

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee
room 3, Senedd and video conference
via Zoom

For further information contact:

Owain Roberts

Committee Clerk

Meeting date: 18 September 2024

0300 200 6388

Meeting time: 09.30

SeneddFinance@senedd.wales

Registration

(09.00–09.15)

Private pre-meeting

(09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

(09.30)

2 Paper(s) to note

(09.30)

(Pages 1 – 4)

Minutes of the meeting held on 18 July.

2.1 PTN 1 – Letter from Chief Pharmaceutical Officer to the Auditor General for Wales: Community Pharmacy Data Matching Pilot – 19 July 2024

(Pages 5 – 8)

2.2 PTN 2 – Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office: Statement of Principles for Directly Funded Bodies – 19 July 2024

(Pages 9 – 10)

2.3 PTN 3 – Letter from Hefin David MS, Senedd Commissioner: First Supplementary Budget 2024–25 – 19 July 2024

(Pages 11 – 19)

2.4 PTN 4 – Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office: Landfill Disposals Tax Avoidance – 23 July 2024

(Pages 20 – 22)



- 2.5 PTN 5 – Letter from the Temporary Chair of the Health and Social Care Committee to the Minister for Social Care: Health and Social Care (Wales) Bill – 26 July 2024**
(Pages 23 – 25)
- 2.6 PTN 6 – Letter from the Minister for Social Care: Health and Social Care (Wales) Bill – Additional information – 26 July 2024**
(Pages 26 – 40)
- 2.7 PTN 7 – Letter from the Minister for Social Care: Health and Social Care (Wales) Bill – Integrated Impact Assessment summaries – 30 August 2024**
(Page 41)
- 2.8 PTN 8 – Joint letter from the Cabinet Secretary for Health and Social Care and the Minister for Social Care to the Temporary Chair of the Health and Social Care Committee: Health and Social Care (Wales) Bill – Additional information – 6 September 2024**
(Pages 42 – 45)
- 2.9 PTN 9 – Fiscal Intergovernmental Relations: Written evidence from the Council of Fiscal and Financial Policy of the Autonomous Communities, Spain – 16 July 2024 (This evidence was submitted to the Finance Committee in Spanish only and translated into English with the consent of the Council of Fiscal and Financial Policy of the Autonomous Communities)**
(Pages 46 – 62)
- 2.10 PTN 10 – Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office: Fiscal Intergovernmental Relations – 2 August 2024**
(Pages 63 – 65)
- 2.11 PTN 11 – Letter from Audit Wales: Update on Audit Wales' response to the Committee's report on Annual Scrutiny of the Wales Audit Office and the Auditor General for Wales – 12 August 2024**
(Pages 66 – 67)
- 2.12 PTN 12 – Letter from the University and College Union: Scrutiny of the Welsh Government Draft Budget 2025–26 – 29 August 2024**
(Page 68)

2.13 PTN 13 – Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs to Chair of the Legislation, Justice and Constitution Committee: Service Level Agreement between Welsh Ministers, Rural Payments Agency and the British Cattle Movement Service – 2 September 2024

(Page 69)

3 Financial Transactions Capital: Evidence session 3

(09.30–10.30)

(Pages 70 – 99)

Mark Drakeford MS, Cabinet Secretary for Finance and the Welsh Language, Welsh Government

Andrew Jeffreys, Director Treasury, Welsh Government

Sharon Bounds, Deputy Director Financial Controls, Welsh Government

Supporting documents:

FIN(6)–17–24 P1 – Cabinet Secretary for Finance and the Welsh Language, Welsh Government: Written evidence

Senedd Research Brief

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting and the start of the meeting on 25 September

(10.30)

5 Financial Transactions Capital: Consideration of evidence

(10.30–10.45)

6 Cardiff Bay 2032 – Senedd Commission Technical Briefing

(10.45–11.15)

(Pages 100 – 104)

Ed Williams, Director of Senedd Resources, Senedd Commission

Kate Innes, Chief Finance Officer, Senedd Commission

Jan Koziel, Head of Procurement, Senedd Commission

Andrew Gibson, Director, Avison Young

Supporting documents:

Senedd Research Brief

7 Financial implications of the Health and Social Care (Wales) Bill:

Consideration of Draft Report

(11.15–11.45)

(Pages 105 – 142)

Supporting documents:

FIN(6)–17–24 P2 – Draft report

8 Welsh Government Draft Budget 2025–26: Update on the approach to budget scrutiny

(11.45–12.00)

(Pages 143 – 157)

Supporting documents:

FIN(6)–17–24 P3 – Approach to budget scrutiny: Cover paper

FIN(6)–17–24 P4 – Letter to the Cabinet Secretary for Finance, Constitution and Cabinet Office: Welsh Government Draft Budget Timetable 2025–26 – 29 July 2024

FIN(6)–17–24 P5 – Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office: Welsh Government Draft Budget 2025–26 Timetable update – 8 August 2024

9 Interparliamentary Finance Committee Forum: Update

(12.00–12.15)

(Pages 158 – 162)

Supporting documents:

FIN(6)–17–24 P6 – Interparliamentary Finance Committee Forum: Cover paper

FIN(6)–17–24 P7 – Letter from the Interparliamentary Finance Committee Forum to the Chief Secretary to the Treasury – 26 March 2024

Concise Minutes – Finance Committee

Meeting Venue: Hybrid – Committee room 4 Ty Hywel and video conference via Zoom

This meeting can be viewed on [Senedd TV](#) at:

<http://senedd.tv/en/13973>

Meeting date: Thursday, 18 July 2024

Meeting time: 09.30 – 12.47

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Matt Wellington, Head of Budget Policy & Delivery, Welsh Government Sharon Bounds, Deputy Director Financial Controls, Welsh Government David Staziker, Chief Financial Officer, Development Bank of Wales Robert Hunter, Strategy, People and Development Director, Development Bank of Wales David Ward, Chief Executive Officer, Tirion Group Kate Pender, Deputy Chief Executive Officer, Fair4all Finance Richard Mann, Group Chief Executive, United Welsh



Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Mike Lewis (Deputy Clerk) Ben Harris (Legal Adviser) Božo Lugonja (Researcher) Christian Tipples (Researcher)
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At its meeting on 3 July 2024, the Committee agreed a motion under Standing Order 17.42(ix) to exclude the public from the start of today's meeting.

Registration / Private Pre-meeting

1 Financial Transactions Capital: Technical briefing with Welsh Government officials

1.1 Matt Wellington, Head of Budget Policy & Delivery, Welsh Government; and Sharon Bounds, Deputy Director Financial Controls, Welsh Government delivered a technical briefing on Financial Transactions Capital.

Break

Public

2 Introductions, apologies, substitutions and declarations of interest

2.1 The Chair welcomed Members to the meeting of the Finance Committee.

3 Paper(s) to note

- 3.1 PTN 1 – Letter from the Chair of the Petitions Committee: P-06-1455 Protect the junior departments of the Royal Welsh College of Music and Drama from closure – 26 June 2024**
- 3.2 PTN 2 – Letter from the Cabinet Secretary for Finance, Constitution & Cabinet Office: Local Government Finance (Wales) Bill – Updated explanatory memorandum – 2 July 2024**
- 3.3 PTN 3 – Letter from the Trefnydd and Chief Whip to the Chair of the Reform Bill Committee: Senedd Cymru (Electoral Candidate Lists) Bill – 10 July 2024**
- 3.4 PTN 4 – Letter from the Trefnydd and Chief Whip to the Chair of the Legislation, Justice and Constitution Committee: Senedd Cymru (Electoral Candidate Lists) Bill – 10 July 2024**

4 Financial Transactions Capital: Evidence session 1

The Committee took evidence on its inquiry into Financial Transactions Capital from David Staziker, Chief Financial Officer, Development Bank of Wales; and Robert Hunter, Strategy, People and Development Director, Development Bank of Wales.

Break

5 Financial Transactions Capital: Evidence session 2

5.1 The Committee took evidence on its inquiry into Financial Transactions Capital from David Ward, Chief Executive Officer, Tirion Group Ltd; Richard Mann, Group Chief Executive, United Welsh; and Kate Pender, Deputy Chief Executive Officer, Fair4allFinance.

6 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

6.1 The Committee agreed the motion.

7 Financial Transactions Capital: Consideration of evidence

7.1 The Committee considered the evidence received.

8 Fiscal Intergovernmental Relations: Consideration of key issues

8.1 The Committee noted the letter from the Council of the Federation and considered the key issues paper.

9 Welsh Government Draft Budget 2025–26: Approach to budget scrutiny

9.1 The Committee noted the proposed timescales for the scrutiny of the Draft Budget 2025–26 and related correspondence and agreed the actions included in the cover paper.

