Do you accept that that is the case? What sort of steps are you able to take so that smaller, locally based firms can benefit from procurement, especially in the field of construction?

[214] **Ms Standfast:** We have seen two ways of doing it. On schools, one example has been to say that we will take the requirement and put it into a number of lots—big projects over a certain value would be in a particular lot; smaller projects would be in another lot. In that way, you can have different sized companies bidding for different parts of the whole requirement. The recent award by Rhondda Cynon Taf council on behalf of 10 local authorities in Wales on such a framework using that approach has been successful in that a number of smaller Welsh suppliers have been awarded contracts on the framework. In one example, a group of SMEs formed a consortium and was successful. So, that can work. Some projects are better done through one larger supplier, of which we do not have many in Wales at the moment. In those instances, we have looked at the second-tier opportunities and

encouraged community benefits clauses to be applied in the contracts—this is where the main contractor is required to develop local supply chains and open up its opportunities. For example, that approach was taken in the case of the Cowbridge school, which led to about 90 per cent of the expenditure being, through that subcontract arrangement, with local suppliers.

[215] **Brian Gibbons:** Every answer generates another question. To go back to one of the earlier questions, I do not know whether this is the right description, but the pre-procurement qualification phase—certainly in Aberavon and Port Talbot, which I represent—seems to be one of the biggest bugbears that small and medium-sized companies have. First, the pre-procurement qualification is not standardised and these are small companies. If you are Costain, you have a whole department doing this, but these smaller companies have to take people off their daytime jobs to do it. So, the first issue is that this pre-procurement qualification work is not standardised and the companies have to become experts in this questionnaire that they have to fill in. That is gripe No. 1. Gripe No. 2 is that there does not seem to be a centralised database, so companies have to fill in all of these forms every time. Sometimes, they will be answering slightly different questions, because of the lack of standardisation of the qualification form, but they have to keep filling these in every time for every job. Would it be possible for the pre-procurement qualification assessment to be standardised across the whole of the public sector in Wales? Also, would it be possible to have a standard database so that, if someone indicates an interest, you can interrogate the computer rather than the company having to fill in another form?

[216] **Ms Standfast:** I am quite glad to say that I completely agree with the points you have raised. They are genuine issues, and we are in the process of actively addressing those. It is called SQuID: the supplier qualification information database is a project that we have been running for about 10 months, aiming to get to exactly where you have suggested. We have been working with local authorities and the NHS, all coming together to try to standardise these questions. We are now trialling the standard questions in a number of projects to ensure that they are right. When the national procurement website Sell2Wales is refreshed, it will have the capability to hold those answers. We envisage that each tenderer will be able to draw down the answers that have already been loaded by the suppliers. All the supplier would then need to do is say, 'Yes, it's still current' or 'No, it's not', which we hope will eliminate the time wasted on answering the same questions. We have estimated that it currently costs Welsh business about £20 million to go through that process for the public sector. I feel that we must be able to take some of that cost out.

[217] **Brian Gibbons:** What did you say the timescale was—10 months?

[218] **Ms Standfast:** We are trialling it now through the manual processes. It is actually the Department for the Economy and Transport that owns the project to upgrade Sell2Wales, but we hope to see it go live before the end of this year.

[219] **Brian Gibbons:** Excellent.

[220] **Alun Davies:** I am glad to hear you say that. I used to run a small business before I was elected and, frankly, I gave up tendering to the Welsh Assembly Government because it took too much time and the rewards were not sufficient to justify the time spent on it. I sense that there are a number of particularly small businesses in Wales—I certainly knew that at that time—that deliberately did not seek tenders from the Welsh Assembly Government because it was so difficult. To me, that seems to lock out the very businesses that we hear Ministers saying that they want to enable to compete for business from the Welsh Assembly Government. Can you assure us that these changes will be made to seek to open up procurement, if you like, to small businesses rather than continuing, as my experience told me clearly, to lock them out of the process?

[221] **Ms Standfast:** We are certainly aiming to simplify and standardise the process. Some of what we have to go through is set by Europe. Otherwise, we would not do it.

[222] **Alun Davies:** The point that I am making is that it was more difficult for me to put a tender together for the Welsh Assembly Government than it was for a UK Government department. It was considerably more difficult. That is why I competed for UK contracts but not for Welsh contracts. It just took too much time. As a small business you just could not justify that.

