



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

**Y Pwyllgor Iechyd, Lles a Llywodraeth Leol
The Health, Wellbeing and Local Government Committee**

**Dydd Mercher, 24 Tachwedd 2010
Wednesday, 24 November 2010**

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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. Mae hon yn fersiwn ddrafft o'r cofnod. Cyhoeddir fersiwn derfynol ymhen pum diwrnod gwaith.

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. This is a draft version of the record. The final version will be published within five working days.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Lorraine Barrett	Llafur Labour
Veronica German	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Andrew R.T. Davies	Ceidwadwyr Cymreig Welsh Conservatives
Irene James	Llafur Labour
Ann Jones	Llafur Labour
Helen Mary Jones	Plaid Cymru The Party of Wales
David Lloyd	Plaid Cymru The Party of Wales
Val Lloyd	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)

Eraill yn bresennol
Others in attendance

Edwina Hart	Aelod Cynulliad (Llafur), y Gweinidog dros Iechyd a Gwasanaethau Cymdeithasol Assembly Member (Labour), the Minister for Health and Social Services
Rob Hay	Pennaeth, Is-Adran Cyllid Llywodraeth Leol 2, Llywodraeth Cynulliad Cymru Head of Local Government Finance 2 Division, Welsh Assembly Government
Chris Hurst	Cyfarwyddwr Adnoddau, Cyfarwyddiaeth Gyffredinol Iechyd a Gwasanaethau Cymdeithasol, Llywodraeth Cynulliad Cymru Director of Resources, Health and Social Services Directorate-General, Welsh Assembly Government
Owain Lloyd	Pennaeth Cyllid, Llywodraethu a Chynllunio Busnes, Yr Adran Cyfiawnder Cymdeithasol a Llywodraeth Leol, Llywodraeth Cynulliad Cymru Head of Finance, Governance and Business Planning, Department of Social Justice and Local Government, Welsh Assembly Government
David Powell	Cyfarwyddwr Cyfiawnder Cymdeithasol a Llywodraeth Leol, Llywodraeth Cynulliad Cymru Director of Social Justice and Local Government, 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
Paul Williams	Cyfarwyddwr Cyffredinol dros Iechyd a Gwasanaethau Cymdeithasol, Llywodraeth Cynulliad Cymru Director General for Health and Social Services, Welsh Assembly Government

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

Rachel Dolman	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Marc Wyn Jones	Clerc Clerk
Sarita Marshall	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.31 a.m.
The meeting began at 9.31 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Darren Millar:** I welcome everyone to this morning's meeting of the Health, Wellbeing and Local Government Committee and remind everyone that we are now being broadcast. I am delighted that so many Members are present in order to scrutinise the Assembly Government's budget with regard to health, wellbeing and local government. We have not received any apologies for today's meeting, but I am informed that Ann Jones needs to leave a little earlier today—at around 11 a.m. I invite Members to make any declarations of interest under Standing Order No. 31.6. I see that there are none.

9.32 a.m.

Sesiwn Craffu ar y Gyllideb Ddrafft: Tystiolaeth gan y Gweinidog dros Gyfiawnder
Cymdeithasol a Llywodraeth Leol
Scrutiny Session on Draft Budget: Evidence from the Minister for Social Justice and
Local Government

[2] **Darren Millar:** I am delighted to welcome the Minister for Social Justice and Local Government to this morning's meeting, along with his officials, David Powell, the director for the Department of Social Justice and Local Government, Rob Hay, the head of local government finance at the department, and Owain Lloyd, the head of finance, governance and business planning at the department. Welcome, gentlemen.

[3] Thank you for your paper on the budget, Minister, which is very helpful indeed. Given the time constraints, we will go straight into questions on your paper. The 'One Wales' commitments are at the forefront of the Government's mind, in terms of the budget and the priorities in it. Your paper states that your departmental priorities include tackling social disadvantage through a focus on community development and regeneration; supporting vulnerable people and reducing inequality; promoting safe and sustainable communities; and providing a lead in developing policy on equality and human rights within the Assembly Government. What actions have you taken to identify these priorities within your department, and how have these priorities informed decisions around the budget?

[4] **The Minister for Social Justice and Local Government (Carl Sargeant):** Thank you, Chair. I also thank the committee for the opportunity to be with you this morning.

[5] You are right to say that my priorities are aligned with Government priorities. We have taken a broad principle with regard to the protection of budgets: our priorities are around

health, education, skills and universal benefits. That is the overarching theme. We have then worked within our budgets and portfolios to develop the impacts of our budgets and to see how that will fit with the bigger theme that I have just mentioned. An example of that would be our targeting of education funding. There is a link between educational attainment and poverty levels, and we recognise that. By investing in education, we enhance the opportunities of people who are living in poverty, because we give them better educational attainment. Therefore, there is a direct link between the two portfolios, but the overarching priorities are skills, health, education and universal benefits, which we have built in.

[6] **Darren Millar:** That is a broad range of priorities. How will you measure whether you have achieved them?

[7] **Carl Sargeant:** We are constantly reviewing this, particularly the local government element and its reporting procedures and achievements. Some of the elements that I have just mentioned, such as education, are a longer-term gain; you have to invest in the early years, and we have invested heavily in the foundation phase. We have to look to the long term for the gains of that, in order to grow people out of poverty, as opposed to funding people to live in poverty. Therefore, these outcomes are all measurable, but they take longer to come through.

[8] **Darren Millar:** So, you will not be able to start to measure it in the first financial year of this budget.

[9] **Carl Sargeant:** We have invested consistently in education; we are just uplifting that provision now. In the foundation phase, we have seen children coming through with better attainment and life skills from learning through play, and that is something that we were committed to then. These are all measurable, and, as I said, we measure continually, and improvements are reported back to us by local authorities and other areas annually.

[10] **Veronica German:** In the provisional local government settlement that we heard yesterday, we are looking at a cash reduction of 1.4 per cent, which is 3.2 per cent in real terms. How do you envisage this reduction having an effect on the services funded by your department, and how will you monitor the impact on performance and quality?

[11] **Carl Sargeant:** It may be useful to set the scene of where we are, and where we thought we were originally, with regard to the announcements in the comprehensive spending review. We were projecting 3 per cent reductions across our budget, which is very different from where we are now with regard to my specific announcement on local government funding yesterday. We were looking at a 9 per cent decrease across three years, but, in effect, we are looking at a 0.1 per cent increase over three years, so we are in a very different place. Local government and the third sector were preparing themselves for significant cuts. I am not being party political; we are just dealing with what we will receive and passing it through. That is as broad a comment as I want to make today. We were given a smaller pot of money, so, obviously, people will have to make difficult decisions. However, when I came into office, I met stakeholders across the portfolio and said to them that we were going to have to do business differently and that we were going to have less money to do the jobs that the public expects us to do. I was not precious about who was doing what; I was just trying to make them aware of how they did business and who they worked with to deliver services. Ms Jones in High Street, Barry or wherever is more concerned about whether her bins are going to be emptied than who empties them. So, I was asking local authorities and the public sector broadly to work together and work differently to do this. I hope, therefore, that we are well advanced in that process of doing business differently and trying to mitigate the impact of the reduction in the budget.

[12] With regard to monitoring that and information coming back in, there are

performance targets across the whole of my portfolio, and there is the expectation that there will be regular reports back on this. In terms of the settlement, there has been little or no dissent across the whole portfolio—

[13] **Andrew R.T. Davies:** I beg to differ. [*Laughter.*]

[14] **Carl Sargeant:** Apart from the Chair, but that is politics, I think. However, the service delivery users have recognised the difficult decisions that they have to make, and that we have to make, and, in general, are getting on with it.

[15] **Veronica German:** I know that you have taken some specific grants into the revenue support grant, but a lot more money could be saved in local government if it did not have to administer so many specific grants—there are over 50. I know that they are not all down to your department, and I know that you have asked your Cabinet colleagues to look at that, but it is estimated that it costs about £35 million for local government to administer these specific grants, which is money that could be spent on front-line services. How willing are you to push that agenda forward, and do you think there is scope for more of that money to be freed up?

9.40 a.m.

[16] **Carl Sargeant:** I am not sure that I would agree with the figure of £35 million—I am not sure where you got that from—but I accept that there is a cost in delivering that process. We are completely unsighted on specific grants, and I apologise on the basis that it is not complete because of the specific grants. However, again, some of that is not within my remit—it is in those of other departments and I accept that. I have made it very clear to my Cabinet colleagues that, particularly with regard to local government, these specific grants are attached to jobs, and it is important that they know and understand exactly where they are financially with regard to the future. I am pressing very hard to understand the complete picture. As soon as I understand that better, I will release the figures.

[17] **Darren Millar:** It is pretty unacceptable is it not, Minister, that, in the papers that were released yesterday, there were a number of grants for which we have no indication going forward over the next few years as to the level at which those grants will be? Examples include the sustainable waste management grant and no information has been presented to us about the redistribution of the Supporting People grant. There are other significant grant streams for which we have no indication as to what will happen after the current financial year. That is unacceptable, is it not? We are supposed to scrutinise you on this.

[18] **Carl Sargeant:** Chair, bear with me a moment to allow me to provide an explanation. I accept that there are gaps in that specific grant area, which are significant. The sustainable waste management grant to which you refer is significant. There are some that are in and there are some that are missing. I am acting responsibly in that I am offering the budget to local authorities on the basis of what we know, so that they can plan. We must bear in mind that this is the first negative budget that we have had since the establishment of the Assembly, through no fault of our own. These are the cards that we have been dealt and which we are playing. It is responsible to give local authorities sight of the figures that we understand now and the specific grants will follow when the relevant Ministers are able to give us the numbers.

[19] That does not take away from the fact that that causes a problem; I accept that, and I am pressing them very hard. I am also pressing them to reduce the number of specific grants. I have given my commitment to local government, because I agree that that needs to happen. Some of my colleagues have issues with regard to specific grants, but it is a fine balance with regard to what should and should not be included. I am not sitting on the fence here; I want to be specific. There are elements of specific grants that I think must be maintained as specific

grants because, if they are not, these things will just not get done—examples include the education profiling of Gypsy children. I do not believe that that would be a priority for local authorities. We have seen lots of examples, and lots of statements have been made, but sometimes you have just got to tie business in. That is one element that I think should be maintained.

[20] However, with regard to some of the broader principles, there is an element of trust with regard to how we operate in our relationships with local authorities, which I am trying to understand better so that I can feed in. Where I can release specific grants and where I and Members can have confidence that services will be delivered, we will do it. However, where we think that it is really important that there are no service failures, specific grants will remain. I think that that is reasonable.

[21] **Ann Jones:** It will come as no surprise to you that I think that that is totally the wrong approach with regard to those local authorities with which the trust has not been there. There are several local authorities where, unless a specific grant had been given, services would not have been provided. You say that you are going to look at that. The deprivation grant was taken into the RSG, but how have you evaluated whether that money has actually been spent on tackling deprivation? Do you have strong evidence that, in those areas where there is a great deal of deprivation and the local authorities were receiving a grant, they have used that part of the RSG and more, because they always say, ‘Don’t just give us the grant, because we always want to spend more’? Have they put more in, other than that which was included in the RSG? How can you demonstrate to me that that was a worthwhile grant to take back into the RSG?

[22] **Carl Sargeant:** That is a fair question, Ann. Local authorities should be able to evidence what they have spent their money on. We have to take into account democratic choice with regard to which services they deliver. That is why I said that there are some elements at local level that we believe that we should be supporting at the national level and we provide specific grants to do that. The deprivation grant is an interesting one. The name ‘deprivation grant’ does not really relate to the actual service delivery. It was put in place as a consequence of—was it foot and mouth disease?