10 Consideration of Forward Work Programme

10.1 The Committee considered and agreed the Forward Work Programme.

11 Membership of the Wales Audit Office Board: Changes to existing commitments

11.1 The Committee considered the paper on the Membership of the Wales Audit Office Board and agreed the actions included in the paper.

12 Review into the operations, processes and investigations carried out by the Public Services Ombudsman for Wales: Update letter from the PSOW

12.1 The Committee noted the letter from the Public Services Ombudsman for Wales which updated the Committee on the independent review into the operations, processes and investigations carried out by the Public Services Ombudsman for Wales.

Prif Swyddog Fferyllol
Chief Pharmaceutical Officer

Agenda Item 2.1



Llywodraeth Cymru
Welsh Government

Adrian Crompton
Auditor General for Wales
Audit Wales
1 Capital Quarter
Cardiff
CF10 4BZ

By email

19 July 2024

Dear Adrian,

Community Pharmacy Data Matching Pilot

Thank you for your letter of 23 May and the accompanying report describing the findings and recommendations of Audit Wales' community pharmacy data matching pilot. Given the scale of public expenditure on medicines and pharmaceutical services, tackling fraud and error is of considerable importance and I am grateful to you and your colleagues for taking the time to investigate risk in the community pharmacy sector so thoroughly.

I am particularly pleased this extensive pilot involving almost 30% of pharmacies in Wales over a three-year period, found no evidence of systemic fraud or error. I consider these findings are likely to be representative given the large sample size, the mix of pharmacies and prescriptions dispensed in the sample, and the duration of the field work. The report therefore provides welcome assurance in this area of high spend and scrutiny.

We are not making specific recommendations, you ask three questions NHS Wales, should ask itself, given the findings of our pilot.

Are you satisfied with the current approaches in each health board, and across NHS Wales, to identify and investigate outliers in relation to high cost and risk of fraud for dispensing contractor activity?

As I have set out above the report provides a great deal of reassurance that auditors were unable to find any evidence of systemic fraud or error within the community pharmacy

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



BUDDSODDWYR | **INVESTORS**
MEWN POBL | **IN PEOPLE**

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sector. Of course, we cannot be complacent given there may be some types of fraudulent activity which were not investigated by the pilot or fraud may be occurring in health boards other than those included in the sample.

There are examples of significant fraudulent practice having occurred in the community pharmacy sector such as those described in the report. It is reassuring that these historic cases were identified by health boards working closely with NHS Counter Fraud Services, through checks and balances which pre-date the pilot.

The pilot identified risks in three main areas: pricing errors, expensive items and specials.

On pricing errors, between 6 million and 7 million prescriptions in Wales are processed for payment by the NHS Wales Shared Services Partnership every month. Prescription payment accuracy is consistently high with an error rate of only around 1 per 1000 prescriptions processed. Where processing errors occur, they are as likely to result in underpayments to pharmacies as they are in overpayment by the NHS. Audit Wales' work only considered overpayments and it is therefore likely that further investigation of errors would cancel out any potential savings for the NHS over time. The level of pricing accuracy is agreed between the NHS and Community Pharmacy Wales on behalf of pharmacy contractors we do not therefore propose to take any further actions to address under and overpayments. It will however remain possible to make corrections in respect of individual errors on an ad hoc basis.

Turning to expensive items, I agree additional checks by health boards are likely to improve how risks are managed in this area. Whilst I am aware health boards may undertake some checks on expensive prescriptions already, such checks generally focus on the prescriber of the medicine rather than the pharmacy which dispensed it. I agree with your assessment that health boards would have greater assurance if additional checks on pharmacies dispensing large numbers of expensive prescriptions were undertaken. We will therefore take three actions to improve the work health boards undertake in this area.

Firstly, we have commissioned the Wales Analytical Prescribing Support Unit (WAPSU) to develop an interactive expensive items dashboard which can be accessed by health boards and used to identify expensive prescriptions issued by general practitioners and hospital outpatient departments in their area. The dashboard allows health board users to access aggregated and individual prescription data including the individual prescription images retained by the NHS Wales Shared Services Partnership.

Secondly, we will work with the NHS Wales Shared Services Partnership to develop a monthly report detailing expensive items dispensed by pharmacies in each health board area and make this report routinely available to health boards.

Finally, we will write to health boards providing information about both the interactive dashboard and the community pharmacy expensive items report, asking them to confirm what arrangements they will put in place to ensure the new tools are used to minimise the risk of fraud or error occurring within the health board.

Are key lessons and best practice around these matters being shared between health boards? For example, are the health boards sharing examples of where fraud has been identified to make them aware of risks?

I agree there are likely to be significant benefits arising from sharing lessons learned and best practice between health boards. We will therefore write to the Head of NHS Counter Fraud Services in Wales and the Directors of Pharmacy of each health board asking what arrangements might be put in place to facilitate such information sharing.

Is there scope for the NHS in Wales to put extra cost-effective controls in place around the variable costs of specials?

Specials are often considerably more expensive than licenced medicines, due to the bespoke nature of the product and include costs of sourcing raw materials, manufacturing, quality control, or importing products and distribution.

The nature of specials make them much more liable to price fluctuations arising from changes to the prices of raw materials or from an urgent need for a special to be manufactured where a surcharge may be payable for faster delivery.

Action has been taken over a number of years to reduce the cost of specials to the NHS. In 2011, standard reimbursement prices were introduced for the most commonly prescribed manufactured specials (for example liquids, creams and ointments made to an individual formula). Between 2018 when Audit Wales began its fieldwork, and 2023 the total annual spend on these medicines fell by more than 50% (from £1.01 to £0.48m per year) as a result of the changes.

More recently in March 2022, further changes were made to reduce the cost of unlicensed, imported medicines by incentivising pharmacy contractors to source these medicines at the cheapest price possible, reducing variation and excessive prices that do not reflect the cost of manufacturing the special. In the first year following these further changes costs fell by 5% (from £0.65m to £0.62m).

The reimbursement costs of specials have been subject to scrutiny for a number of years including as part of a Department of Health and Social Care [consultation](#) in 2019. Various approaches including requiring pharmacy contractors to obtain quotes from several manufacturers, seeking central approval to place orders, and a national specials' procurement service, have all been proposed and discounted as being unlikely to result in significant cost savings.

Given the changes made since Audit Wales' fieldwork, the previous consultation and analysis of options, and the significant reduction in cost in recent years, I do not consider the same potential exists to make the savings estimated by Audit Wales in future years. However, there continues to be potential for health boards to review individual prescriptions for high cost specials which could be replaced with a lower cost standard licensed preparation. The interactive expensive items dashboard developed by WAPSU will support health boards to identify additional opportunities to query the prescribing of expensive unlicensed specials.

I trust this information demonstrates the steps we are taking to ensure fraud is identified and wherever possible prevented in the community pharmacy sector in Wales. The additional actions we will take as a direct result of the data matching pilot will serve to strengthen health boards' approach further and I am grateful to you and your colleagues for your interest and assistance in this important area.

I am copying this letter to the Chairs of Senedd Cymru's Public Accounts and Public Administration Committee, Health and Social Care Committee, and Finance Committee, for information.

Yours sincerely



Andrew Evans FRPharmS
Prif Swyddog Fferyllol/Chief Pharmaceutical Officer
Llywodraeth Cymru/Welsh Government

Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad

a Swyddfa'r Cabinet

Cabinet Secretary for Finance, Constitution & Cabinet Office



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair of Finance Committee
Welsh Parliament
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19 July 2024

Dear Peredur,

To support the forward financial planning for directly funded bodies, I have agreed to write each year at the end of the Summer Term setting out various factors to inform future budget planning, including the Government's best assessment of the level of funding available in future years. In addition, I wrote to you following the review of the statement of principles for directly funded bodies on 14 November last year. That letter noted that I would consider whether it is possible to provide additional longer run information looking at different potential future funding scenarios. This letter sets out the available information and refers to spending projections published alongside the draft Budget in December last year.

Firstly, it is worth noting recent information on the UK's public finances. The public sector borrowed £122 billion in 2023-24. This was £6 billion less than it borrowed in 2022-23, but £8 billion more than forecast by the Office for Budget Responsibility (OBR) in March 2024. The OBR [forecast](#) shows borrowing falling to £87 billion in 2024-25 and then a gentler decline over future years. The previous UK Government's fiscal mandate of falling public sector debt as a percentage of GDP by 2028-29 was forecast to be met, but only by a very narrow margin.