[223] **Ms Standfast:** I am sad to hear that. I would be interested to hear, outside of this meeting, which particular area was involved. We are certainly working quite hard to try to make it simpler. We have a number of smaller businesses that successfully supply the Welsh Assembly Government. Therefore, I have to hope that it has changed. It is something of which we are conscious, and we continually take feedback on those issues through arrangements that we have with the Federation of Small Businesses and the Confederation of British Industry to continually try to make sure that our processes are right.

[224] **Brian Gibbons:** I would certainly repeat what Alun said. It is a consistent complaint that getting a Welsh Assembly contract is bloody hard work, comparatively speaking. You mentioned the framework agreements and the main contractor for them. How much discretion does the client have to determine the make-up of the tier 1 and tier 2 suppliers, or do the main contractors and the framework agreements say, 'You take us as you find us, and we are not amenable to breaking up the well-established supply chains that we know, love and have confidence in'? Where does the balance lie, and in which direction do you think the trends are moving? Perhaps there is no trend; it is just the status quo, and the main contractor says, 'We will use what we know'.

[225] **Ms Standfast:** It is a mixture. I think that I have seen both. The truthful answer is that it probably depends on the actual supplier. Some are more open than others. If business thinks that that is what it needs to do to win Welsh public sector contracts, it will address it. So, it is about how strongly we put the message out. That is the correct answer. You can do that through the documentation or through your behaviour and how you manage the framework and talk about it. I visited some local authorities in England recently. They have started to produce league tables on community benefits aspects, as well as on other things. That was prompting behaviour, because the suppliers wanted to be at the top and to show that they had done the right thing. So, I think that there is more that we can do.

[226] Where we have put community benefit requirements into the tender—not being specific in terms of saying, 'You must buy this much in Wales', but saying, 'We want to see you exhibiting these behaviours, encouraging supply chains and so forth'—we have seen a positive response from industry. Often, because they are accountable for the delivery, we have seen a willingness to take proposals from local suppliers against their existing supply chains and to compare them side by side. I think that we are starting to see more willingness to move, and I think that how much we continue to see depends on how strongly we push the message.

[227] **Angela Burns:** Before we move on to Jeff, I am still trying to figure out who actually does the real strategic thinking here. Perhaps you can cast light on it, Andrew. From what I understand from what Stefan said, you would help a portfolio holder to put forward their strategic capital spending within their portfolio, for schools or whatever it may be.

11.15 a.m.

[228] **Mr Sanchez:** Not at that macro level. What we would do is to support departments to submit their bids to the centrally-retained capital fund and we also have some capacity to

support departments with their own portfolios. So, we would support them to make the right decisions through the business assurance process. However, they would be responsible for that decision.

[229] **Angela Burns:** What I cannot figure out is who has the long strategic view of Government capital spending? Is it the Minister, the Cabinet or a department that looks at this in order to give the information to the Ministers? Who is it who says, 'You need to spend this much in this portfolio and that much in that portfolio'? Does it just follow on from what happened last year and the year before, and then it is up or down according to the settlement, or is there someone who sits there and says, 'Well, actually, if we didn't build two hospitals and three schools, then we could create 20 doctors' surgeries, the benefit of which to the nation would be more than the two hospitals and the three schools'? I am trying to understand who, at the very top level, looks at the strategic deployment of the capital resources that the Welsh Assembly Government has.

[230] **Mr Jeffreys:** That is an important question that is quite difficult to answer. To a large extent, the distribution of capital budgets across the different portfolios is historic, rather than the product of a specific decision that you could point to and say, at that point in 2008, say, Ministers took a collective decision to distribute their budgets in a certain way. To a large extent, the allocation of capital budgets is a historic artefact. You look at the baseline and you adjust it up or down in light of the prevailing priorities at the time when you make those decisions. So, there is a degree of strategic resource allocation from the centre, which is partly where Stefan's team comes in. With the strategic capital investment fund process, for example, there was a conscious decision by Ministers to carve out quite significant chunks of money in the last spending review period for a set of strategic decisions to be made by them centrally on allocating those resources to specific programmes and projects.