[23] **Mr Powell:** It was council tax in 2005.

[24] **Carl Sargeant:** Ann, I would like to do some more work on evidencing that process, aside from the budget, with regard to that specific grant, because I think that that would be useful data, just to give you peace of mind, if nothing else, to be able to say, ‘Actually, I was right’, or, ‘Actually, I was wrong’. I would be happy to do some more work around that, as an aside, if I may, Chair.

[25] **Ann Jones:** I wish to ask you about the grant that was put out specifically for disabled children’s play where local authorities were meant to have provided the top-up. So, the Government put in £250,000 and then local authorities were meant to put their top-up in. Is there evidence that they have done that? Is there evidence that the money that the Assembly Government has provided for disabled children’s play has been spent on disabled children’s play?

[26] **Carl Sargeant:** I do not have that evidence with me today, Chair.

[27] **Ann Jones:** Could we have a note on that?

[28] **Carl Sargeant:** I can get you a note.

[29] **Darren Millar:** A note to the committee would be helpful. Veronica German, did

you wish to continue?

[30] **Veronica German:** I will now move on to education, social care and the protection that you have given them within the budget. We have heard the Minister for Business and Budget talking about soft earmarking. Can you explain how this will work and how you envisage these budgets being protected within local government?

[31] **Carl Sargeant:** We cannot have it both ways. We cannot have no specific grants and then halfway specific grants. We must have an understanding.

[32] **Veronica German:** No.

[33] **Carl Sargeant:** The fact of the matter is that the education and social care element is a 1 per cent less reduction in the budget; it is not hypothecated, ring-fenced or any other term that you want to use, but it is about the way in which it will operate. I will explain a little more on that.

[34] In terms of the education uplift, we have had discussions with the Welsh Local Government Association, which involved me, the Minister for Children, Education and Lifelong Learning and senior members of the WLGA. We intend to do that process of reporting back through the council's individual school budgets. Therefore, it is right at the face of the delivery of the service. We will be asking them to report on an annual basis as to how that additional 1 per cent has been taken through. I was questioned yesterday on the delegation rates. The delegation rates and the 1 per cent are totally different. I would not want people to get confused or mix the two. The WLGA has indicated that it is quite keen on increasing the delegation rates over the next couple of years; therefore, there will be an overall education budget lift. The 1 per cent is completely separate from that; this is a 1 per cent protection, or less reduction in the budget, which will be specific for education. It is supposed to be spent on education and reported back through invest-to-save budgets.

[35] The social care element is much more complex. Again, we are going through the same discussions here on how we understand that, because it is the interaction between health and local authorities in service provision against the fees and charges and so on that go behind that. I am confident that we can get an agreement from local authorities. Perhaps I can refer back to Ann and say that we could have put it down as a 1 per cent specific grant. We did not do so, but they will have to demonstrate how they have done this. I am confident in that. We have had some interesting discussions with the education Minister. He was quite keen to hypothecate this process.

[36] **Ann Jones:** That is wonderful.

[37] **Carl Sargeant:** Times have changed; this is the first year that we have had negative budgets for local authorities. I think that it is time for some grown-up politics in terms of saying, 'Let's get an understanding of what they are committed to do, and let's see whether they live up to that expectation'. I am giving them some space to deliver this.

[38] **Helen Mary Jones:** I completely appreciate that you are giving them some space, Minister, and I hope that they are grateful for that, but I am interested in knowing what will happen if they do not live up to that expectation. I think that you are probably right, that local authorities in Wales know that they have had a better settlement than they were expecting, and that they are feeling more positive. My own patch of Carmarthenshire was expecting a much bigger hit than it actually got; therefore, let us assume good faith. From this committee's point of view, there is a clear expectation from you as the national Government that that is how that money will be used. Whoever is in place as Minister in 12 months' time, when he or she looks back, how will that Minister be able to monitor what the local

authorities have or have not done, and what will happen to the authorities if they have not done it? You can have an agreement with the WLGA, but it is ultimately a matter of 22 separate decisions.

9.50 a.m.

[39] I am more concerned about social care because there would be a potential democratic problem for a local authority that did not pass on the money to education, because people who vote care about that. Therefore, I am more worried about social care. So, my question is: if whoever is the Minister in 12 months' time finds that they have not done it, what will you do with the next budget? Will we rely on their good faith again?

[40] **Darren Millar:** Perhaps, Minister, in your response to that question, you can touch on the role of outcome agreements in measuring that as well; I would appreciate that.

[41] **Carl Sargeant:** Thank you for raising a number of issues. The elements for this year will be as I have explained, and that involves the process whereby they report back to us regarding the principle of education through their invest-to-save budgets. That will mean that schools will be able to understand that they will receive less of a reduction compared to everywhere else, and I envisage a similar scenario regarding the social care element. We are working through the finer detail because of the complexities around that. I can tell you anything else, but that is where we are on that.

[42] On your question on what will happen next, there is an element of goodwill and trust in all this. You have to build relationships on trust and if there is no trust, you cannot get business through; it will just not happen. If I am the Minister in 12 months' time, bearing in mind that we have elections between now and then and we do not know who will be in that role, if authorities are not delivering as they have said through the WLGA that they will, I would seriously consider hypothecation or specific grants. I would not be worried about doing that at all. The ball is firmly in their court in relation to delivery. To be fair, they are saying the right things. However, I cannot say that they will not deliver it, because they have said that they will do so. We just have to wait 12 months to see whether they do that. There is an element of risk in that, but there are elements of risk in life. So, that is where we are. I believe, and I hope, that they will deliver it. If they do not, in 12 months' time, there could be a very different scenario.

[43] On the outcome agreements, some linkages with those can be built in. We have just been going through the final process of the old improvement grants, which were not ideal in driving improvement through local authorities. That is why we changed the process of trying to achieve an outcome agreement. I have made big changes to the points system in outcome agreements, which some authorities have pushed against, because they do not like the principle of my asking them to improve. I am sorry, but that is the name of the game: we give money for public services to drive improvement through, and they should work to do that. These are targets for driving improvement forward that they set and on which we agree, and, if they do not meet them, they do not get their money—that is the bottom line. So, there is a much harder line in relation to the measurement. I am still having interesting discussions with one or two authorities that have still not signed up to outcome agreements completely.

[44] **Ann Jones:** Can you name them?

[45] **Carl Sargeant:** They have not done anything wrong yet; we have not gone past the date by which they should have done so. I have written to them to say that if the outcome agreements are not complete by the end of December—it may be by the end of January, but I think that it is December—they will be out of the outcome agreements process. Some £30 million is available, but if local authorities do not want to play the game of driving

improvement through, they will just not get any money. That is not negotiable: they are in or they are out. Come December, that is where we will be, and that is why I have just written to them.

[46] **Ann Jones:** Can we have a list of those that do not have them? Will we be told which local authorities are not part of the outcome agreement process?

[47] **Carl Sargeant:** Yes. However, it is too early to do that, only because that is the process. Some have completed and some are nearly there, but there are some that I am worried about because they may not get there. They may, but if they do not, I will tell you which ones they are.

[48] **Andrew R.T. Davies:** Thank you, Minister, for your evidence; it is much appreciated. Veronica touched on the question that I wanted to ask, which relates to the number of grants and the related costs. The figure in our evidence for the cost of administering the grants is derived from a simple formula and is quite robust, and it comes from the expenditure sub group. It says that it would cost about 5 per cent of the total cost of the grants, which is £724 million, to administer them. So, if I do a simple sum, I can see that that is around £36.5 million. I appreciate that you have touched on that, but could you give us examples of how your department has been working to make the delivery of the grants more efficient and perhaps some of the grants that you have done away with their administration to make it cheaper for local government?

[49] **Carl Sargeant:** If I may, I will ask officials to give you the specifics of the grants and funding elements that have come in and out of the budget. To return to the point, I wrote to colleagues over the summer asking them to identify all the specific grants, particularly the many grants around education. To be fair, the Minister for Children, Education and Lifelong Learning has responded that he is either not doing some of those grants any longer and has brought them to an end, or he is looking at how the process can be streamlined. So, Ministers have bought into the ethos of reducing specific grants.

[50] At the partnership council a few weeks ago, the Minister for education was talking to the WLGA. He told the WLGA clearly that he was not prepared to reduce specific grants until it had given him some guarantees about service delivery. That is perhaps about that 1 per cent element. The proof is in the pudding—if local government can prove that it can deliver, then we would be happy to reduce even more. It is about that trust element. However, with regard to Gypsy/Travellers, that just would not happen.

[51] **Andrew R.T. Davies:** How was that 5 per cent arrived at? I am not that familiar with local government, because I was not a councillor, but is that not quite a high handling rate for the delivery of grants, or is it a reasonable figure? How does the group arrive at a 5 per cent administrative figure?

[52] **Carl Sargeant:** It is variable, because it is related to the scale of the grant and what it is specifically for, or how easy it is to transpose it—

[53] **Darren Millar:** Is it fair to say that the smaller the grant, the higher the administration percentage cost?

[54] **Carl Sargeant:** Yes, and that is why we are already looking at service delivery—I will answer the question about specific grants shortly—and why we did the ‘your services, your say’ tour, to look at that at a regional, national and local level. Our consideration of service delivery might help in the service-delivery process, particularly when a process can perhaps be done by one authority, rather than by all 22. So, we are looking at that closely. Rob might want to give a quick run down on specific grants.

[55] **Mr Hay:** There are three specific grants for the purpose of delivering the 2011-12 settlement: the Cymorth grant, the core cost of which is worth about £5.5 million; the grant payments to cover local authorities' liabilities for court fees in child care proceedings, which is worth about £2.6 million; and the grant in relation to the implementation of the Children and Young Persons Act 2008, which is worth £2.5 million. So, those are the three grants that come into the settlement.

[56] **Darren Millar:** One grant is being scrapped this year, which is the joint working special grant. Does that not defeat some of the priorities that you set yourself when you took on the ministerial role, given that you said that you wanted to promote and encourage joint working? Why are you axing £10 million a year to promote joint working?

[57] **Carl Sargeant:** There are other programmes that we use with regard to achieving that. The invest-to-save fund is one of them, which is about worthy projects that have targeted outcomes, whether that is within authorities or within the broader public sector—it is not about allocating money but about money being applied for to deliver services. So, I do not believe that that goes against the grain, really; it is just a different opportunity.

[58] **Darren Millar:** So, can you clarify what is replacing the joint working special grant?

[59] **Carl Sargeant:** Invest-to-save is one of them—

[60] **Darren Millar:** That was already there, was it not?

[61] **Carl Sargeant:** The invest-to-save is a larger programme, and the health and social care grant is the other.

[62] **Mr Hay:** To clarify, it is a grant within the Department for Health and Social Services. It was indicated that it would end in 2010-11 because the money was going to be used elsewhere. So, it is really within that department's budget, rather than this Minister's department.

[63] **Andrew R.T. Davies:** So, it is—[*Inaudible.*]

[64] **Mr Hay:** Yes.

[65] **Carl Sargeant:** Yes, but in the broader spectrum of collaborative working. The invest-to-save fund is an example of where there is an opportunity for authorities, across the public sector, to bid into the delivery of services.

[66] **Andrew R.T. Davies:** I want to build on what the Chair said about the joint working special grant and the expenditure sub-group when it meets to talk through these issues. In your conversations, have there been specific examples of inflationary pressures that a local authority has had to try to point out to you in trying to reach the settlement? I would suggest that the joint working special grant was offered as an example, because services may have had to be taken out—I have seen that in my own region here in Cardiff. So, could you identify the areas where there has been this difficulty or discussion within the group that has not been resolved?