Turning to the outlook for the Welsh Government's budget, I should point out that this is a particularly difficult time to provide an assessment. The Welsh Government has no funding settlement beyond the current financial year and the new UK Administration is yet to set out its own fiscal plans. We will know more in the Autumn. However, as the Chancellor of the Exchequer has noted, it is clear we are facing a very difficult fiscal outlook indeed. The Chancellor has asked HM Treasury to produce an assessment of the spending inheritance which will be presented to the UK Parliament before its Summer recess.

The Welsh Government's spending plans for 2024-25 were set out in the [Final Budget](#) in February this year, with the Main Expenditure Group allocations restated in June. It is worth noting that the Welsh Government's settlement has not kept pace with the inflation shock over the last few years. Despite some recent increases, the settlement this year is still worth up to £700m less in real terms than when it was set in the 2021 Spending Review.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The Draft Budget published in December 2023 was accompanied by the [Chief Economist's Report](#) which included a projection for the Welsh Government resource budget for years beyond 2024-25 in chart 32. This was based on the previous UK Government's spending assumptions for the next few years, as used in the OBR forecasts last November (and which remained the same for the latest OBR forecasts in March this year). These assumptions stipulated that discretionary resource spending would increase by 1% a year in real terms and that capital spending would be broadly cash flat.

Combining the resource assumption with forecasts for the devolved Welsh taxes and population projections implied the Welsh Government resource budget would grow by less than 0.5% a year per person in real terms between 2024-25 and 2028-29. More recent population projections show faster growth, so would suggest even lower spending growth per person using these assumptions. On the capital side, the previous UK Government's assumption of flat cash would translate to a future Welsh Government capital budget falling in real terms. The Chief Economist's Report also included longer term budgetary projections under three different scenarios, these are described on pages 57-58.

Turning to prices and pay, the OBR's March 2024 forecast showed the GDP deflator increasing by 0.8% in the current financial year, 1.3% next year and then 1.7% to 1.9% a year beyond that. The same March forecast shows the Consumer Prices Index (CPI) increasing by 1.6% in 2024-25 and 2025-26, rising to 2.0% by 2028-29. UK average earnings are expected to increase by 3.1% in the current financial year and 1.9% next year.

In summary, we currently have no certainty on the budgetary outlook beyond the current financial year, but recognise the very difficult fiscal situation the new UK Government is facing. The public spending assumptions used by the previous UK Government suggest very tight budgets for the next few years.

Yours sincerely,



Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office

Peredur Owen Griffiths AS
Chair of Finance Committee
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19 July 2024

Dear Peredur

First Supplementary Budget 2024-25

Thank you for your Committee's consideration of the Commission's supplementary budget request.

I am pleased to note that the Committee is content in principle with the overall additional funding request and that you are assured that the budgeted target of £315,000 planned savings to be accrued by the Commission is the most that is achievable without having an impact on services.

The Commission is committed to continual improvement of processes and accruing efficiencies in accordance with Statement of Principles. I note that the Committee recognises that we have brought this supplementary budget forward only after having exhausted all credible options within the organisation, without impacting Member services.

The Committee has requested further information on how the Commission will engage with Members regarding future service delivery, to ensure Member priorities are reflected, and how those priorities will be managed within current resources. The Commission continues to prioritise engagement with Members. In the attached, I have set out the plans already in place for Senedd Reform-related Member engagement. I have also set out current processes and initiatives to engage with Members and understand and incorporate their objectives into future plans. The Commission keeps these processes and initiatives under review to ensure that they continue to be appropriate.

Balancing priorities within a constrained economic environment can be challenging. However, the Commission, through the introduction of the Medium-Term Resourcing Framework (MTRF), has developed a system which enables those financial pressures to be identified early and considered by the Commissioners. The MTRF also ensures that our staff are able to deliver our priorities through service planning and workforce planning, both of which are informed by Member engagement. The Portfolio Management Group, responsible for recommending the allocation of funds from the Project Fund, is also informed by the priorities of Members, which is a significant element in the scoring matrix for assessing business cases requesting funds. When completing allocation of budgets, the



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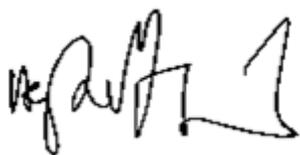
assessment is again informed by the principle of considering the impact on Member services. These are all scrutinised by the Commissioners at our meetings.

The Commission welcomes the Committee's rigorous scrutiny and can give assurance that this supplementary budget has indeed been considered as a last resort and that all potential savings and efficiencies have been exhausted. I also note your request to be informed of the outcome of pay negotiations for both 2024-25 and the new pay deal. I will provide an update on those at the appropriate time. Please let me know if you require any further information.

In accordance with Standing Order 20.32, following your Committee's consideration of this request, the Commission will be laying an **explanatory memorandum** noting this First Supplementary Budget request to meet the revised Welsh Government timetable when published. I do not expect this to now happen until the Autumn and, after the Commission has laid its annual Draft Budget at the end of September. This may create some challenges for the Commission as it prepares its 2025-26 budget and in completing its 2024-25 pay negotiations along with the next pay agreements scheduled to begin from April 2025.

If you need further information, please let me know.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Hefin David MS', written in a cursive style.

Hefin David MS
cc Manon Antoniazzi

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English

ANNEX A

Senedd Reform related Member engagement plans

Business Committee – procedural preparedness

In December 2023, Business Committee considered its approach to procedural preparedness for Senedd reform and agreed in principle to commence consideration of areas of procedural reform in autumn 2024.

During this term, Business Committee is informally gathering information from Members to help inform the development of terms of reference for its Senedd reform-related review of procedure.

Draft terms of reference will be considered before the summer recess, after the legislation is in place, and the review is due to commence in the autumn.

Independent Remuneration Board's Determination for the Seventh Senedd

The IRB's strategic work programme includes several thematic reviews: Simplification, PPSA, Ways of Working, Staffing Review and Members' Remuneration & Allowances, which have all now commenced and are phased during 2023-25.

The work is underway to gather evidence, comparative research and engagement with Members and stakeholders at various stages during 2024-25, which will be coordinated with planned Commission Member engagement where possible to minimise burden and duplication. Any proposals for change will be subject to formal consultation with Members as well.

The Board's planned work is closely linked to Senedd reform and any amendments or matters addressed through scrutiny of the Bill may have an impact on planned activity; the Board is therefore monitoring stage 2 developments closely – particularly given the Reform Bill Committee's recommendations relating to PPSA and the Board's ongoing review of this allowance.

In addition to the broad and targeted engagement above, the IRB's Member and Support Staff Representative Groups meet regularly with the aim of ensuring an effective flow of information between the Board and Groups.

Regulatory Framework

Plans are developing for the dialogue between the IRB and the Senedd Commission. This dialogue aims to establish a shared understanding of how Members' needs will be supported through Commission services and the Board's Determination, looking to the Seventh Senedd and beyond.

On simplification of the regulatory framework (which is part of the Commission-IRB dialogue), Hugh Widdis, the lead Board member meet with the Clerk and Chief Executive, as Accounting Officer in March to discuss the Board's simplification review, the interaction with the Accounting Officer's role and the Rules and Guidance on the Use of Resources, and related work being undertaken by the Commission in this area.

Following its consultation on the Senedd's Dignity and Respect policy and associated procedures, the Standards of Conduct Committee has committed to a comprehensive inquiry, looking at all aspects of our policies and procedures so that they are up to date and fit for purpose, ahead of the Seventh

Senedd (although not driven specifically by Senedd Reform). There will be Member consultation as part of its work.

Siambwr 2026

A Member Reference Group has been established to ensure that Members, in addition to the Commissioners can engage with the Siambwr work as it progresses.

Ty Hywel 2026

Commissioners, Members and other identified stakeholders have been consulted to capture detailed requirements. Methods of engagement included drop in sessions, in person meetings, on line meetings, user groups, surveys etc.

The transition and election period – winding up, dissolution, election and welcome arrangements

This work is currently being scoped and will be presented to the Commission in due course.

ANNEX B – Member engagement by the Commission

The purpose of the Senedd Commission is to serve the Senedd to help facilitate its long-term success as a strong, accessible, inclusive and forward looking democratic institution and legislature that delivers effectively for the people of Wales. Members of the Senedd are thus the most significant stakeholder group in relation to Commission activity.