[231] Going forward into the next spending review period, over the next four years, as you may have seen from the scrutiny of the budget, virtually the whole of the Assembly Government's capital budget is in departmental baselines. A very small residual amount is held at the centre for strategic allocation: it is £100 million next year and £50 million in each of the subsequent years, so it is a very small proportion of the total capital budget that is being allocated centrally. The vast majority is in departments. It is probably fair to say that the Assembly Government's capital strategies are largely sectoral, rather than there being an overarching, big-picture strategy that covers all of the different areas of infrastructure and capital spending. It is difficult to trade off economic infrastructure against hospitals and schools and to make a sensible, rational decision between a number of roads and a number of schools, for example, or a number of rail projects and a number of hospitals. Those sorts of decisions are notoriously difficult to make centrally and, as a result, you, in effect, have a historic allocation that gets adjusted up and down in light of the prevailing ministerial priorities at the time, when you have maximum flexibility.

[232] The qualification that I would make to that is that there are strategic planning pieces that inform the sectoral strategies that exist, particularly the spatial plan, of which I am sure you are all aware. One thing that the Deputy First Minister has committed to through the economic renewal programme is to look at the development of an infrastructure plan for Wales, and that does start to take that more strategic view about what our infrastructure needs are as a country. A fair bit of work is going on about that at present, and there may be some stuff coming out about that in the not too distant future. So, there is work in that space, but if you are looking for a strategic plan across the full range of different aspects of infrastructure, there is not anything there that you can just point to. Is that helpful?

[233] **Angela Burns:** Yes, it is. I understand from what you said that there is the work that the Deputy First Minister is doing, but that there is no other work going on to be more strategic about our resources. I can understand that the spends in the budget are all in

departmental silos, because it takes four, 10, or even 20 years to decide to build a hospital and, once you have made that commitment, that money has got to keep on coming. Although the centrally retained funds are a relatively small element, as was SCIF, it was a step in what I personally think was the right direction. There is the work that the Deputy First Minister is looking at in terms of infrastructure, but at the moment, because of the capital moneys available, everything is just sitting where it is, because it is fulfilling commitments that have already been made.

[234] **Mr Jeffrey:** I think that that is a really good thing. As a result of our capital settlement—which, as you know, was extremely poor—Ministers consciously took a decision that, in a context where budgets are falling by 40 per cent in real terms over the next four years, reducing departmental baselines radically in order to free up resources at the centre to allocate them strategically would not be the right step forward. You have that steady state requirement to invest in the infrastructure of schools, hospitals and roads, which does not change that much. Although your budget might be going down, you need to hold those resources and you need a certain level of investment in your infrastructure to keep it going. In that context, carving out resources at the centre is a problem, but, as you say, there is a need for a long-term perspective on what our infrastructure needs are, and that is what the piece of work that the Deputy First Minister is leading on is addressing.

[235] **Brian Gibbons:** As a result of things such as twenty-first century schools and the shift to more sustainable priorities within transport, it is not quite as steady a state as you are suggesting. There have been some changes. You may regard them as tweaks, but I think that they are more substantial than you have described them.

[236] **Mr Jeffrey:** I think that the strategies are sectoral rather than there being an overarching whole-infrastructure strategy.

[237] **Brian Gibbons:** Yes, but the twenty-first century schools approach did come to Cabinet—it is probably in the minutes out there. So, some of these decisions were taken at Cabinet level. I agree with you that everybody looks at the baseline and at what they are getting for next year, and that that is probably the biggest determinant; nonetheless, there is more strategy involved than just having the same as last year plus 5 per cent.

[238] **Mr Jeffrey:** There have been some quite significant shifts in capital budgets over the last decade. If you go back to the start of the Assembly Government, investment in health and education infrastructure was very low relative to what it is now, both absolutely and as a proportion of the total spend. That has changed quite significantly and conscious decisions have been made to invest in health and education infrastructure. That is an important point to make.

[239] **Angela Burns:** Jeff, some of your questions might have been touched on already.

[240] **Jeff Cuthbert:** Yes, I think that I can save time by asking all three together. This is mainly about engaging with the private sector to maximise the value of capital investment. Can you tell me how Value Wales interacts with the private sector? How successful have you been in securing capital investment? Perhaps you can give some examples of funding models that you have developed with the private sector and how they have been used. The issue of twenty-first century schools has been mentioned. So, in areas other than the schools capital investment programme, how are we doing?

[241] **Ms Standfast:** The first part is the easier one to answer. In terms of interacting with the private sector, most of our time has been spent looking at processes and at how we can make it easier for more local business to be part of it. As I mentioned earlier, we now have a construction steering group. Most of the representatives are from individual businesses and

they work with us to identify what the barriers are, what the issues might be and how we can change. We consider both the private and the public sectors, so that they can come together. On funding models, it is not something that we have done a lot on recently. I know that work was undertaken in the Welsh Assembly Government looking at PFI schemes, but that never sat with me so I cannot talk about it very much. However, I have worked in that sort of area in a previous life.