10.00 a.m.

[67] **Carl Sargeant:** The discussions this time have been different to past discussions, partly because of the lead-up to and the narrative of the budget settlements. In previous years, it has been a bidding process for what local authorities would like to see and they have made

early bids for the different ways that the programme should be delivered. However, I would suggest that they have been even more responsible in their actions this year. As opposed to being irresponsible in the past, they have been even more responsible this time. They understand that it will be a difficult time, so they have genuinely highlighted some of their concerns about what negative budgets will create as opposed to saying what they want from a positive budget. They have raised the negativities and what pressures they will face, one of which was social care. That was highlighted across the board. They all talked about social care elements. We have been able to accommodate that through the 1 per cent additionality or protection within that budget.

[68] Another pressure that they raised, which was fair, was the twenty-first century schools programme, which is a long-term aspiration. It is a different way of operating, with authorities working together and offsetting build. As a result of the capital pressures in the budgets that we were considering, there was nervousness about the profiles of local authorities in being able to develop the twenty-first century schools programme. Another point, which you have raised today, that is a heavy cost for local authorities is the sustainable waste management element of specific grants. I can talk about this, but not in any detail. I have spoken with the Minister, Jane Davidson, and elements of that are already protected, but I cannot give you a fuller picture, so it would be wrong of me to go into more detail on that today. However, I have spoken to her about that and it is nearly there, but I do not have the data for you today; that is unfortunate, but I am just being upfront.

[69] **Darren Millar:** It is also fair to say that there is a great deal of concern about the impact of how the Supporting People grants might be redistributed on local authority budgets. What assurances can you give that local authorities will not fall off a cliff edge in terms of the Supporting People grant if they receive high levels at the moment, particularly given that it is again very much related to independent living, social care and helping to prevent additional costs elsewhere in the health service?

[70] **Carl Sargeant:** Mansel Aylward has just produced a hefty report on this and made recommendations that I know that the Minister is responding to. This again goes back to the mixed profile of funding. Mansel's report suggests funding through local authorities as opposed to different streams, to get a better understanding of what money goes where and who delivers what. It is assumed that there will be cost savings from that process, but it is also about understanding that process. Mansel has produced a detailed paper, and we are still learning from it. I know that the Deputy Minister for Housing and Regeneration is working hard on that. No-one is disadvantaged by this, but I understand that the formulae that are used for distribution are sometimes skewed and that there are winners and losers. We would have to look in more detail at the effects of what the formulae delivers for that specific grant.

[71] **Darren Millar:** However, there will be traditional arrangements, will there not?

[72] **Carl Sargeant:** I cannot answer 'yes' today, because I have not had that discussion. We would have to look at the detail of that closely.

[73] **Ann Jones:** You announced on 28 September that a review and reference group had been established to look at the structure of local authority service provision. How is that review progressing and how does that fit in with the work of the efficiency and innovation board? There was a long presentation to another committee about the board and I fail to see the differences between that, 'Making the Connections' and your review.

[74] **Carl Sargeant:** The review is under way and has started to take evidence across Wales. As you are aware, it will consider all the services involved in local, regional and national service delivery and which is best placed to be delivered where. It fits alongside the education review that Leighton Andrews is undertaking, as well as Gwenda Thomas's review

of social services. They are two hefty elements of local government service provision, amounting to 60 or 70 per cent of individual budgets. We pick up that and the additional services that local authorities deliver. So, we are taking a broad overview of service delivery, and that is going well. I expect to receive my first report around Christmas time, or early in the new year, for early sight of their first work. I will not know until then whether we will need to do a little more work on that, but that is when I expect the first report in. Leighton Andrews will have some initial findings around then, and so will Gwenda Thomas, in considering her consultation paper on taking forward social services. It is all coming together quite closely there.

[75] That forms, I suppose, the backbone of service delivery across local authorities—all services, including education, social services and others. The EIB sits underneath that, picking off specific projects across the public sector, and drilling down into the specifics. Whereas I am looking at the national picture, the EIB has picked up projects like the Gwent frailty project, on a local or regional level, and will be looking at whether those projects could work in a broader context. So, there is similar work going on, but it is not the same. We are looking at a review of service delivery as a whole, while the EIB has picked up ‘iconic projects’, as I think it calls them, looking for larger savings in specific elements. That cuts across several workstreams. I am looking at service delivery, and the EIB is looking at service delivery and provision—how it is delivered as well as who delivers it.

[76] **Ann Jones:** Could I ask you about collaboration? How is collaboration progressing across Wales? At what level are you looking at collaboration in terms of accountability? For example, there is an emergency services control room housing both the police and the fire service—although all that they have done is lift the fire service and put it in one corner with the police in another. However, across the road is the fire service headquarters and the police headquarters; could they not collaborate as well? Surely, general management of the emergency services is pretty much the same, so they could have shared the same building. Why are we always looking at cost savings for front-line services, but not looking at management? If we look at the managerial side of public services, that side could take the hit. Obviously, using one building would be cheaper than using two.

[77] **Carl Sargeant:** You have often heard me talk about driving the collaboration agenda forward. Again, some local authorities and some public sector health bodies have responded well, and the transition of services—including not just the service, but the delivery arm behind the scenes—has changed dramatically. There are some good examples of that across Wales, but it is not a complete picture; not everyone is doing that. There are some challenges along the way in how we do that, and we have touched on other issues around the Proposed Local Government (Wales) Measure, how we drive that collaboration agenda, and the different sanctions available to do that. We come to the point—this is why I announced the review—where, rather than allowing 22 authorities to collaborate in different ways, where we could end with a bit of a mess, I am trying to put some structure around this. That will clarify whether social services are better delivered on a regional, national or local level. We will have some evidence to back that up around Christmas time, or somewhere around that. Once we have a framework for that, we can start directing local authorities on the right thing to do as a collective. Several of us are north Wales Members, so, for example, we understand the local debate about whether services are best delivered across the six authorities in north Wales. I would be quite keen to direct authorities on that collaboration agenda, once we understand what is best delivered where. It is working well in some areas, and not so well in others, and we see examples of that all across Wales.

10.10 a.m.

[78] **Helen Mary Jones:** I have a specific question about the local government settlement that we heard about yesterday. In the provisional settlement, is there a floor or a minimum

funding increase for each authority?

[79] **Carl Sargeant:** Yes, there is. It is -1.7 per cent. I introduced a floor mechanism specifically because this year is a negative budget year—the first one ever—and I wanted to minimise turbulence across authorities' funding. It was always going to be difficult, but I wanted to bring the winners and the losers closer together so as to minimise the turbulence.

[80] **Helen Mary Jones:** How have local authorities reacted to that? Have they felt that that is reasonable?

[81] **Carl Sargeant:** Surprisingly well. I have not seen a negative press release, and we would normally have 22 on the desk. *[Interruption.]*

[82] **Helen Mary Jones:** I think that he meant from someone who was directly affected. *[Laughter.]*

[83] **Carl Sargeant:** They are not overwhelmed, but we are in a different place compared with where we have been in other years, when there has been an uplift in their budgets. The only authority to win this year is Cardiff, and that is because of the distribution formula. In years gone by, everyone has won something but on varying levels. However, there has always been a moan. This year is completely different. I was surprised, because we have had some really grown-up conversations about what we are facing. It is time for the smoke and mirrors to be put away, and let us just face the facts and deliver services for the public. That is the key. So, we are in a very different place.

[84] **Helen Mary Jones:** To move on slightly to the implications of the draft budget for voluntary sector and third sector organisations, how do you expect the allocations made in the draft budget to impact on the funding available to the third sector, either through the direct funding from your department or through local authority partnerships with voluntary bodies?

[85] **Carl Sargeant:** There has been no immunity for the third sector or local government; they have all been affected by this process. Across the budgets, we have done some modelling using equality impact assessments and testing to see who will be disproportionately affected or otherwise by cuts. As you quite rightly say, support for the voluntary sector does not come just from us, but also from local authorities. I have written to all local authorities twice now to say that they should be developing compacts with the county voluntary councils in their areas to work alongside them. During those times when service delivery will be difficult, the voluntary sector and the third sector can offer solutions by working together. Some councils have responded really well, and Caerphilly County Borough Council has a good compact with its CVCs, but others are still learning. I think that they have certainly got the message. We and the Wales Council for Voluntary Action have sent out a joint communiqué to voluntary sector organisations, trying to be upfront and telling them exactly where we are in that process. If there is little or minimal engagement from local authorities or other elements of support, I need to know about that.

[86] **Helen Mary Jones:** To follow that up slightly, Minister, you are absolutely right to say that the third sector can add an awful lot to service delivery, and I think that we would probably all agree with that. However, over the past 10 or 11 years, we have seen a massive growth in voluntary sector infrastructure in Wales, in the networks. The WCVA would be an example, but the CVCs have also grown. What assessment is the Government making of those networks, which can have a hugely important role to play? Do not get me wrong, as I am not coming down on them. However, those elements of the third sector that are not involved in front-line service delivery could be an important way of spreading best practice and that sort of thing. Has that assessment featured in how you have looked at some of the national funding particularly?

[87] **Carl Sargeant:** Yes. I have had some detailed discussions with the WCVA on service provision. To be perfectly honest, if there were no voluntary sector, some of the services that the Government is expected to deliver would not be delivered, so I regard the voluntary or third sector very highly. However, we also have to be responsible about the difference between needing and wanting. In past years, we have been able to uplift budgets and do some of the nicer things that make a difference—but whether they were always necessary is another matter. With negative budgets, we must review closely which services are delivered where. I have explained that to colleagues and local authorities, and we have considered this. The proportional difference is the potential of a 3 per cent reduction in their overall budget. Some organisations will be able to manage that, but for others, that will be the difference between opening and closing, as they will not be able to manage that scale of change in their funding. I have also said to the WCVA that it must work, within its organisation, on building relationships with other organisations. An example would be the RNIB and the RNID, which now work closely together. They have separate identities but they are sharing many functions. That is a good example of third sector charities working together.

[88] **Andrew R.T. Davies:** Building on Helen Mary's point on third sector development and the important role that it plays, I was at an event last night at the Vale Centre for Voluntary Services hosted by Jane Hutt. She touched on CFAP, the community facilities and activities programme grant, and said that you had confirmed that it would continue. Are you in a position to say at what level that will continue, because it is one thing to say that it will continue but the scale of it is another?

[89] **Carl Sargeant:** Yes. [*Laughter.*] I will tell you the numbers now. The reality is that it was a popular fund, which made a big difference in many communities, but we are living in different times now, so I have had to take a hard look at all my budget lines and react accordingly, and so we have reduced that budget line. Owain, do we have the numbers?

[90] **Mr Lloyd:** As the Minister said, the cash reduction on the main expenditure grant is 34 per cent over three years, but the draft budget shows a line for community development, which includes CFAP, and that is currently at £19.1 million this year, reducing to £16.2 million next year, then down to £14 million the following year, and finally down to £10.4 million in the final year.

[91] **Carl Sargeant:** There is a huge reduction in our capital spend of 40 per cent.

[92] **Andrew R.T. Davies:** I just wanted to bring that up because a lot of people last night knew that you had given the green light for the grant to continue, but it was the volume that was of interest to them.

[93] The Welsh Assembly Government's website says that the business rate multiplier is provisionally set to rise by 4.6 per cent. Is that the case?

[94] **Carl Sargeant:** It is, and it is in line with inflation. We have used a statutory figure, and not an arbitrary figure.