Managing the process of effectively communicating and engaging with Members requires us to understand their needs. The aim of our Member communications and engagement activity should always be to improve the Commission's performance by listening, understanding and working with Members of the Senedd to provide the support that is necessary for them to undertake the crucial work that they do.

Consultation and engagement will be a vitally important part of informing how we shape our services, preparing for whatever constitutional and organisational change may come in the next few years.

We aim to engage in a proportionate way with Members, having regard to their degree of involvement and interest in the matter concerned. The frequency and depth of our engagement and the number of topics on which we engage will vary. In all our engagement with stakeholders we are guided by several principles:

- Member input is key to our consideration in decision making.
- We provide multiple opportunities and channels for engagement, adapting our approach to accommodate differing need on key issues.
- We maintain engagement mechanisms that are working well and find better ways to reach those where our opportunity for engagement is currently limited or not working.
- We proactively help Members by providing impactful training and support.
- We seek to gain maximum benefit from Members' knowledge and experience of our services.

A broad reach of comms delivery and engagement with Members already exists in the organisation, with large amounts of activity taking place. We continue to explore and develop ways of simplifying access to information to Commission services and are currently working with content editors to regularly update and simplify the Members' intranet, responding to areas of feedback.

Recognising different types of communication mechanisms have different goals, and what tools work for different types of need, we recognise that we need to choose the right communication channel in different circumstances.

Appendix A sets out the multiple communication and engagement channels currently in use between the Commission and Members, including illustrations of where these are used.

Appendix A

Communication and engagement channels currently in use between the Commission and Members

How we communicate (the channel)	What	Contact
Members' Intranet	Intranet site to access relevant and concise information – projects & quick links.	MLE team
Newspage items on Intranet.	'News' – business focussed to raise awareness on Commission services, changing procedure etc. Important for disseminating info to everyone – short messages	MLE team
Commissioners	Formal and informal feedback and engagement including about services and support to Members	Clerk to the Commission
Senedd Political Contact Group	Coordinated agenda of sharing info including upcoming consultation/engagement activities	MLE team
Emails to Members and/or Support Staff	Important info that may be overlooked on intranet	MLE team
Contact with Chief of Staff or key contact points within Independent Member offices	Information that may be sensitive and/or needs to be co-ordinated either face to face or via email	MLE/ MBS – can advise on contact points and content if unsure
Direct 1-2-1 interactions	Used in many forms, eg meetings with group leaders, questions or conversations between individuals, structures conversations eg WoW Interviews	various
Group meetings – attendance by senior officials	To brief in relation to specific matters if invited eg Ways of Working project engagement – Clerk and Director of Resources to on Bay '32 and Siambri '26 projects.	/ Exec Office team
User Groups	Representatives of MS/MSS on various matters eg Ty Hywel 2026 – user group	various

Commission Reference Group	Membership set out. Eg to inform Siambr '26 project	various
Operational Group	Meeting with Chiefs of Staff and key contact points within Independent Member offices. Good when launching new initiatives, procedures or changes and need to engage Support Staff	MLE team
Support Staff Bulletin	Open to all Support Staff, of interest to Office Managers and Chiefs of Staff in particular. Operational information relevant to Support Staff provided by MBS, MLE, ICT and Security.	MLE team
Caseworker Forum	Targeted training, news and information relevant to MSS Caseworkers	MLE / Senedd Research Service
Support Staff engagement events	Networking for Support Staff at locations across Wales to inform key priorities and training	MLE team
ICT account managers	Support with any ICT related issues, but also act as a point of contact for any other queries	ICT
Chamber and Table Office Support Staff forum	Discussion of procedural or business issues e.g. SO changes	Chamber Secretariat & Table Office
Research Service improvement group	Support Staff groups to identify service improvements and get feedback / engagement	Research Service
Cwrt Drop ins	Useful for raising awareness and gauging feedback, helps to elicit views	MLE team
MS/MSS Surveys	Gain opinions and source feedback	MLE team
IRB Member / Support Staff reference groups	Remuneration Board consultation / engagement on Determination or policy changes affecting Support Staff	Remuneration Board secretariat



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair of Finance Committee
Welsh Parliament

23 July 2024

Dear Peredur,

Landfill Disposals Tax Avoidance

Thank you for your letter, raising the recent allegations made in the Channel 4 Dispatches documentary, Rubbish Tip Britain, that waste in Wales is being misdescribed to evade the standard rate of Landfill Disposals Tax (LDT).

The WRA's current compliance processes

The WRA approach

The Welsh Revenue Authority (WRA) works closely with taxpayers and their advisers to help them pay the right amount of tax at the right time. This is part of the WRA's commitment to 'Our Approach': Cydweithio, Cadarnhau and Cywiro. It has a zero-tolerance policy towards tax avoidance and evasion, which includes misdescription of waste.

The WRA has dedicated LDT customer relationship managers who work closely with landfill site operators (LSO) to help them get their tax right from the start. Within the organisation, they are a single point of contact for LSOs to go to with any questions or concerns. This system helps the WRA to understand each LSO's unique business model and identify and mitigate risk by working closely with them.

WRA activities

The WRA identifies potential instances of tax risk (i.e. where taxpayers might have paid the wrong amount of tax) through its close working relationships with LSOs, the data it receives via LDT tax returns, and intelligence shared with it by Natural Resources Wales (NRW) and other agencies. It has a range of civil and criminal powers to address these instances. How and when these are used depends on the circumstances of the issue. Where appropriate, it shares information with a network of partners, such as NRW and law enforcement agencies, who may also take action.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The WRA may take the following actions where it believes there is a loss of tax:

- opening an enquiry into a tax return,
- issuing requests for information (including from third parties),
- visiting landfill sites,
- charging penalties where taxpayer behaviour has been careless or deliberate, and
- making an assessment of tax chargeable (to make good a loss of devolved tax).

LSOs are not the only LDT taxpayers. Where the WRA believes an unauthorised disposal of waste has occurred, it may charge tax at the unauthorised disposal rate (150% of the standard rate of LDT). The WRA may charge any person who made or who knowingly caused or permitted an unauthorised disposal. Where multiple persons are involved in one disposal, they will be jointly and severally liable for the tax charged.

Even when they do not agree on the amount of tax owed, the WRA works productively and jointly with taxpayers to resolve the issue, using its powers where appropriate to do so. Where the WRA issues a formal decision on a taxpayer's liability to LDT, the taxpayer has the right to request that the WRA review it and/or they may appeal the decision to the Tribunal.

Partnership with NRW

The WRA has developed a close working partnership with NRW since the devolution of LDT in 2018, including the delegation of certain investigative functions and the funding of a dedicated LDT team within NRW. Together, the WRA and NRW have developed a joint LDT strategy to maximise the impact of their complimentary powers and map out the joint actions they will take to address instances of waste crime. They routinely share expertise and information on both authorised landfill sites and instances of unauthorised disposals of waste. They also conduct joint visits to authorised landfill sites.

Misdescription project update

The WRA and Natural Resources Wales have jointly undertaken a project to identify where misdescription occurs and how to mitigate it. So far, they have identified multiple points in the waste cycle at which waste can be misdescribed and have been investigating cases of misdescription.

As you have noted, the Independent Review of LDT identified that the gap between the lower and standard rates has contributed to the intentional misclassification of waste. Increased regulatory action at key points in the waste cycle could help reduce instances of misdescription, but it would not address the driving force behind them.

Raising or removing the lower rate of LDT may have a significant impact on reducing the risk of misdescription and contribute to Wales' circular economy goals. My officials have worked with the WRA and NRW to understand the impact and risks of such a change. I recently made a [written statement](#) regarding this, and launching a public consultation on these options.

Assessments of LDT revenue lost due to tax avoidance/evasion activities and any steps taken to address those behaviours

The WRA does not model LDT revenue lost, due to the high degree of complexity in the industry and uncertainty involved with modelling using the small number of LSOs in Wales (17). Publishing data based on this small number could also risk disclosing individual taxpayer information.

The WRA is currently working, or has already concluded, enquiries into a number of landfill site operators who together pay 50-60% of the total LDT collected in Wales. The majority of these cases involve the misdescription of waste. In addition to this, the WRA has so far received 50 referrals of potential unauthorised disposals cases from NRW. Of these, the WRA has or is currently investigating 15. In 2023, the WRA become the first revenue authority in the UK to collect tax on cases of unauthorised disposals of waste.