[242] **Jeff Cuthbert:** Who might we approach on the issue of funding models? Presumably there are some.

[243] **Ms Standfast:** It is starting to be talked about as something that we will need to consider. I do not think that it sits in one clear place, but Andrew might correct me on that.

[244] **Mr Jeffrey:** Various bits of work have been done at the centre on this. I think that you have had evidence from Dave Richards on some of that work. It is fair to say that there are some areas where the Assembly Government and its public sector partners have been successful in drawing private sector money into infrastructure investment. Housing is a good example where, over the last five to 10 years, there has been a significant shift in the amount of private sector investment in social housing. We are also developing waste infrastructure for dealing with residual waste going forward—there is some innovative work being done on how we afford that infrastructure, how it is paid for and where the upfront investment will come from. It is probably best to think of this on a sectoral basis rather than across the Assembly Government, because the story is very different in different areas. In health, for example, there has been a clear policy decision not to—

[245] **Jeff Cuthbert:** Chair, maybe we could collate some information from appropriate sources later.

[246] **Angela Burns:** We will.

[247] **Jeff Cuthbert:** Do you have any comments on the final point that I made, around areas other than education?

[248] **Ms Standfast:** Was that in terms of looking at funding models?

[249] **Jeff Cuthbert:** Yes.

[250] **Ms Standfast:** Since I have been involved in this, it has not been an area that we have seen an appetite to pursue. When I worked in the private sector, in a previous life, I have worked with different models. It may be higher on the agenda going forward, with the need to improve infrastructure with reducing funds. Looking at strategic programmes, the ones that we have supported more recently, which I can talk about, are in the field of health. For example, I know what has been done with the ‘Designed for Life’ approach. So, we are working with officials on the twenty-first century schools programme to try to help them to get the most out of how that programme goes forward. We are also working with the housing department on the investment that will be made in the Welsh quality housing standard. Although there has been stock transfer to registered social landlords, we still see them as an audience for assistance, so we do work with them. However, our focus has not been on the funding model in any of those, it has been more on the application for procurement.

[251] **Angela Burns:** Brian, do you want to pursue anything else on the community benefits?

[252] **Brian Gibbons:** I want to ask another question before I get onto that. There is a lot of information about procurement on the Sell2Wales and Buy4Wales websites, but unless you

register as a company, you cannot get into the website—at least, I have consistently failed to do so. You have to register as a company and you have to state what area of business you are interested in. Is there a way for the average citizen to get into that, to access the information?

[253] **Ms Standfast:** It will all be brought into one. I am less familiar with the current working of the Sell2Wales site, but in terms of Buy4Wales, which is the advice that goes to buyers, many of the documents on that site are open. We decide which documents are commercially confidential and which ones are not. Generally the guidance is not confidential, so that is accessible.

[254] **Brian Gibbons:** However, it is not possible to get in to the website unless you register.

[255] **Ms Standfast:** No, that is not the case. You will only see documents that are open to the general public.

11.30 a.m.

[256] **Brian Gibbons:** I will have another look. Turning to community benefit, can you tease out the distinction between core and non-core approaches to delivering that benefit? There is a lot about the core and non-core approaches in the guidance, but I struggle to understand the difference between them. It says that the core community dividend would be required, but it is sometimes classed as non-core or optional.

[257] **Ms Standfast:** There are different ways of approaching this issue. The overall objective is to try to get the widest possible benefit from the expenditure, and there are clearly a number of different ways of doing that. The most common approach has been to recommend that a clause is included so that when you tender for a project, you are required to provide information on how you are going to approach community benefits; it is then left open so that you can decide to take on apprentices, for example, or work with ex-offenders or supply chains. It is about making the requirement to deliver some kind of community benefit a condition of the contract, without necessarily saying what the benefit is. In contrast, the inform-to-involve work with housing requires that, when you tender, you undertake to provide a specific number of apprentices against a particular value of spend. Both approaches are useful and can provide benefits, so it is about selecting the one that is most appropriate for the capital investment that is being made.

[258] **Brian Gibbons:** So, whether certain types of work demand a core or non-core approach is purely a technical issue.

[259] **Ms Standfast:** I would say so.

[260] **Brian Gibbons:** To monitor this, do you know how many of the major capital projects in Wales have decided to adopt the community-benefit approach, or are expected to do so? Is it 50, 90 or 100 per cent of the projects?