[95] **Val Lloyd:** My question is on council tax, which we have not touched on yet. Local authorities have the power to set their own levels of council tax, which gives them some control over their finances. Have any assumptions been made about the percentage increases in council tax bills that local authorities will set?

[96] **Carl Sargeant:** We talk about local decision making, and you are right to say that it is up to local authorities to decide at what levels to set their council tax, and I do not interfere in that process unless there are what we would consider to be unreasonable uplifts, for which

we have considered potential capping arrangements in the past. I stand ready to do that should the need arise in the coming years.

[97] However, in England and Wales, there has been a council tax freeze on the allocation in England, as you will be aware. There is an important but perhaps less well-known detail about the council tax freeze in England, namely that it is a top slice of the revenue support grant. There is nothing wrong with that, but that is how it has been funded in England, by top-slicing the revenue support grant. So, it is not additional or new money, but the same money circulated back in. That gives the opportunity for councils to go up to 2.5 per cent, which will be refunded through the council tax.

10.20 a.m.

[98] We have made the same assumptions in Wales. We have the same figures—around 2.5 per cent across the RSG—which equates to around £32 million. I thought long and hard about how we should pursue this, and I came to the conclusion that I still wanted local authorities to be able to make their own decisions. That is democracy, and I believe in that. What we did with the £32 million was put it back into the RSG, at a rate of 2.5 per cent. We did not take it out of the RSG. I have told local authorities that if the equivalent of what is happening in England happens in the Welsh model, which is £32 million here—and what is the top figure in England?

[99] **Mr Powell:** It is £700 million.

[100] **Carl Sargeant:** Yes, so we have put it back into the RSG, allowing councils here to make that local decision about whether to do a council tax freeze. However, the same amount of money is in there. If we had taken it out of the RSG, the settlement figure would have been around 0.8 per cent above the current figure. So, where it would be 1.7 per cent—

[101] **Ann Jones:** It would be 2.7 per cent—

[102] **Carl Sargeant:** Yes. So, instead of that, we have kept it in the RSG and have kept it a decision to be made locally. I have seen some press releases saying that we are not funding a council tax freeze, but the element of funding that we have included in the RSG is to allow for local decisions. So, it is still in the RSG, but we have just done it differently.

[103] **Val Lloyd:** I will now quote from something that you have said, Minister:

[104] ‘I stand ready to use the capping powers vested in Welsh Ministers to limit any increases that I consider unreasonable in all the circumstances.’

[105] Could you enlarge on what you mean by ‘unreasonable’?

[106] **Carl Sargeant:** Perhaps I cannot. I do not know what those figures are yet, and I would have to consider the numbers before I made a decision. That is my position, and I will reflect on the figures that come before us. I have not heard of any authorities setting a figure that I would currently consider unreasonable, but I have not seen them all, so I must wait and see. We are working in very different times than we were in the past, and we will have to consider that as we go forward.

[107] **Ann Jones:** The police precept is included in council tax payments, of course, but are the police looking for an additional precept? In addition, we have not mentioned funding for the fire service in all this, and I notice that there are reductions in your paper. If local authorities have had a 1.7 per cent decrease in their RSG, the fire service element of that will also suffer. Why is the fire service being hit twice? You cannot regulate the number of fires—

and I could tell you in great detail the cost of a fire, but I will not. Is it not time that we had a precept for the fire service in the same way as the police precept? I do not expect an answer on that today, but it may be something for you to go away and think about. So, that might be a way forward, for the fire service to have a precept as well.

[108] **Carl Sargeant:** I am conscious of the time, Chair, but, to answer that briefly, the element of reduction in our fire budget line is significant, but we are confident that that will not affect front-line services, because of the fact that the core funding for the fire service comes from the precept at local authority level. To return to an earlier point, local authorities should have been, and I understand that they were, preparing for a 3 per cent reduction in their budgets this year and doing the modelling accordingly. However, the reduction is nowhere near that figure, so, although everyone had the worst-case scenario in mind, things are a little better than expected. So, fire authorities, which get their precept through local authorities, should not feel doubly aggrieved. They are separate budgets, and part of that is to do with Fire Link and some other structures around that, which are nearing the end of their contracts, so there are just some contractual issues. So, while it is big in our budget line, we do not believe that it will have an impact on front-line services.

[109] **Val Lloyd:** Minister, do you have a view on whether certain services provided by local authorities may have to be reduced or charged for in the future?

[110] **Carl Sargeant:** That is not a matter from me, Val, although I have a personal view that services will have to change. I have been repeating the message that we have had to change the way that we operate, or services will not be delivered, because we simply will not be able to afford them. The settlement that we received was bad for Wales, and we just have to operate within the confines of that. It will be challenging for local authorities and the public sector to deliver services, but there is no extra money, so we either have to do business differently or services will fail. There are authorities that are stepping up to the plate to do things differently, but the pace of change needs to be quicker.

[111] **Val Lloyd:** That is very clear, Minister. Thank you.

[112] **Irene James:** Can you provide an update on how local authorities are progressing in implementing equal pay commitments, and do they have sufficient funds to carry them out? I am aware of the time, so perhaps the Minister could write to us with his response, Chair.

[113] **Darren Millar:** We will take that as our final question. I know that you have also given evidence to the Committee on Equality of Opportunity, Minister.

[114] **Carl Sargeant:** Yes. I shall be writing to the Committee on Equality of Opportunity with further details on the numbers of councils, and so on. I would be happy to share that letter with you.

[115] **Darren Millar:** I would be grateful for that. That concludes this item. Thank you for your attendance, Minister. I also wish to thank David Powell, Owain Lloyd, and Rob Hay.

10.28 a.m.

**Sesiwn Craffu ar y Gyllideb Ddrafft: Tystiolaeth gan y Gweinidog dros Iechyd a
Gwasanaethau Cymdeithasol
Scrutiny Session on the Draft Budget: Evidence from the Minister for Health and
Social Services**

[116] **Darren Millar:** I welcome the Minister for Health and Social Services to the

committee. I also wish to welcome Paul Williams, the chief executive of NHS Wales, and Chris Hurst, the director of resources. The Minister has supplied a paper, which has been circulated to Members. Given this morning's time constraints, we will go straight into questions on that paper, because I know that the Minister needs to be away promptly at 11.30 a.m..

[117] I have the first question. How confident are you, Minister, that the overall level of funding for the health and social services budget—particularly the main expenditure group—will allow the Government to fulfil its commitments in 'One Wales', and allow the NHS to deliver on the objectives, as set out in 'One Wales'?

[118] **The Minister for Health and Social Services (Edwina Hart):** I am confident. We are on track to deliver the commitments that are outstanding within the timescale.

[119] **Darren Millar:** Are you confident that the resources for the waiting lists targets, the establishment of walk-in centres, and so on, will be met, given the financial constraints that exist due to this year's tough budget?

[120] **Edwina Hart:** Yes, I am confident.

[121] **Ann Jones:** My question is about the actions that you take to identify the priorities in your department that then help you to formulate where you will take your decisions on budget allocations. How have you decided which allocation should have an increase in funding, and which should have a decrease?

[122] **Edwina Hart:** We are all aware that we have a tight budget settlement. I have undertaken a full review of all my spending areas, in terms of what has been delivered to date, as well as in terms of pressures and activities; I believe that we all acknowledge that there are pressures in the health budget. This review is ongoing, and it will inform the final allocation figures in the final budget. I have the annual operating framework for 2011-12 which also gives me guidance in that regard. Perhaps the chief executive would like to comment on the annual operating framework.

10.30 a.m.

[123] **Mr Williams:** Building on the 'One Wales' commitments, we are looking ahead. I think that we are taking a fresh approach. First, we want to put more emphasis on protecting health and health improvement with deliverables. Secondly, we are looking at integrating health and social care, particularly with primary care. We are putting greater emphasis on quality outcomes by moving from the process targets. The 1000 Lives campaign has been a major success, and we have just announced that we have exceeded our targets on that, so we want to build on that even further. We then move on to the more traditional access and efficiency measures; that operational side is still very important to us, but we want to put a greater emphasis on quality. Then there are what I call our corporate objectives, which are the workforce, the finance and the ICT. So, we are bringing together a much more comprehensive approach to this, and having a set of measures will help to take us through that set of objectives.

[124] **Ann Jones:** Okay, so do you use those measures that you are working on now to identify and measure the effectiveness of the actions you have taken and strategic priorities that you have set? Is that how you make your budget allocations?

[125] **Edwina Hart:** Yes, because, under the five-year strategic framework, we have clearly identified that. Of course, we have the 12 national programmes within that, which also help us to identify the priorities. That is how we have tried to frame our budget in these

difficult circumstances.

[126] **Ann Jones:** I want to ask you about the committee reports. This committee has done various reports that were obviously within its remit. With regard to the report on wheelchair services, recommendations were made on improving the planning and delivery of, and the access to, services for people who need wheelchairs. What funding have you made available to support service improvement?

[127] **Edwina Hart:** I must say that the wheelchair report was extremely helpful to us, because it allowed us to look strategically at what was happening with wheelchairs, bearing in mind the high number of complaints that we have been receiving about wheelchair allocation, particularly with regard to children. So, I provided the recent update, and I am now making another £2.2 million a year available from 2011-12, specifically to improve access to wheelchair services for local health boards. I think that that is important. I have also indicated that these additional services will focus in particular on children and young people, which was a particular concern of the committee.

[128] In addition, Baroness Iloria Finlay was in to discuss the palliative care and end-of-life agenda with me, including some of the issues about wheelchairs for people with certain conditions in that context. We discussed whether we perhaps need to be more proactive in fulfilling their wheelchair needs for what can sometimes be a very limited time. So, I have now asked Baroness Finlay to work with my officials to see what we can do further on the sometimes very difficult area of mobility and end-of-life issues. So, in many ways, we are making progress, and I was very grateful for the committee's report on that because it has helped to take the agenda forward.

[129] **Ann Jones:** Okay, thanks. Finally, how will the financial resources be used to deliver the sustainability commitment in the 'One Wales: One Planet' programme?

[130] **Edwina Hart:** I would say that we actually have quite a good record on sustainability. We have dealt with issues such as increased awareness in procurement and the supply chain to help with issues around this. It is also included in our workforce and financial strategic framework. Of course, the establishment of Public Health Wales also helps with this agenda. Paul, is there anything you want to add?

[131] **Mr Williams:** To pick up on that last point, we recognise that part of the central organising principle of sustainability is health and wellbeing. So, although we are doing lots of stuff on the carbon footprint side, that is not the only issue. We have the 'Our Healthy Future' programme, and we are designing a set of deliverables around that; we have established Public Health Wales, which is going to take us forward; and one of our national programmes in the five-year framework is on health promotion and protection. So, we feel that, by bringing those two strands together, we will make a very significant contribution to that area.

[132] **David Lloyd:** Turning to matters of capital funding, the budget here has obviously taken a massive hit from Westminster. I shall not dwell on that point, but I mention it in passing. Capital funding will be reduced by £83.5 million by 2013-14. How this will affect your ability to meet 'One Wales' commitments?

[133] **Edwina Hart:** The most challenging aspect of this is capital funding. I think that you are aware that we have always used capital funding to ensure that we have benefits from our revenue, and that we have used capital for the repatriation agenda, new mental health services and so on. This will become increasingly difficult. We are going to retest our priorities as part of the five-year strategic framework. I indicated the importance of the strategic framework in my response to Ann, and it will definitely require the rephrasing of some schemes. We are

revisiting the estimates and costs of schemes as part of this work; we successfully looked the costs of the Merthyr health park some time ago, because it was going to be built to a secondary care standard, when it could have been built to a primary care standard. So, we have to look at the way in which the buildings are constructed and so on.