The WRA's compliance processes make it confident it is taking a robust approach to addressing tax avoidance and evasion. It is working with partners to take both the operational and policy steps necessary to reduce tax risk and help to achieve Wales' goal of becoming a Zero Waste nation by 2050.

I would be happy to meet with you to further discuss the issue of misdescription, if this would be helpful.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a large initial 'R'.

Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office

Dawn Bowden MS
Minister for Social Care

26 July 2024

Dear Dawn

Health and Social Care (Wales) Bill

Thank you for attending our evidence session on 17 July, along with your officials, to discuss the Health and Social Care (Wales) Bill.

During that session, there were a few follow-up actions. We would also like to take this opportunity to raise one other, separate matter with you following our evidence session with Care Inspectorate Wales. For convenience, I have included all of these matters in the annex to this letter.

When the Committee returns after the summer recess, we will be considering a draft of our report on the Bill. It would be helpful to have your response in advance of this, **by Friday 6 September**, so that our report can reflect its contents.

A copy of this letter goes to Mike Hedges MS, Chair of the Legislation, Justice and Constitution Committee, and Peredur Owen Griffiths MS, Chair of the Finance Committee.

Yours sincerely



Sam Rowlands MS
Temporary Chair, Health and Social Care Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg. We welcome correspondence in Welsh or English.

Health and Social Care (Wales) Bill

1. In relation to the elimination of profit from children looked after, we asked Care Inspectorate Wales whether the provisions in the Bill and explanatory memorandum relating to supplementary placements will act to effectively 'legalise' and normalise unregistered placements in Wales. This is because the Bill, as drafted, does not prohibit any unregistered placement being used for a child of any age. Further, paragraph 55 of the explanatory memorandum refers to a placement meaning accommodating a child in unregistered accommodation on a temporary basis or in cases of urgency. In response, the Inspectorate told us:

"we made a query to Welsh Government about that. And my understanding is that that is an incorrect use of the word. So, sometimes, the words 'unregulated' and 'unregistered' are mixed up. So, what we've been told is that the intention was that that reference should be 'unregulated'. (...) we were content with the response that we got that that was an unintentional reference within the explanatory memorandum, and sure that will be—I'm hoping that will be—altered."

[For the full exchange, see paragraphs 204-209, RoP, 17 July 2024]

Can you confirm your position in relation to the above and, in particular, whether you intend to make any changes to the relevant provisions of either the Bill or explanatory memorandum.

2. In relation to issues with **continuing healthcare**, local authorities are calling for an urgent review of the whole CHC process. The Welsh Government has given a commitment to review the current CHC Framework within five years of implementation, with the next review anticipated to take place in 2026/27.
You gave an undertaking to ask the Cabinet Secretary for Health and Social Care to update the committee on progress with the review of the current CHC Framework. As part of this, we would like to hear whether there is any scope to bring this review forward, and whether there is merit in doing this so that any changes that are needed to be made to the existing system can happen in tandem with the introduction of direct payments for CHC.
3. Also in relation to **continuing healthcare**, we have heard from health board representatives that there is currently no performance framework for CHC, as it is in the process of being revised. They said this framework was critical, and should include metrics to capture and measure progress and success. You agreed to ask the Cabinet Secretary to provide us with an update of work in this area, including details of when the revised framework will be put in place.



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: DB-PO-0199-24

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru
SeneddFinance@senedd.wales

26 July 2024

Dear Peredur,

Thank you for your letter of 8 July, following my appearance before the Finance Committee to discuss the Health and Social Care (Wales) Bill. I am providing a detailed response to the points you have raised in the annex to this letter. I hope that this will provide a degree of clarity to the Committee.

I am copying this letter to the chairs of the Health and Social Care Committee and the Legislation, Justice and Constitution Committee.

Yours sincerely,

Dawn Bowden AS/MS
Y Gweinidog Gofal Cymdeithasol
Minister for Social Care

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

1. The Welsh Government's approach to quantifying and presenting the financial implications of the Bill

- (a) **The sum of the constituent elements in the Regulatory Impact Assessment (RIA) suggests the total cost of the Bill ranges from £394.5m to £495.7m. However, this differs from the total cost set out in that RIA summary, which is £429.8m to £455.7m. We've also noted other inconsistencies in the value of costs and benefits in the RIA summary with the tables included in the rest of the RIA. Please could you provide a clarification of the correct figures or an explanation for these differences.**

We have reviewed the RIA summary tables and we are content the ranges of £394.5M to £495.7M presented there are correct.

The range £429.8M to £455.7M does not feature in the RIA summary but appears to have been calculated by adding up the lowest values from the 'Administrative costs', 'Compliance costs' and 'Other costs' ranges and the highest values from those same ranges in the RIA summary. However, to calculate minimum or maximum costs for the eliminating private profit section of the RIA, the estimated costs of different scenarios need to be considered collectively, rather than simply adding all the lowest figures from the ranges together, or all the highest figures from the ranges.

Ranges for the costs and cost-savings under the eliminating private profit section have been calculated using different assumptions (scenarios) for the proportion of existing private sector providers who will opt to remain in the market. These are presented as scenarios A, B and C in the RIA. Market intelligence and stakeholder discussions have led us to believe that an outcome somewhere between Scenarios B and C is most likely and so the figures in the RIA summary tables are based on the range of costs and cost-savings calculated under these two Scenarios.

Comparing Scenarios B and C, private providers' costs (which are shown in the 'Other costs' section of the RIA summary table) are highest under Scenario B and lowest under Scenario C. The reverse is true for public sector administrative costs, where costs are lower in Scenario B and the higher end of the range is calculated under Scenario C.

Therefore, to simply add together the upper end of the private sector cost range and the upper end of the public sector cost range leads to an incorrect total, because they are derived from different scenarios and different sets of modelling assumptions. This is set out in Chapter 7 of the RIA, but we acknowledge it could have been explained more fully in the RIA summary in Chapter 6. We would anticipate laying a revised Explanatory Memorandum/RIA following the completion of Stage 2, and can include some additional narrative in Chapter 6's RIA summary table to clarify this point.

There are also £2.3M of administrative cost-savings identified in the RIA summary. The total cost as given in the RIA summary is reached on the basis

of the net administrative costs, i.e. the administrative costs less the administrative cost savings.

Taking these two points together, and bearing in mind that the individual values in the RIA summary are subject to rounding, we hope that these points explain the basis for the calculation of the overall range of estimated costs in the RIA summary.

You have also raised concerns about inconsistencies between values in the RIA summary and in the body of the RIA at Chapter 7. Some of the apparent inconsistencies you are concerned about are explained below, but we have identified an error in Table 7.13 of the RIA, which estimates values for profit lost by the private sector in relation to the proposals on eliminating private profit in the care of looked after children. The values included for Scenarios B and C for the financial year 2034-5 are incorrect – these should be -£32,809,000 for both scenarios.

This error is not reflected in the totals given in the RIA summary, which are correct. The correct figures are also given in the [ADSS Cymru report](#) which has been published separately. However, we will update and correct the Explanatory Memorandum at the next opportunity, after Stage 2 proceedings are completed.

My officials would be happy to engage further with the Committee in writing if any other inconsistency is identified (beyond the points covered above and that discussed below in response to question 3(c)), should you wish your clerks to write to my officials.

2. Changes and financial implications related to ‘eliminating profit’ for children’s residential and fostering services

- (a) On what evidence do you think local authorities will see reduced costs for residential and fostering services over the appraisal period, particularly since the Welsh Local Government Association (WLGA)/Association of Directors of Social Services Cymru (ADSS) highlight some of the operational benefits are contested and the Competition and Markets Authority said the cost of local authority children’s home placements is not lower than the cost of placements with private providers.**

In the projections, the introduction of new services by local authorities and not-for-profit providers is anticipated to result in a 10% reduction in relative outturn (expenditure in a specified period). The projections include the cost of the development of new local authority and not-for-profit provision in the transitional costs, including capital costs (e.g. for residential care homes for children). Developing their own new local authority provision means that, on an ongoing basis, local authorities do not need to pay for using these capital assets (except depreciation costs).

It is important to consider a number of wider points in this context. Specifically private providers, given their current position of market dominance, considerably influence price, and what they provide and where. There is no incentive for private providers to reduce the numbers in care and some providers see profit margins of over 22%.

The costs associated with the current approach to the provision of care are also rising. The spend on residential care was around £198M in 2022-23. This has tripled since 2016-17, when the cost was around £65M for the year.