[261] **Ms Standfast:** We are working directly with 20 projects, the value of which comes to about £2 billion. That number has grown; a year ago, we would have been working with three projects, so it is certainly moving. Other projects that are not working with us directly are also adopting the same approach, but we do not necessarily know about it. The Minister is going to be writing to all chief executives with refreshed guidance to encourage the further mainstreaming of this issue, and we will continue to monitor it. The 20 projects that we are working with are some of the bigger projects, and we have seen this approach starting to take a much stronger shape.

[262] **Brian Gibbons:** The total procurement budget is £4.3 billion, but not everything could easily fit into that as a major capital project. However, it would be useful to get a feel for whether most, some or a few of the projects are providing a community benefit, particularly as it has been suggested—I think that the Minister said this in her statement earlier in the year—that this leads to a return for local economic activity of over 30 per cent. If we are trying to use procurement to stimulate the economy, it will require a proactive approach rather than just resting on the oars and letting things happen.

[263] **Ms Standfast:** Community benefits are one of the indicators of success that we have suggested that we should report on for the efficiency and innovation work stream. I can probably find out the proportion of projects that have adopted the model, but I do not know it today.

[264] **Brian Gibbons:** I think that it would be a useful benchmark for the committee for the future, so that we know the direction of travel. Who is responsible for monitoring the outcomes against the objectives of community benefits?

[265] **Ms Standfast:** In terms of each individual contract, it would be the organisation setting the contract. We are encouraging people to tell us about the outcomes that they have had, but we need to strengthen that work.

[266] **Brian Gibbons:** Finally, is there a methodology for deciding on the best community benefits, in broad macro terms? I have a particular example in mind. We know that the construction industry has taken a big hit, in general, and that there are lots of construction apprentices who have gone through two or three years of their apprenticeships but who are not able to finish them, despite being two thirds of the way through. Is there a process through which a strategic decision could be taken to say that we must ensure that people who have invested two or three years in their apprenticeships have the opportunity to finish them? Is there a process through which strategic decisions like that can be taken and pushed ahead, or is it down to individual procurers to say, for example, that they would like a football field beside the Church Village bypass, or something like that?

[267] **Ms Standfast:** I would like to say that there is a strong process, but I think that it could be strengthened. It would work through Construction Skills, which has information about the status of apprenticeships—that is part of its role. It sits on the groups where the public and private sector come together. It feeds in that issue and, therefore, could influence people who are placing contracts so that they understand that that is an important issue. The criteria will be determined—particularly in the case of local authorities—through its own processes and the views of its members, so it is a bit more complex than we would ideally want it to be. On the specific reference to apprenticeships, the opportunity for the Welsh Assembly Government to provide a directive would be through grant terms, where capital expenditure is made through a grant.

[268] **Brian Gibbons:** I agree that you do not want the Assembly Government to micromanage capital projects down to the last detail, but you would have thought that there would be some major, big-picture, strategic objectives, like completing apprenticeships or something like tackling economic inactivity, which is a millstone around our low GVA performance. In leaving that to individual contract setters, when there is a national imperative, you would have thought that there would be a mechanism to drive two or three of these important national, strategic objectives, as well as allowing local discretion.

[269] **Ms Standfast:** I do not think that I can answer that. I think that that is a ministerial matter.

[270] **Brian Gibbons:** Can Andrew answer that point?

[271] **Mr Jeffreys:** There are inevitably conflicting objectives. The housing area has been a success in terms of focusing on specific objectives, particularly around the Welsh housing quality standard, in addressing local economic issues by employing local economically inactive people in sustainable jobs, not just for the six-month duration of the project, but in a way that leads to long-term employment. That is important. Your point about the importance of having a strong, strategic drive from the centre is a matter for the Minister.

[272] **Angela Burns:** We have a number of other questions but, as we are out of time, I would like to write to you with those, especially on the concordat that is being discussed with the Office of Government Commerce, unless you can tell me quickly where we stand in relation to that. I can tell that you cannot tell me quickly. [*Laughter.*] That is fine. Therefore, I will write to you with further questions and to remind you of the additional information that we would like, particularly in relation to Jeff's and Brian's points. Thank you for your time, and I apologise for keeping you for so long.

11.39 a.m.

Cynnig Trefniadol Procedural Motion

[273] **Angela Burns:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[274] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.39 a.m.
The public part of the meeting ended at 11.39 a.m.*