[134] We are also maximising land disposals. Paul has now instructed LHBs to look at every premises they have—there is a plethora of health and other public service premises in Wales, you would not believe that there are so many, and they all incur maintenance costs, heating costs and so on. So, we are looking at that. We have encouraged them to do this before, but we want them to go through those areas vigorously now.

[135] Another important issue in this is joint working across the public sector, because it is important that we share premises. It has been of interest to me when we have been asked about emergency services and how they can come together more—I think that a question was asked to the First Minister about joint working between the fire and ambulance services yesterday—and what more we can do as regards joint control rooms. So, although it is a difficult settlement in terms of capital, we have to use it as an opportunity to look at this area and to try to make capital go even further. I will eventually be making decisions on re-profiling projects, of which I will advise everyone. I cannot say that projects will not stop. However, although we have a poor settlement now, settlements will increase in the future and I hope that I can re-profile. I also have to consider how far into the future I should re-profile, because circumstances and needs change over time. Something that you might have planned in 2009, to start in 2011-12, may not start until 2013-14. There might be other circumstances in the development of the health and social care agenda that you might require you to look at it afresh. So, we will use this difficult time as an opportunity to reprioritise.

[136] **David Lloyd:** Following on from that, the proportion of decrease in capital funding has been applied equally to each spending programme area. What is your thinking on this?

[137] **Edwina Hart:** We did an overall review of the budgets across my portfolio and decided that that was the fairest and most equitable way of dealing with it.

[138] **David Lloyd:** I have a question on another issue, namely the total backlog maintenance. This is around £0.5billion, coupled with the reduction in capital. Can you reassure this committee that that reduction in capital will not adversely affect the maintenance necessary to prevent further deterioration of NHS assets?

[139] **Edwina Hart:** Backlog maintenance has been a major issue for us, because costs have risen quite substantially, have they not, Paul? When we started to collate it, was it £431 million?

[140] **Mr Williams:** Yes, going up to £505 million—about £0.5 billion.

[141] **Edwina Hart:** We included the Welsh ambulance services trust at one stage, which did not used to be put into the figures at all. I think that we did that from 2007-08. In real terms, the disposal of certain hospitals will reduce the figure, because we will not have to do repairs. What hospitals are we looking at on that?

[142] **Mr Williams:** One of the major contributors to the backlog was the Morryston site and Cardiff Royal Infirmary. Now that those are in the programme, we are confident that we can achieve those improvements, which will reduce backlog maintenance. So, in real terms, the backlog maintenance is now starting to reduce. Do not forget that we will still be investing around £700 million in capital over the planning period.

[143] **Edwina Hart:** We also have the closures of hospitals at Llwynypia, Aberdare,

Mountain Ash, Caerphilly and Ystrad Mynach, as the replacement hospitals come in, which you will be aware of. Those hospitals have quite heavy repair bills, but they will disappear from that figure when they transfer to the new facilities. I have always been asked about these issues; we have debates every year—I think that the Liberal Democrats are responsible for most of the debates on it. I have always said that LHBs have decided that there are repair issues there, but they are moving to new premises. Therefore, they will not do the repairs because they will be in the new premises soon enough. I know that the situation is not ideal, but we are definitely making progress in this area.

10.40 a.m.

[144] **Mr Williams:** Also, going back to the point about sustainability, there is a huge benefit from reducing the carbon footprint, which we are addressing through some of the investment in these buildings.

[145] **Andrew R.T. Davies:** Is it fair to say that, with the settlement that you have, the critical care unit or a development of that type is most probably out of the question for the foreseeable future, given the scale of the outlay that would be required?

[146] **Edwina Hart:** I do not think that you can say that at this stage. The critical care unit is of fundamental importance in the rejigging and reconfiguration of services within Gwent. We have made progress in Gwent, with the excellent joint working with local government on the frailty project, and the fact that we have had to look at the number of beds that are required with more people being looked after at home. There is absolute clinical buy-in to that project. I would be very reluctant to say at this stage that anything would happen to the project, therefore, but we are reassessing resources and, as I have indicated, there may be delays in starting things. We have already spoken to the LHB about a phased implementation. The project is critical in terms of how everyone has agreed to sign up to services within Gwent. It could not be dispensed with lightly, because it might have greater financial consequences for me in real terms if I did not—

[147] **Andrew R.T. Davies:** Is it fairer to say that it could be a staged project, therefore?

[148] **Edwina Hart:** I have already indicated that publicly, because we had difficulties with it. I have found the LHB to be very good on this issue, and I know that Members have had an opportunity to speak to it. Andrew Goodall, the chief executive, and David Jenkins, the chair, feel reassured about the commitment that has been given. If we do not go ahead with this, problems will emerge at some of our other sites. That is why the cut in capital is very difficult. The revenue settlement is hard enough, but the capital settlement, which is the one that you desperately need to get on with things, means that you are going to have to take things a bit slower.

[149] **Andrew R.T. Davies:** You mentioned the hospital in Llwynypia as a good example of where repairs will not be undertaken because of new facilities. Is it possible for you to provide a note on what those hospitals are adding to those costs or whether they are included in that £0.5 billion?

[150] **Edwina Hart:** So, really, you would like an indication of where there were repairs required in hospitals that have not been done because new facilities are taking over. I will try to give the committee a note on that.

[151] **Darren Millar:** Thank you. It would be good if you could do that just for the next 12-month period in terms of the profile of the capital spend in those areas.

[152] **Mr Williams:** Would you also like to know how it will drive down the backlog?

[153] **Andrew R.T. Davies:** Yes, because I think that you were indicating, Paul, that those repairs were part of that £0.5 billion. I, as well as other committee members, I am sure, would be interested to see by what sort of figure that would be driven down.

[154] **Edwina Hart:** Yes, it would be quite interesting.

[155] **Darren Millar:** So, they are spend-to-save schemes.

[156] **Edwina Hart:** Yes. I think that it will give a flavour of some of the decisions that LHBs have to make.

[157] **Mr Williams:** You mentioned spend-to-save schemes, Chair. The Minister has put in about £36 million this year and next year for spend-to-save schemes, which have an added benefit in making sure that we can react to the reduction in expenditure.

[158] **Darren Millar:** Are we looking here specifically at the capital element of those schemes?

[159] **Mr Williams:** Yes.

[160] **Veronica German:** Andrew took the words right out of my mouth on that last point. Since you raised the issue of the critical care centre, is it not the case that there is a huge repair backlog in associated hospitals, such as the Royal Gwent Hospital and Nevill Hall Hospital? Those two also play in. When are you likely to make a decision on this? It is not just about Gwent—although I represent the region—but there is buy-in there, as you say, and I agree with that, as it is supposed to be a model for the rest of the country in terms of the way forward. When do you expect to make that decision, therefore? I am worried that, soon, the repairs that need to be done at the Royal Gwent, in particular, and Nevill Hall, will cost so much that they will take from the money that is needed to take the critical care centre forward.

[161] **Edwina Hart:** I will be looking at the capital issues and about where I need to re-profile, and I will not be taking too long over these decisions. On the critical care centre, we have had absolute clinical engagement, and it has been seen as the optimum way of dealing with the issues within Gwent. I would be loath to take a decision that did not confirm that we were moving ahead, because you are quite right about some of the issues around the Royal Gwent Hospital. Things might have improved in the accident and emergency department, but we only need to look at the building and the structure to see what needs to be undertaken. Then, if you are delaying projects, you have to make a decision about whether you are prepared to invest in something that will not necessarily always be provided in its current state. These are the very difficult issues that we must deal with. So, I will not promise it immediately because it is not something that we can rush. However, we have been looking at it in detail with officials and the local health boards. I would be more than happy to write to the committee when I have made decisions on this issue.

[162] **Veronica German:** On NHS delivery, the allocation for the action in this respect will increase by £19.5 million. Can you give an indication of how this money will be used?

[163] **Edwina Hart:** I know that some of that has gone into the pharmacy contract, because we have to look at the growth in the volume of drugs. There is an increase in fees and allowances payable to pharmacists, which is contractual. I think that that accounts for about £7 million. I also put £1 million into improving access to lymphoedema services, and I am currently awaiting a further report on the implementation of what we are doing on lymphoedema. Following Janice Gregory's short debate, there has been a change in policy in

a range of areas. Of course, the lymphoedema service is not just about cancer; it is about the wider population. Also, the balance is for the full year. I have included various things that are coming in. There is the PET scanner in Cardiff and the funding to the Thalidomide Trust. So, a variety of things are included in that sum of £19.5 million. There are substantial little bits and pieces that go across various areas, tidying up the budgets.

[164] **Veronica German:** There was unallocated funding of about £50 million last year. Is there likely to be a similar figure this year—or an amount somewhere? [*Laughter.*]

[165] **Edwina Hart:** It would be nice if I had some unallocated funding. I must say that, in the centre, we have been looking vigorously at all budgets all the way through the year. Everything is allocated where it can be. That is different for me than for any other Government department. I have to get the service to balance; otherwise it has an impact on our accounts.

[166] **Veronica German:** Last year, the unallocated funding was for in-year pressures and unforeseen circumstances. So, you are not going to have any in-year pressures this year. [*Laughter.*]

[167] **Mr Hurst:** Clearly there is a tension, because our ambition is to get as much money as possible out to the health service and our other budget holders. A responsible person would hold something back for unforeseen circumstances, and that is exactly what the money was for this year. There is a small balance for that. It is very small; I do not have the figure with me, but we are talking about a smaller sum than £50 million for the coming year. Obviously, it is sensible to hold some money back for potential in-year pressures, but, generally, we have tried to maximise the budget that is going to the service.

[168] **Lorraine Barrett:** The delivery of healthcare is obviously supported and provided by other providers, such as hospices. In your paper, you mention that there is no change in funding for hospices. Can you say a bit about the thinking behind that?

[169] **Edwina Hart:** With regard to hospices, I have been working very closely with Baroness Ilora Finlay. We feel that the allocation that we have given and the methods we are using are very good. We think that the funding that we are providing will take the agenda forward and that they are getting the appropriate amount of funding. We have improved the clarity of the way in which NHS funding works in relation to the hospices. For us, this is very much an ongoing agenda. Do you want to comment, Paul?

[170] **Mr Williams:** Baroness Finlay came to my chief executives meeting last week. I impressed upon them that we do not want to see this excellent work almost ring fenced, but that it needs to be integrated with the total health service budget, particularly with regard to ensuring that we have the best care pathways. So, things are progressing very positively in this area. The protection is going to help, but I am saying that we can do more than that by mainstreaming it in the total health plan.

10.50 a.m.

[171] **Edwina Hart:** Ann raised the issue of St Kentigern Hospice and the difficult position up there with regard to the charity and what has happened there. It has had quite constructive discussions with the Betsi Cadwaladr University Local Health Board and Ilora Finlay about what can be provided. Also, the hospice at home service is now coming into the fore across Wales, with some of the hospices looking at that type of service, rather than at bricks and mortar. The relationship with the NHS is developing much better in those key areas. It is always sad to see a voluntary sector organisation having financial difficulties, but I think that Members will appreciate that in the times that we are going through, many more organisations

will have financial difficulties and, with its settlement, the Government will not have the luxury of being able to bail them out, necessarily. It will have to try to find compromise arrangements that can preserve the integrity of the voluntary organisation and the good work that it has undertaken and ask it to work constructively with local health boards. The chair of the hospice concerned, who Ann has arranged to write to me, has been extremely positive in his dealings with Betsi Cadwaladr LHB and is taking the issues through very well indeed in discussions with Baroness Finlay and the LHB.