If we do nothing, local authorities will continue to face increasing financial challenges which in turn will stagnate their ability to effectively shape the market to meet their needs, resulting in higher costs and inadequate placements, with all the associated problems of quality of care, stability, the workforce, and securing the range of provision to meet children's needs.

Whilst the Competition and Markets Authority (CMA) did state that the cost to local authorities of providing their own children's home placements is no lower than the cost of procuring placements from private providers, it also highlighted that fact that the cost to local authorities of providing their own foster care was lower. And whilst it has been necessary for the purpose of making the calculations in the RIA to assume a like-for-like replacement of residential and foster care placements, in policy terms we would not expect this to be the case as the eliminating profit agenda sits in a wider context of encouraging the sector to reduce the number of children that come into care, and to move away from reliance on residential care towards other forms of meeting children's needs, including foster care. This means the future requirements for residential care placements for children may well be smaller than projected.

The changes we are proposing will allow us to lower and control the continuing increase in the costs of private placements that local authorities are currently experiencing and create better matching opportunities resulting in better outcomes for children and young people.

Bringing services in-house will support a social worker-led understanding of patterns in placement, which will enable proactive capacity management, minimising the scramble for last-minute placements that can lead to suboptimal matches and higher costs.

I acknowledge the WLGA's concerns, particularly around the cost of residential care, however while this was not within the RIA costings, our transformation agenda does anticipate less reliance on residential care in the future. Nevertheless, I do appreciate that there will probably be a significant level of upfront capital investment required in some areas and we will continue to work with local government colleagues to ensure this is factored-in to their planning.

We also note ADSS Cymru's point within its written evidence to the Health and Social Care Committee that despite the challenges and risks, it believes

that the removal of profit from the care of children looked after is the right thing to do.

(b) What cost differential are local authorities seeing from bringing their services in-house and have you conducted a pilot to test the potential to make savings in providing fostering placements, as suggested by the Competition and Markets Authority. If so, could you provide information on what it showed.

As noted, the CMA report recommended that pilots should be set up in certain local authorities to test the potential to make savings by bringing more fostering placements in-house.

Whilst we naturally hope that our changes will contribute to the future financial sustainability of children's social care, our commitment to the transformation of children's services is not primarily about saving money. It is about changing how we provide services to children and their families as part of locally-based services that have the welfare of the young person at their heart.

Foster carers are central to delivery of the changes we are seeking to make and we are committed to increasing the supply of local authority foster carers. Not only will this help to secure a sufficient supply of foster carers in the future but it will also help deliver our wider transformation agenda to re-balance provision away from residential care to foster care. We are providing significant funding to Foster Wales to help achieve its ambitious target of recruiting an additional 800 foster carers by 2026.

(c) How have you calculated the profit that providers are expected to lose as a result of the proposals, reflecting the "broad spectrum of businesses" in the market and why is so little information provided about the estimates in the RIA and the separate report by the ADSS Cymru.

The RIA methodology's key guiding principle was proportionality. When producing estimates, ADSS attempted to balance the level of detail and the effort required to capture new data against the range of potential outcomes that could be achieved. Given the wide variation in commercial models and that the level of operating profit will vary, ADSS did not segment profits lost for different categories of businesses.

Within the modelling which informed the RIA ADSS calculated the potential profit lost by for-profit providers under Scenarios A, B and C. This was calculated by considering lost profits as for-profit providers exit the market, then adding the increased profits gained during the transitional period on the assumption that these providers would increase fees to offset anticipated costs associated with closure.

Using 2022-23 as the price base year, ADSS estimated that approximately £33M of profit per year would be lost once all for-profit providers had exited the market. ADSS calculated that once they leave the market, for-profit

providers would lose profits equivalent to 17% of the outturn currently apportioned to this cohort of providers. This has been modelled at an aggregate level and does not consider different business or operating models. The 17% was estimated using Welsh market intelligence data and LaingBuisson's Children's Services UK Market Reports analysis of profitability (for-profit companies). This analysis used the industry standard EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) Margin as a comparative indicator of profitability. For clarity, the estimate of the profit providers are expected to lose because of the proposals was not used in the calculations to estimate the cost and benefits to the public sector. These calculations were separate. That is, the profit lost as a result of the legislation would not simply be gained by local authorities.

Different net profit amounts would be lost at a different rate in each scenario during the transition period, reflecting that different proportions of for-profit providers would gain increased profits during the transition period. The underpinning assumption made in this estimate is set out in the [ADSS report](#) at Table 2 - How transitional costs have been obtained. The underpinning logic is that providers would increase fees (and therefore percentage profit) to offset anticipated costs associated with closure.

Some of the impacts on different types of businesses are also considered in Chapter 8 of the Explanatory Memorandum, within the competition assessment.

I have mentioned in my answer to question 1(a) above that we have identified an error in Table 7.13 of the RIA which estimates values for profit lost by the private sector. I have set out there the correction which will be made when we revise the Explanatory Memorandum after Stage 2.

(d) Submissions to the Welsh Government's consultation on the policy proposal said the introduction of the requirements for existing providers from 1 April 2027 was "felt to be overly ambitious and carried with it a risk to the safety of children and young people who require a good quality, registered and stable placement". Despite this, you plan to keep to this timetable. Can you explain why is this the case.

The intention is for the relevant provisions of the Bill to be brought into effect so that new providers registering with CIW will have to have not-for-profit status from 1 April 2026; and so that existing "for profit" providers will be subject to transitional provisions (to be set out in regulations) from 1 April 2027. This represents the start of the transition period so far as limitations on the ability to place are concerned.

The transitional provisions will prevent existing providers from registering new homes or approving new foster carers. However, the provisions will also mean that existing providers will be able to accommodate new children subject to approval, sought by the placing Welsh local authority, from Welsh Ministers. This carefully designed structure of transition is intended to help manage the sufficiency risk during the transition period, as not for profit provision is built-

up, and secure a safe, stable and equitable transition to the new system. Where the placing authority is an English placing authority, providers will only be able to accept placements in prescribed circumstances.

The length of the transition period will be determined by a range of factors, including the level of demand for placements in restricted services, and the speed of replacement of for-profit by not-for-profit provision. Any decision to bring this transition period to a close will be informed by careful consideration of children's article 8 UNCRC rights.

(e) What assumptions have you made in the RIA about the length of the transition period and what would be the financial implications if it needs to be extended.

The cost estimates for Scenarios A -C in the RIA are based on the costs of establishing new not-for-profit provision being incurred over three years, from 2025-26 to 2027-8. The end of the financial year 2027-28 was anticipated as the earliest that sufficiency of provision could potentially be achieved based on intensive investment over a three year period beginning in April 2025 (in line with the anticipated Royal Assent for the Bill) and spanning the period that new providers registering with CIW are required to be a not-for-profit entity (from 1 April 2026), the beginning of transitional provisions (from 1 April 2027) then a further one-year period of investment up to the end of the 27/28 financial year during the transitional period itself. The cost estimates also include provision for ongoing consideration of requests for approvals of supplementary placements from 2027-8 onwards.

Provider intentions regarding decisions to potentially transition to not-for-profit models are only now beginning to emerge following the Bill's introduction. Therefore, there is scope to potentially update the RIA in the future as our understanding of the likelihood of potential scenarios develops through continued engagement with the sector.

If the transition to not-for-profit provision takes longer than forecast in the RIA it is anticipated that associated costs would be incurred over a longer period, but also that it would take longer to realise the benefits of the change.

(f) The Children's Home Association says responses to a survey after a Welsh Government workshop in November 2023 indicated no independent providers would, at that time, be willing or able to transition to not-for-profit. How will you manage the transition if a significant proportion of private providers exit the market quickly; how will capacity be met and transition be resourced.

Through our existing engagement mechanisms and via intelligence from partners we would expect to have advance notice in many cases should providers elect to leave the market, enabling time to plan alternative provision. Local authorities, as commissioners, also have management processes and mechanisms in place to manage provider exit and the transfer of placements, which would be deployed in such scenarios.

I would also note that it is probably not within providers' commercial interests to leave the sector quickly while the transitional provisions are in place. This is because the period will enable them to continue to earn a degree of income from their services (albeit subject to the permission of Welsh Ministers), while new provision is established.

3. Changes and financial implications related to the proposal to allow CHC direct payments

(a) You assume 110 people across the local authorities in Wales are currently delaying or refusing to transfer to Continuing Healthcare (CHC). Disability Wales told the Health and Social Care Committee this number seemed "quite low". Could you respond to that statement.