[172] **Lorraine Barrett:** I want to make a point about district nurses. You do not have to reply now, but I want to make the point so that we do not forget. When we look at NHS care in hospitals and the community, part of the primary care service is district nurses, and the service that they provide is amazing. Sometimes they are not mentioned enough, and possibly undervalued, or not thought of as being at the forefront of care within the community. I just want to put something on record about the incredible work that they do. Let us not forget them. I support the hospices, and I am patron of the Marie Curie hospice, but they are all supported by district nurses.

[173] **Edwina Hart:** They have been excellent in what they have been prepared to deliver in terms of 24/7 care. When we developed the strategy with Ilora, we were able to get in place all those arrangements. The district nurse is, sometimes, the one at the forefront of caring responsibilities. To transgress a little, with the community nursing strategy, we have seen a real revitalisation among nursing staff of what they think their role is and how they can do more. That has been very positive. I attended an event recently in Gwent on that, where I had the opportunity to meet district nurses. It was really good to hear them talking about how they understood that they were being valued. We have to value those types of staff, who are out there on the front line in the community. The trouble is that they also tell me that sometimes, when they go to households, they are expected to do things that are not their tasks. That leads then to issues about the role and responsibility of nurses, of carers and of the family. Sometimes, the family has agreed discharge packages on the basis that it will be available, but then it is not available, and that puts enormous pressure on district nurses, because nurses want to do more, but they are only there to provide nursing support. So, there are quite big issues emerging from that, but we have to value those teams out there in the community.

[174] **Mr Williams:** I underline what the Minister has said. The question is excellent. My comments on the annual operating framework are that one of the key elements is shifting the whole emphasis onto integrating health, social and primary care. That is why we want to put more drivers into that, to ensure that we are getting a clear direction. We also want to support our staff and shift resources around to be much more effective, with care provided as near to people's homes as possible, or in them.

[175] **Darren Millar:** I have a question on the hospice movement. All Assembly Members in all parties are very committed to the hospice movement—I know that you are, Minister—and we want to see hospices being able to expand their service provision in many parts of Wales. Given the difficulties faced by St Kentigern Hospice and others in raising cash in a difficult environment—they have seen charitable donations reduce because of the economic downturn—are there no short-term arrangements that could be put in place from the contingency pot that we referred to earlier to support the hospice movement through this difficult period? We must bear in mind that if hospices were not fulfilling their role, the NHS would have to pick up the tab for the palliative and end-of-life care that is valued so highly by people across Wales.

[176] **Edwina Hart:** We faced this problem with St Kentigern Hospice; the only organisation that it could look to for assistance was the local health board. I agree with you about the role of the hospice movement, but, as we move into difficult times, I am looking at my current support for the voluntary sector, which stands at £20 million already. I am looking

at very valuable charities that have given evidence to this committee on mental health issues, Hafal and Mind, for example, as they could easily fall into difficulty. They are providing services that could fall under the NHS, so we have to be quite careful about how we deal with these issues. I do not want to sound hard, but we have to try to maximise the help and assistance we can give to the voluntary sector for it to access funds to work with us better. We have to look at a range of issues. It will not be easy, because my review of the voluntary sector is a balancing act in itself. I deal with several large organisations and loads of small organisations. With some of the small organisations, if I made a decision to cut their budgets by 5 per cent, they and the services that they provide would be gone. It is a difficult balancing act for me to look for economies of scale in smaller and larger voluntary organisations. The economies of scale that I am looking for from the larger organisations will mean that we will sometimes be giving loads of grants to the same organisations for different things. They must be streamlined using service level agreements to cut down on the administration of it all. They have grown like Topsy over the years, but it is no-one's fault because, in the years of plenty, we all wanted to support the voluntary sector with its ideas. It has provided good services, but the time has come to take a harsh look at some of these issues, which is what we are working our way through. I was amazed at the number of grants that we were giving to one organisation. I thought that the administrative costs alone would be enough for it to do more work on the front line.

[177] **Darren Millar:** It is fair to say that, because of the 22 health boards previously and the reduction in their number, there is scope for scaling down.

[178] **Edwina Hart:** Yes, and we are looking at that. Obviously, there are some hard decisions to be made, and there will be a lot of wailing and crying when they are.

[179] **Andrew R.T. Davies:** We talked about hospices, and I see that the budget line is at a standstill. Paul touched on your position and that you are content with it, as a Minister and as a service. Is it possible for you to give the committee an idea of where that £7 million sits? How much of it goes to the voluntary sector? What does that £7 million buy for the Government?

[180] **Edwina Hart:** While Chris goes through the wad of papers that we have on the underlying issues of the budget, it might be helpful for the committee to know that I will be producing a report on palliative care and that sector in the new year, hopefully, and I will share it with Members. It will give an idea of our level of support, how we are working, the links with the NHS, and what we have done, which will help Members to understand some of the issues. Do you have the detailed budget information yet, Chris?

[181] **Mr Hurst:** Despite having all this information, I cannot give you that level of detail. We would be happy to provide it outside of the meeting.

[182] **Andrew R.T. Davies:** It would be good to get a feel for that.

[183] **Edwina Hart:** Yes. It would be good for Members to see how far we have progressed with the 24/7 service, as the NHS has stepped up to the mark. However, there are still issues with the delivery of GP out-of-hours services for those requiring palliative care, which I think we will have to tackle.

[184] **Ann Jones:** You have ring-fenced roughly 12 per cent of the total NHS funding for mental health services—and I love to hear that something has been ring-fenced, as I think that it is wonderful. How long do you intend to keep ring-fencing the money for mental health?

[185] **Edwina Hart:** I review all my ring-fenced funds annually, but it is not my intention to move away from that for the funding of mental health services. This is one area for which I

least trust the service not to move the money, if it were not ring-fenced. Historically, looking at what has happened with mental health services in the past, we can see that we still have an awful lot of ground to make up, as the committee will be aware from its discussions and inquiries. The capital cuts will also have an impact on my budget because we have put a lot of money into capital projects, as you will know, such as the new child and adolescent mental health services units in north and south Wales, an adult acute unit for the elderly and mentally infirm at Wrexham Maelor Hospital, the community facilities to be replaced at Glanrhyd Hospital in Bridgend, and there is a huge new unit to be considered at Llandough Hospital. So, capital will have an impact by slowing me down.

[186] The Proposed Mental Health (Wales) Measure has been useful to get the issue of mental health into the public arena, and I have been very grateful for the cross-party support on that, which has made a tremendous difference to discussions within the service and to how it sees the role of the voluntary sector. The fact that we were able to put additional resources into that has helped matters, as we fully debated the additional resources. I was very pleased with the favourable comments of the Finance Committee on my proposed Measure.

[187] **Darren Millar:** I think that you wanted to touch on those resources, Val.

[188] **Val Lloyd:** Could you clarify the level of resources allocated for the implementation of the Proposed Mental Health (Wales) Measure for the health committee?

11.00 a.m.

[189] **Edwina Hart:** Yes, we have added an additional £1 million to the budget for future years, so the total amount available for next year will be £2 million, which I think will more than cover it. The priority is for that to deal with advocacy services. The provision will be reviewed in the budget for 2012-13 onwards in light of the pressures that emerge as a result of the proposed Measure. I have given that indication already, as you know.

[190] **Val Lloyd:** You talked about ring fencing, and Ann made her comment on that, the sentiments of which I share. Is there anything else that you could do to protect funding for mental health services?

[191] **Edwina Hart:** It is one of the key areas that we are protecting, and the fact that we have someone individually identified on the board who has responsibility for mental health services helps the case for mental health services to be kept on LHBs' agendas. I have also asked officials to look at instances in which we have had indications that mental health money has been moved—and LHBs are trying to move it around into different areas, so we are strengthening our rules on what LHBs need to do. If they really feel that they cannot spend money on something, they will have to come back to us to ask, because we do not want the money for core mental health services going into peripheral mental health services as a way of getting around the instruction on ring fencing.

[192] A wider issue for us is the repatriation agenda and we will have further pressures on mental health funding. I welcome and agree with Ken Clarke's view about having fewer people in prison, particularly those who have mental health issues. However, if they are not in prison, they will come under mental health services, so where will the cash come from to deal with the additional number of people? Some of them will be Welsh people who might want to remain in Wales, so I will also have to look at that issue. It is even more important that I ring-fence mental health funding if I know that there will be more pressures on the system. We have been talking with clinicians about their professional concerns about issues such as depression, because we all know the situation regarding levels of depression in a recession. So, GPs have to be even more geared up to do the appropriate referrals, for instance to community health teams, and if Dr Lloyd were here, I am sure that he would say the same.

So, we really have to look at what is going on within that budget and be vigorous about ring-fencing the resources.

[193] **Mr Williams:** I have two things to add to that. First, we have made mental health the subject of one of our national programmes, under the five-year framework, to give it high prominence. Secondly, on ring fencing, we want to move onto what we call ‘programme budgeting’ to be absolutely sure that we are getting maximum value for that money. So, although it is being protected, we need to ask whether it being used to the best effect. That is a new approach for us next year, and that work is still in the early stages, but that is what we want to be doing.

[194] **Darren Millar:** So, you are currently working up key performance indicators for that, are you?

[195] **Edwina Hart:** Yes.

[196] **Andrew R.T. Davies:** To clarify, the scope of the original proposed Measure that the Finance Committee endorsed was later increased to include people under the age of 18—and your agreeing to that was greatly appreciated. You said that you are confident that it is resourced to the required level. Do you mean the required level of the original proposed Measure or of the proposed Measure that was passed? Is there enough resource to take in the extended scope, of children’s services?

[197] **Edwina Hart:** Yes, there is enough to take in the new scope of children’s services. To be frank, this is one area in which I take an enormous interest, so I will be constantly reviewing any pressures. It is important for such an excellent piece of legislation to be properly resourced within my budget. We have had such a warm welcome for it from society in general, particularly from charities, and I know that they will be keeping their beady eyes on whether the resources are in place. I am sure that if they do not like what I have to say, they will come to speak to the Chair of this committee.

[198] **Lorraine Barrett:** There has been a decrease of £8.6 million in the allocation for educating and training the NHS workforce, which you say relates to savings. How are these savings being achieved, and what impact will they have on the NHS bodies delivering that training and support to NHS staff? What impact will that have on the quality of the current and future NHS workforce?

[199] **Edwina Hart:** This is an exceptionally substantial budget line in my overall budget. We have had a lot of discussions about this, and I am confident that we can do it by addressing some of the overhead costs, and—dare I say it—probably by having more effective negotiation with education providers on the cost agenda. Paul, do you want to say anything more on that?

[200] **Mr Williams:** There are many transaction costs related to this area of workforce planning and commissioning. So, on the size of the reduction that we are talking about, we are confident that it will not affect the numbers that we are training, although we have to look in future workforce planning at the numbers of people we want, and whether we have the right skills mix. First and foremost, we will be addressing overhead costs, and we will be much more cute about negotiating with commissioners on the provision of training.

[201] **Val Lloyd:** Minister, I understand from a letter that I received yesterday that the HE sector is doing a review, if not something stronger, on the pre-registration of nurses and allied health professionals. Is that linked to this money?

[202] **Edwina Hart:** Yes.

[203] **Helen Mary Jones:** One of my concerns on this is the amount of money that we spend on training staff who do not end up working in Wales. I am thinking particularly about doctors, because they cost an awful lot of money to train compared with other professionals. From a resource point of view, they could be lost to Wales on an annual basis, although of course there is a gain the other way when people come in from outside. Is the Government giving any consideration to placing requirements on people trained in Wales to work in Wales for a set period afterwards? There are precedents for this: for example, if the armed forces support you through university, you are contractually committed to work in the armed forces for a given period. It seems to me that, when training budgets are necessarily being squeezed, we should not really be allowing people to undertake training as doctors, in particular, and then go off to work in the States, New Zealand, or somewhere else.

[204] **Edwina Hart:** We have tried to look holistically at the issues with doctors and training, and I am in the final stages of receiving advice from my medical director. I will review medical training at undergraduate level in Cardiff and how it links into postgraduate training at Swansea, as well as what we can do in Bangor to take a different approach and get people who train in Wales to stay in Wales. So, we are looking at that. I would be more than happy, with the director general, to pick up the points that you raised, because it has been talked about around the edges for quite a while, has it not, Paul?

[205] **Mr Williams:** Yes. The conventional view is that we are in an international market. However, your point is well made, and it will be interesting to see the benefits of the postgraduate school in Swansea, and whether we find that more people who have been trained in Swansea want to stay in Wales.

[206] **Darren Millar:** There is this point of view that, given the international market, Wales has been able to attract lots of clinicians from overseas, to be fair. If overseas countries had similar policies to the one that you suggest, that might cause difficulties for us, to be frank.

[207] **Edwina Hart:** The overseas issue is fundamental, Chair. The difficulties on the immigration side, with the capping agenda being pursued at Westminster, will adversely affect us, as will the European working times directive. I had a meeting with the Royal College of Physicians this week to talk about the reality in Europe of the working times directive. It is rather reminiscent of the reality of some of the regulations in agriculture, is it not?

[208] **Andrew R.T. Davies:** Someone has a lot to answer for.

[209] **Edwina Hart:** I am a committed European, but it is causing a lot of practical problems for training. Surgeons in particular now need to see certain operations when they are training, and they cannot do so if they are prevented from working the required hours. I will be meeting—

[210] **Darren Millar:** This is a big risk to the budgets, is it not? What discussions have you had with the UK Government about a possible derogation from the working times directive? It will pose a risk to health services. We know that reviews are under way and that this is one reason why services are having to be reviewed.

[211] **Edwina Hart:** It is an issue that I intend to discuss with the UK Minister for health when he visits Wales.

[212] **Helen Mary Jones:** Could I just say that there is a moral issue here? We do import a lot of staff from developing countries, and there is a moral issue about their leaving their home countries. Some countries, like the Philippines, deliberately overtrain for their needs

because they see that as a way of getting revenue in. However, there are countries, particularly in sub-Saharan Africa, where, if we are taking their nurses, that has a huge moral impact. My position would be that we should work towards growing our own and incentivising them to stay here.

[213] **Edwina Hart:** We train a lot of nurses and we have been looking at the patterns of nurse training. We can see that, if they train in Bangor, we are more successful at keeping them in Wales, but if they train in Wrexham, they may well go over the border. So, we have to look at the whole issue of how to keep the people whom we train within Wales to fulfil our needs and requirements. The biggest issue is the workforce—the development of healthcare support workers, the role that they have, the standards that they should be trained to, and the way that those standards are interchangeable with those of social care workers in local government. This whole agenda is now emerging; it was not there five years ago.

11.10 p.m.

[214] **Lorraine Barrett:** Briefly, I have a question about health research. The UK Department of Health has shown that spending will increase in real terms under the spending review, and I wondered what is being done in Wales, because that is not something that we hear much about.

[215] **Edwina Hart:** This is the issue about the Wales Office for Research and Development in Health, is it not? Paul, do you want to deal with it?

[216] **Mr Williams:** We have now established our National Institute for Social Care and Health Research, and Professor Lloyd is heading that up. He has made significant strides, and we have an academic research collaborative with the universities. One of the important reasons why the Minister has protected this is that it is not just about research and development, but the contribution that we can make through translational research to the economic renewal programme. So, this is important seedcorn money, ensuring that we have the right stature and recruit and retain clinicians in research and development, and feed that through to translational opportunities for the economic renewal programme.

[217] **Edwina Hart:** We gave an additional £19 million, did we not, over the last three years so that we could develop the project?

[218] **Mr Hurst:** As Paul was saying, it levers external funding in to Wales and makes it more attractive for senior clinical leaders and academics.

[219] **Edwina Hart:** I should mention the example of how successful we have been on the research side with bowel cancer and public health, and how people wanted to come to work here because of the research that has been undertaken. That does make a difference—getting the health academics in helps enormously. It is then attractive to junior doctors to be in the same workplace as them.

[220] **Darren Millar:** We will touch a little more on research in a while, but I know that Lorraine is keen to ask a question on the Food Standards Agency.

[221] **Lorraine Barrett:** In your paper you state that, in relation to the Food Standards Agency, there is an increase of £0.149 million in 2011-12 for the diet and nutrition survey, and also to support the Pennington report recommendations. How much funding is being allocated specifically to support the Pennington report? Obviously, it is in the news again today. How was the figure determined?

[222] **Edwina Hart:** I think that £200,000 is earmarked specifically for Pennington. That is

a provisional figure, to be honest, providing additional expertise for the Food Standards Agency for the local government element of this. I think that we can all see from the discussions that have been had that that is key. We have not had the outcome of the FSA food safety review yet, and that will be considered by the First Minister, so it is not possible to give the final position. However, there are two options: to fund, train and support local government workers on a regional basis, or to fund additional expertise from the FSA to aid local government with high-risk premises. It is open at the moment.

[223] **Darren Millar:** There was a letter, was there not, that suggested that about £2.75 million would be needed to implement the recommendations of the Pennington report? You say that you have earmarked about £200,000—it is a big difference, is it not?

[224] **Edwina Hart:** The lead for the Pennington report is the First Minister. I only have responsibility for certain issues in relation to health and my health budget.

[225] **Darren Millar:** Perhaps we can ask for a written response from the First Minister on the £2.75 million, because if your department, Minister, is responsible for the FSA and the delivery of the improvements required under the Pennington report, in conjunction with local government—I accept that—there has to be an implication in your budget. However, it does not seem that we are aware of that.

[226] **Edwina Hart:** We are the host department for the FSA in terms of discussion and its impact on health, whether it is on additives or any of the other issues that the FSA deals with. I will take the matter back and provide some enlightenment for the committee, rather than your having to contact the First Minister.

[227] **Darren Millar:** That would be helpful, thank you.

[228] **Andrew R.T. Davies:** You have touched on a couple of points about the FSA, and the figure that the Chair mentioned. When we did the inquiry in July on the overview of the consumer focus report, there was, in the context of that timeframe, a reasoned argument put that the robustness of that figure of £2.75 million could be questioned. In your budget discussions, have you been able to test the robustness of that figure? Even though it might not be a liability to you at the moment, is it a figure that you recognise as being about right in order to deliver the recommendations of the Pennington report?

[229] **Edwina Hart:** I have had discussions about the issues that have an impact on my portfolio. As a Government, we have taken the Pennington report extremely seriously. To hear the heartfelt comments of the mother this morning was upsetting; you would not want to go there with any members of your family. In light of the Chair's comments, I will take that matter back in order to be more specific in my response.

[230] **Andrew R.T. Davies:** That will be greatly appreciated, Minister.

[231] Going back to the issue of training, there were two issues in that respect, although I stand to be corrected. The director general mentioned that he believed that there were overheads that could be taken out to help to mitigate the cut in the training budget for the administration of training programmes. Is it possible to have some form of understanding of the level of overhead that you believe could be taken out of the system to mitigate the impact of the £8.7 million cut in the training budget?

[232] **Mr Williams:** I do not have the detail, but I can give you a note on that, if that would be helpful.

[233] **Andrew R.T. Davies:** It is a substantial figure to come out of the training budget. My

second point is that we have heard evidence regarding maternity services—I think as recently as last week—that midwives are being trained, but there are no vacancies for them in the local health boards. So, the issue is not so much that people are being trained and then moving on to work in other countries, even though we had picked up the training bill. Given the pressures on the health service, do you feel that there is an increasing problem of putting people through training when there are no positions for them afterwards?

[234] **Mr Williams:** It is a possibility, and in my response I alluded to the fact that we need to look at the quality of the workforce planning and the assumptions that have been made in the past, and consider whether the numbers of people who are going through have caught up with the reality of the funding situation. So, that has to be addressed as part of the work.

[235] **Edwina Hart:** We also need to recognise that, in difficult economic circumstances, if people are in employment somewhere they tend to stay there. The level of staff turnover that we used to have will probably fall, because we are in a bird-in-hand scenario, rather than it being a case of people rushing to somewhere else. However, nurses do not necessarily stay in the nursing profession; they go on to other jobs. So, we will have to look at the whole picture, because we are in a new world. Some of the issues arose originally with physiotherapists; at one time, we could get physiotherapists into training in hospitals and everything else, and we have done quite a lot of work with them in the last two years in looking at whether we can get them into posts and at whether there would be posts for them. So, it is a much wider discussion, as has been indicated.

[236] **Andrew R.T. Davies:** Is that work with the LHBs to tailor their provision of training ongoing?

[237] **Edwina Hart:** Yes.

[238] **Andrew R.T. Davies:** So, it is not unreasonable to assume that, as a result of those discussions with the LHBs, there will be fewer training opportunities.

[239] **Mr Williams:** We need to look at the assumptions. As the Minister described, the situation is incredibly complicated, and it is easy to criticise the assumptions in hindsight. There are questions to ask: had they factored in the impact of the recession? Had they factored in the effect of the turnover level? So, it is incredibly difficult. Nevertheless, we need to look at whether we are getting better at that in looking at the assumptions and the numbers of individuals who are in training compared with the numbers whom we need to employ.

[240] **Darren Millar:** I am conscious of the time, and I know that the Minister needs to get away at 11.30 a.m. on the button, as do some other Members. We have a significant number of questions to go through, so if we can be to the point in the questions and the answers, that would be appreciated.

[241] **Andrew R.T. Davies:** The other point that I wanted to raise was that of in-service or in-year pressures, which Chris touched on earlier. Have you identified any in-year pressures? I think that you indicated that, at the moment, you are not identifying any in-year pressures that might cause budgetary problems going forward.

[242] **Mr Hurst:** There will of course be in-year pressures, but most of them are predictable. The issue is that they are not avoidable, but they are in part influenceable. This is the preparatory time for next year, and the work that we have been doing with the service has related to making sure that it is taking the opportunity to influence those as much as possible. You cannot avoid the volume of patients, changing acuity or the impact of new drugs and treatments, but there are issues about planning for them and phasing them. The typical health service experience is of allowing 4 to 5 per cent of its costs for those things each year, so it

needs to ensure—it is doing this—that it calibrates its savings to deal with them. The good news with the settlement is that there is no further pressure on them from income, which would sit quite uncomfortably on what should otherwise be a manageable position.

11.20 a.m.

[243] **Irene James:** There was a question that I wanted to slip in about effective health emergency arrangements and I will do so now. A significant amount of funding is being withdrawn from the health emergency preparedness actions. What are you doing to ensure that Wales is as prepared as everywhere else?

[244] **Edwina Hart:** Our changes do not impact on our resilience and such issues at all, because we are maintaining our levels of preparedness in Wales for a flu pandemic and any other emergencies. We look at the winter weather forecasts with dread in some areas. I am also providing additional funding of £1 million next year for hazardous area response, or the major incidents issue that we have been focusing on. The rest of the changes are to do with budgeting and accounting treatment for pandemic stocks. Am I correct, Chris?

[245] **Mr Hurst:** Yes.

[246] **Edwina Hart:** Do you want to explain that?