The figure of 110 people is based on information we have received from local authorities' direct payments officers and heads of adult services through our engagement with them.

Direct payments officers currently support the range of individuals who are in receipt of social care direct payments, including those who would be likely to be assessed to be eligible for CHC, were they content to undergo the relevant assessment.

This is the best evidence we have received for an estimate, through our engagement with stakeholders. We would of course consider other evidence from other stakeholders, if that is provided.

(b) The financial implications of introducing CHC direct payments has been informed by experiences of implementing Personal Health Budgets in England, with the cost of direct payments ranging from £46,000 to £120,000 per package. While you note there is likely to be a similar variation across packages in Wales, you have used an average package cost of £50,000 in the RIA. Could you provide an explanation for why this is.

Whilst the costs are varied, the £50,000 estimate is intended to represent the fact that some packages will cost more, and some will cost less. Some of the more expensive packages of care are for people in care homes, and it is not the intent for these CHC recipients to be eligible for a direct payment as they would not be purchasing services for deployment in their own private homes. It is therefore not appropriate to simply look at the most expensive and least expensive packages and split the difference.

It has proved extremely difficult to get an average cost for a CHC package of care, from either England or Wales. In Wales, for example, Local Health Boards have differing systems regarding what is included in a CHC

package, and many collect different statistics in different ways to meet internal requirements.

As a result, a decision was made to seek advice from the National Care Commissioning Unit (NCCU). The £50,000 estimate for a CHC package of care is based on these discussions with the NCCU, who have undertaken recent work as part of the CHC Workstream of the Welsh Government Value and Sustainability Board.

(c) The RIA quantifies the cost reduction to local authorities from people transferring from social care to CHC direct payments as ranging from £10.9m to £13.7m. Why have you used the maximum benefit in the RIA summary rather than the range of values.

We have reviewed the RIA summary tables and are content that the figure presented for the estimated cost reduction to local authorities and individuals is correct. The RIA summary gives a figure of £13.7M as the estimated combined cost reduction to local authorities and individuals as a result of the proposed introduction of CHC direct payments.

The summary of cost-savings at Table 7.39 in the RIA provides the detail behind the figure. A note accompanying the table explains that some cost-savings could go to individuals, if they currently contribute to their care. If so, that would reduce the cost-savings for local authorities.

(d) What assurance can you give that the administrative and support arrangements for CHC direct payments, with their estimated costs, reflect the experience of Local Health Boards' with existing CHC packages and local government's with social care.

We have looked to learn from experience in England and Scotland, and this has emphasised how essential providing support to direct payment recipients is to the success of the scheme.

There will be a number of administrative costs incurred to implement and administer CHC direct payments. These administrative costs will cover setting up and funding staffing, training for both staff and personal assistants, employer support for those in receipt of direct payments plus setting up the technical side of the scheme (IT tools to support the costing of individual budgets, payment and audit tools for managing the expenditure, payroll systems etc).

A central Hub for some key administrative functions is proposed in order to create a pool of specialised staff who can deal efficiently with management of the direct payments elements and ensure as far as possible a level playing field across Wales for those accessing CHC via a direct payment. This Hub model is based on a previous Welsh Government/NHS Wales project managing a large number of retrospective CHC claims across Wales via a single team. It is also in line with other centralised and standardised approaches being considered for data capture and financial

management of CHC. We believe that this approach may be more cost effective than asking individual Local Health Boards to make their own arrangements to administer direct payments. It will also ensure that support and advice is consistent across Wales.

To estimate the associated administrative and arrangement cost, a scoping exercise was done to seek the most accurate picture possible, with officials obtaining costing data from representatives of those organisations who currently operate in Wales. This included cost data on managed accounts with support; payroll; set up charges; and core support packages.

4. How the provisions in the Bill will be monitored as well as the related financial outlay

(a) Will the Welsh Government provide additional funding to cover the capital and ongoing costs that local authorities and Local Health Boards are expected to incur as a result of these proposals; what happens if the estimated reduction in outturn does not materialise.

We have been carefully considering the likely costs associated with the proposals in the Bill and how these can best be met. We will continue to take account of emerging evidence and how this informs our understanding of the likely impacts of the proposals, including the costs.

As the large majority of the likely costs relate to eliminating private profit from the care of looked after children, I will deal with these first in my answer, before turning to the likely costs associated with CHC direct payments.

Eliminating private profit from the care of looked after children

As a broader point I would highlight that, as explained in response to question 2(a) above, if we continue to use a mix of providers of residential children's care (local authority, not-for-profit and private), costs will continue to rise over the coming years. Public money for children's services will continue to be taken out as profit instead of being re-invested to improving services, capacity and outcomes for children.

Local authorities will continue to face increasing financial challenges which in turn will stagnate their ability to effectively shape the market to meet their needs. There is no incentive for private providers to decrease the need for provision, which often results in higher costs and inadequate placements, bringing a range of associated problems.

The changes driven by our eliminating profit proposals and wider children's services transformation programme should allow us to lower and control the continuing increase in the costs of private placements that local

authorities are currently experiencing and create better matching opportunities, resulting in better outcomes for children and young people.

The savings that would be generated by not directing funding to private provision, and through reducing our reliance on residential care, will in the longer term release more budget for preventative and therapeutic resources which would in turn help with placement stability, reduce the number coming into care, and increase the number of those returning to families.

I recognise that local government finances are under pressure. Welsh Ministers have delivered on our commitment to deliver an uplift to the Revenue Support Grant for this financial year and also passed on the subsequent UK Government consequential worth circa £14M in revenue funding.

We are also investing an additional £68M into the sector during 2022-2025 to help local authorities build in-house and not-for-profit residential and foster care provision, help move children out of residential care back into a family setting, and to provide locally based and designed services, including specialist provision for children with more complex needs. We will be considering the future of this fund, and what contribution it might make to further delivery of the eliminating profit and radical reform agendas.

Investment in beds and homes will require capital investment and we also want to build on our broader revenue and capital investments across care and support for children's services via the Regional Integration Fund, the Integration and Rebalancing Capital Fund and the Housing with Care Fund. Officials are currently scoping what future contribution could be made from these sources, which have already been contributing to the general children's transformation agenda.

There is not an agreed Welsh Government budget beyond this financial year, however, these proposals are a high priority for Government and will be considered as part of the forthcoming budget round.

Projected revenue costs and how they will be met:

The total estimated cost to Local Authorities set out in the RIA minus their expected capital costs to purchase and refurbish properties leaves a cost of between approximately £78.6M and £102.7M. These costs would include additional commissioning and legal costs as the new provision comes on-stream.

The RIA also estimates a cost of approximately £4.5M to Welsh Government associated with the implementation of the provisions in the Bill. This includes approvals of local authority sufficiency plans and applications to Welsh Ministers to place children in 'supplementary' placements, communications, engagement and awareness raising,

developing guidance and training materials, and reporting on and reviewing delivery and implementation.

This £4.5M figure also includes expected costs for Care Inspectorate Wales in relation to monitoring and enforcement and changed requirements in respect of registration of new and existing providers. Resourcing for a small team has been included in recognition of this, along with an amount for the development of bespoke IT systems to support the changes.

Local Authorities, through their membership of Regional Partnership Boards (RPBs) have access to the Regional Integration Fund – a revenue fund. The RIF, established in 2022, has funding of £146M allocated between April 2022 and March 2027. The fund seeks to create sustainable system change through the integration of health and social care services. There is a focus on six new national models of integrated care with one being 'Accommodation-Based Solutions'. RPBs could choose to direct the funding towards supporting projects associated with the development of not-for-profit provision i.e. staffing and set-up costs related to establishing new care home services for children.

The revenue cost to local authorities is expected to be partially offset by a reduction in their overall spending on children's residential and foster care (identified as 'outturn costs' in the RIA) with a saving estimated to be between £184M and £253.9M during the ten year period.

Subject to agreement of future budgets the expected revenue costs for Welsh Government are expected to be met from existing budgets. And, so far as other costs are concerned, this work area is a priority to consider in the context of the forthcoming budget round.

Projected capital costs and how they will be met:

Between £107.1M and £142.8M has been estimated for local authorities in capital costs to purchase and refurbish properties to replace capacity which could be lost when for-profit providers leave the market in Wales. This has deliberately been estimated on a conservative basis, assuming that all provision is replaced like for like. Whilst this was a prudent approach to take given that we cannot project with certainty how reliance on (for example) residential provision will change in the period from now until the start of the transitional period, we would hope that that reliance would start to decrease and this will be reflected in the amount of residential provision needed, and therefore in costs to LAs.