[247] **Mr Hurst:** In simple terms, we need to maintain a certain level of stock. When it is not all used up, there is a point at which it passes its best by date and we have to write it off. That is a periodic exercise, and it is a judgment that is kept under review, according to the extent to which it is being used up. We are now confident that we will not need to make significant financial provision next year to deal with that accounting write-off. It is a cyclical thing.

[248] **Irene James:** Following on from that, how much funding is being provided to social services through the local government settlement, and how confident are you that local authorities will use the resources for social services, given that there will be pressures on all budgets?

[249] **Edwina Hart:** I am pleased with the social services settlement and the recognition of the needs and requirements of social services by Jane Hutt when she undertook this. I know that Carl gave evidence to you earlier about the social services settlement, which is one of the key areas that the Welsh Local Government Association dealt with. We are fairly confident that local authorities will be able to deal with these issues within the social services settlement and that it has been recognised appropriately. On what we are doing in our social services budget, there have been good allocations, with some of the cash that we have put into projects in that area, to protect services, and I think that it is generally equitable.

[250] **Lorraine Barrett:** Resources for actions within the social services revenue budget have been transferred from the social services strategy action to the adult and older people action. Given that that represents a reduction in real terms of 21.7 per cent and 25.4 per cent in the social services strategy action over three years, how will the transformation of services, which is a key theme of the social services strategy, be progressed? I will also ask my second question now. What is the likely impact of these budget reductions on the Care and Social Services Inspectorate Wales?

[251] **Edwina Hart:** I will deal with some of the wider issues that we have dealt with, because we have had a major review of the performance grant in its current format, which will end in March. I do not know whether Carl covered any of this when he gave evidence. We looked at the achievements of the grant over the last five years and the positive

developments that have taken place. We will retain an element of funding outside of the RSG to support the implementation of the recommendations of the social care consultation document. So, that is how we have dealt with some of those aspects. The transfer of £7 million into adult and older people action is to meet part of the cost of the Social Care Charges (Wales) Measure 2010. We still have a sufficient level of resource to pump prime the transformation of the service. There are additional provisions in that transition budget to free up funds for management development to support the priorities.

[252] You asked about the inspectorate—

[253] **Lorraine Barrett:** I did and also its work to ensure that social care is maintained.

[254] **Edwina Hart:** These are internal transfers and they will not impact on any front-line work. It is to do with two of their budgets: performance management development and the social workforce development programme.

[255] **Darren Millar:** So, they are just transfers between budget lines.

[256] **Edwina Hart:** They will have no impact on the capacity of the inspectorate with regard to its regulatory function.

[257] **Veronica German:** My question is about the funding of the ‘first steps’ improvement package, but we have had heard from the Minister for Social Justice and Local Government that that extra £10 million has been put into the RSG, so I do not think that I need to ask about that.

[258] **Helen Mary Jones:** Chair, I think that I will reverse the order of my questions as I think that we may come back to the other one, but I am very keen that we cover the issue of the Children and Family Court Advisory and Support Service. The budget for the CAFCASS Cymru programmes action will be reduced in real terms by 9.6 per cent in 2011-12 and 13.9 per cent over the three years. What assessment has been made of the impact that this will have on the ability of CAFCASS to provide effective services to children? How will you monitor the impact? You will be aware that this committee has had some concerns about the quality of the service available now, and this looks like quite a large cut.

[259] **Edwina Hart:** I need to say that this is not the funding for CAFCASS’s running costs. Those are dealt with within the central administration main expenditure group. This is to do with the fact that the current referral rate to the contact centres is very low. It actually reflects what is going on. It is a true reflection of what CAFCASS thinks that it can manage on when looking at that issue. It is about a reduction in contact activities. I am advised by the Deputy Minister that that has been influenced by the private law programme and the way that things are being dealt with in that area. Is that correct, Paul?

[260] **Mr Williams:** I met Gillian Baranski this week, and she is looking at the whole process associated with this because she has huge experience in this area.

[261] **Val Lloyd:** As I understand it, the inspection report of CAFCASS Cymru was published a day or two ago. Have you made any funding available to help support the areas identified for improvement? I have received a letter about problems with a referral centre, so I would be interested in your comments on that.

[262] **Edwina Hart:** That is quite interesting.

[263] **Darren Millar:** To be fair, in our report as a committee we made specific reference to the need to increase capacity in the contact centres, so this seems rather surprising.

[264] **Edwina Hart:** It is to do with the contact arrangements and the way that they are managing them, as I understand it.

[265] **Mr Williams:** When I met Gillian Baranski this week, she told me that she is already looking at the report and will prepare an action plan within the next three months. We will look at that.

[266] **Darren Millar:** We will have to revisit this issue.

[267] **Edwina Hart:** I must say that the Deputy Minister welcomed very much what came out of the report, but I do not think that there is any room for complacency on this agenda as Members have many issues raised with them about CAF/CASS. The inspection report showed that progress had been made, particularly in relation to what happened in earlier years. Gill is taking up that issue. It is important that we clarify the issue of funding in the MEG. However, if it would help Members, I could provide a note on CAF/CASS funding.

[268] **Darren Millar:** I think that that would be helpful.

[269] **Edwina Hart:** CAF/CASS funding is a very different area from what is normally within—

[270] **Darren Millar:** It would be particularly helpful with regard to the contact centres and delivery on the outcomes that were agreed following the report that we produced. That would be really helpful.

[271] **Edwina Hart:** That element of my budget is all about supporting its activities, such as the provision of contact centres, so it has to look at the use and how practices are changing. So, it might be helpful to put that in context.

[272] **Darren Millar:** I think that we have touched on some of the other issues, and the Committee on Equality of Opportunity is taking the lead on the equality issues. So, perhaps we can have a look at efficiency and the invest-to-save scheme, with some brief questions from Andrew and Irene.

[273] **Andrew R.T. Davies:** Minister, in your paper, you say that the NHS has delivered more than £850 million through efficiency savings in the past four years. Can you provide details of how these efficiency savings have been achieved and how they will be maintained in future?

[274] **Mr Williams:** In the first couple of years, when the service was achieving cost improvements of between 2 per cent and 3 per cent, that was being done in the normal areas of procurement and general back-office functions.

[275] **Edwina Hart:** The usual suspects.

11.30 a.m.

[276] **Mr Williams:** When I took over and the requirements were starting to step up significantly, I set up this five-year framework. We now have a very sophisticated system, and the areas that we are now driving forward hard are workforce modernisation, acute efficiency—that is, length-of-stay day-case rates—and continuing healthcare, where we have made significant inroads. We were talking about assumptions earlier, and continuing healthcare seemed to be rising exponentially, but we have started to control that. Then there is the whole area of medicines management. Man management is another interesting area. We

still have procurement and shared services, and, as you know, we have now started a major shared-services project. Also to be considered are management costs, unscheduled care, improved commissioning, wasteful interventions—which comes back to the 1,000 Lives campaign—estates and energy, mental health and chronic conditions management. We have a wide range of areas, some of them are still fairly conventional, but others are new, and we are taking that efficiency drive forward.

[277] **Edwina Hart:** It is also about eliminating premium-cost working, because we are trying to eliminate unnecessary overtime, agency staff, exceptional theatre, and so on—there is a whole range of issues there. Contrary to popular belief, we are reducing layers of management and management costs quite well now. We have really started to tackle that in the NHS. For me, one of the major issues that we need to deal with in terms of efficiencies relates to capturing the opportunities offered by integrated care, through our relationship with local government and our seamless care pathway, where there is room for more efficiency savings.

[278] **Andrew R.T. Davies:** On the point that you made about eliminating bank and agency work, we all wish to drive those costs down, but a service the size of the NHS requires that flexibility, does it not? At the moment, many LHBs have a moratorium on the use of agency and bank staff because of the financial position in which they find themselves. So, there is a fine line between driving those costs down, which, as politicians, we would all agree with, because it is quite expensive, and having the tolerance within the system to allow—

[279] **Edwina Hart:** Absolutely—you have got it in one.

[280] **Mr Williams:** If a board says that it wants a moratorium, I am not saying that that has to be absolute, but what is important for me is that they recognise that it is the last resort rather than the first resort. Apart from expenditure, there are issues of continuity of care, which I worry about more than the expenditure, in some cases.

[281] **Edwina Hart:** As do I, because there is an issue when you are changing staff all the time and one issue that has been raised with me is the lack of maternity cover in some boards. It is a big issue because it is better to have someone permanent as maternity cover, or whatever discipline it may be, so that there is continuity of care for the patient. As Andrew indicated, these issues are quite finely balanced.

[282] **Andrew R.T. Davies:** In your paper, you talk about savings that you have identified and that you have taken money out of some budget lines and moved it into others. Are those savings sustainable enough to allow that transfer of cash? Will you not end up, in a year or two, back to where you were before the efficiency drive?

[283] **Mr Williams:** It is not an exact science, but sustainability is the key word in this. There is no point in going for short-term hits, quick fixes or slash and burn. If you look at the 1,000 Lives campaign, it is reducing ventilator-acquired pneumonias, which in turn is reducing lengths of stay in intensive care, and hence the need for fewer agency nurses. That is a sustainable solution.

[284] **Mr Hurst:** There are three points about this sustainability. One is that it requires a strategic, planned approach, and that is working much better now—you have the background of the five-year framework, and planning for savings is happening in advance of the financial year rather than close to its start. The second point is collaboration; we need to make that work for us, and we are starting to see that happen, both on procurement and in looking at opportunities for local government. However, more effective collaboration is also important for primary and secondary care, and secondary and social care, because some of the costs that we need to release in those areas are not coming through yet. Each part can be efficient, but

the baton changing is not as good as it needs to be, so we have opportunities there. The third point is clinical leadership. This is healthcare that we are talking about, in the main, and the people who influence the resources, inevitably, are clinicians, and they must be brought into the forum, so that they can have a direct influence in the economic context that we are looking at. That is something that the health boards are doing much better now.

[285] **Darren Millar:** The inquiry into NHS reviews that we are undertaking will probably have something to say on those things. There is one final question on the invest-to-save fund and then we will wrap things up.

[286] **Irene James:** A number of projects have received support from the invest-to-save fund. How much financial support has been given to health and social services projects?

[287] **Mr Williams:** We have had about £22 million and £6 million of that is for the Gwent frailty project. It shows that we are working quickly in this area because we think that this is a sustainable solution. As I mentioned earlier, the Minster has also put in about £33 million this year and next from the capital programme, to do things like centralise surgery and to bring new technologies in. So, we are also looking to our own resources to reinvest in this fruitful area.

[288] **Darren Millar:** On the monitoring of that, how do you ensure that they have actually delivered on the savings that were predicted? In the past, the Auditor General for Wales has produced reports that have indicated that the savings have not always been significant, and that in some cases they have cost more.

[289] **Edwina Hart:** The saving profiles have been agreed and tested as part of the invest-to-save scrutiny approval process.

[290] **Mr Hurst:** It starts with the clarity when the bid is put in. As you know, we ensure that there is clarity about where the savings are coming from and at what pace. Then there are two levels of monitoring: one happens via central finance colleagues, who are the bankers in this, for the funding, and the second is through directorates-general. In our case, we are monitoring both the physical progress associated with these projects and, in due course, we will also be seeing the savings coming through, and that will be part of our normal financial monitoring.

[291] **Darren Millar:** That brings us to the end of our scrutiny session. I thank you, Minister, Mr Williams and Mr Hurst for your attendance today. With that, I will close the meeting, reminding Members that our next meeting will be on 1 December. Thank you.

*Daeth y cyfarfod i ben am 11.37 a.m.
The meeting ended at 11.37 a.m.*