This is expressed in our wider children's transformation agenda which is about reshaping and re-balancing future provision so we have better models of care in residential care, with more children placed in family settings with wraparound support.

Welsh Government has been supporting local authorities via RPBs to develop their in-house care provision for several years through a number

of different funding streams. Past and current capital funding streams include the Integrated Care Fund, the Housing with Care Fund and the Integration and Rebalancing Capital Fund. While these funds are for purposes wider than the implementation of the Bill and focused on integrated models of care rather than meeting core social care costs, there is scope within the criteria to support the development of children's residential care.

Welsh Government will continue to support local authorities through these established funding mechanisms. However, we do expect Local Authorities, as they do now, to continue to contribute to funding the costs of providing accommodation for children looked after, as part of their wider social care budgeting.

Borrowing options:

Local authorities have powers to borrow for any purpose relevant to their functions. Alongside other sources of funding Welsh Government officials are exploring how these powers could potentially apply in respect of local authorities borrowing to cover anticipated capital costs.

CHC Direct Payments

The costs of CHC are increasing steeply year on year in Wales and have risen from £278M to £449M in less than a decade (2014-2023).

The rise in CHC costs is likely to be due to a number of factors, including an ageing population, increases in chronic disease, changes in lifestyle, and increases in health care costs.

It is important to stress that although experience in England tends to suggest that CHC packages delivered through direct payments will be cheaper than comparable packages delivered in the traditional way, our proposed change is not driven by financial considerations. It is driven by the request of service users – disabled people or people with long-standing health conditions – for the greater voice and control which direct payments have the potential to give them.

It is important to note that the estimated 110 individuals, who are disabled or have a long-standing health condition, who are refusing CHC, are doing so because they feel the current CHC system does not meet their needs. These individuals feel that accepting CHC without a direct payment would lead to a loss of voice and control over their care. If the current system met their needs in terms of voice and control, they would already form part of Local Health Boards' total CHC costs. We estimate that they represent only 1.1% of the current CHC cohort.

Any additional costs are expected to be at least partially offset by a reduction in the cost of providing care to those individuals who currently receive traditional CHC but who will instead opt to receive a direct payment in the future.

Local Health Boards will need to budget plan for the scenario of additional cases coming into the ambit of CHC as well as any likely benefit of the costs of existing packages changing as a result of direct payments coming in.

There will be administrative costs incurred to implement and administer CHC direct payments. These costs are estimated to be in the order of £1.1M per annum. A transitional period of three years (2025-26 to 2027-28) is envisaged during which Welsh Government intends to provide financial support to cover the costs.

The costs should then be fully borne by Local Health Boards after the three-year transitional period, at a point when some savings should begin to be realised which will be offset against the costs incurred by the Boards.

(b) How will you monitor whether the proposals achieve the policy objectives and how are the related costs of post-implementation review reflected in the RIA.

The implementation of the eliminating private profit element of the Bill will be underpinned by a programme of ongoing monitoring and evaluation. This will in part be achieved through the Eliminating Profit Programme Board which was established in 2021 to support delivery of the Welsh Government's commitment.

The RIA also includes provision for estimated costs of monitoring and evaluation to Welsh Government and Care Inspectorate Wales. These cost estimates are set out in Table 7.14 of the RIA.

We recognise that any more formal evaluation would need to focus on the extent to which the legislation has contributed to delivering the change across the range of key outcomes where we expect it to make a difference.

We will continue to reflect on costs as stakeholders, who have been waiting to see the provisions within the Bill, begin to make decisions about their future.

In order to assess the effectiveness of direct payments within CHC, we will commission an independent evaluation to cover both the implementation and the impact of the proposal.

As part of the evaluation, we would want to ensure we hear the views of those involved in implementing the proposal, to help shape delivery in the future and ensure that the proposal is being delivered as intended.

Agreed outcomes may include improved quality of life; reduction of individual's reliance on unplanned care; and overall savings per person, per year for CHC Direct Payment recipients.

The costs of evaluation for the introduction of CHC direct payments are estimated at £90,000 over 3 years, i.e. £30,000 a year for 3 years from 2025-6 to 2027-8. This is set out at table 7.30 of the RIA. It is proposed that this cost will be met by Welsh Government.

Dawn Bowden AS/MS
Y Gweinidog Gofal Cymdeithasol
Minister for Social Care

Agenda Item 2.7

Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-DB-6070-24

Mike Hedges MS
Chair
Legislation, Justice and Constitution Committee
Welsh Parliament
SeneddLJC@Senedd.wales

30 August 2024

Dear Mike,

Following my appearance before the Legislation, Justice and Constitution Committee on 17 June to discuss the Health and Social Care (Wales) Bill, I am writing to inform you that I have published the Integrated Impact Assessment summaries.

[Health and Social Care \(Wales\) Bill: impact assessments | GOV.WALES](#)

I am copying this letter to the chairs of the Health and Social Care Committee and the Finance Committee.

Yours sincerely,



Dawn Bowden AS/MS
Y Gweinidog Gofal Cymdeithasol
Minister for Social Care

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Llywodraeth Cymru
Welsh Government

Dawn Bowden AS/MS
Y Gweinidog Gofal Cymdeithasol
Minister for Social Care

Ein cyf/Our ref MD-PO-0230-24

Sam Rowlands MS
Temporary Chair
Health and Social Care Committee
Senedd Cymru

6 September 2024

Dear Sam,

Thank you for your letter of 26 July, following the appearance of the Minister for Social Care before the Health and Social Care Committee on 17 July to discuss the Health and Social Care (Wales) Bill.

During the Committee session the Minister committed to engage with the Cabinet Secretary in order to provide further information on issues connected with the provision of Continuing Health Care. This, along with a response to the additional question included in your letter, is attached at Annex A.

In addition, you may wish to be aware that since the Committee session, a [Delphi study](#) on eliminating profit from the care of looked after children has been published, which complements earlier reports from the [Wales Centre for Public Policy](#) and [Cardiff University](#) as well as [ADSS Cymru](#).

We are copying this letter to the Chairs of the Legislation, Justice and Constitution Committee and the Finance Committee.

Yours sincerely,

Mark Drakeford AS/MS
Ysgrifennydd y Cabinet dros Iechyd a Gofal
Cymdeithasol
Cabinet Secretary for Health and Social Care

Dawn Bowden AS/MS
Y Gweinidog Gofal Cymdeithasol
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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Elimination of private profit from care of looked after children

1. **In relation to the elimination of profit from children looked after, we asked Care Inspectorate Wales whether the provisions in the Bill and explanatory memorandum relating to supplementary placements will act to effectively ‘legalise’ and normalise unregistered placements in Wales ... Can you confirm your position ... and, in particular, whether you intend to make any changes to the relevant provisions of either the Bill or explanatory memorandum.**

The Government is clear that the provisions in the Bill relating to the approval of supplementary placements will not act to effectively ‘legalise’ or normalise unregistered placements. These provisions enable Welsh Ministers to approve a placement with a registered for-profit provider of children’s residential or foster care who is subject to the wider transitional arrangements set out in the Bill. It will not enable Welsh Ministers to authorise an unregistered placement.

The provisions relating to supplementary placements need to be considered alongside those relating to the revised local authority sufficiency duty and the duty on local authorities to prepare and publish an annual sufficiency plan. Taken together these provisions give robust direction to local authorities about putting in place a sufficiency of placement capacity and utilising the right type of provision and provider, which should negate the need to utilise unregistered placements.

We are aware there has been some confusion regarding the reference to ‘unregistered accommodation’ in the Explanatory Notes to the Bill. Section 13 of the Bill sets out the ways in which looked after children are to be accommodated in “the most appropriate placement”. The Explanatory Notes state that a placement can be in “unregistered accommodation (on a temporary basis or in cases of urgency)”.

The intention was to refer to accommodation where there is no requirement to register because the placement is not with a foster carer and the arrangements fall outside the definition of “a care home service”. There are a variety of circumstances where a local authority can decide to place a child in a setting other than foster care or a care home service for children (children’s home). The most common example of this is where a local authority places an older child aged 16 or 17 in supported accommodation as preparation for independent living.

More recently usage of the terms “unregistered accommodation” and “unregulated accommodation” have tended to distinguish between two things, the term *unregistered accommodation* being used to refer to arrangements which fall within the scope of activity where there is a requirement to register but where the provider is not in fact registered and *unregulated accommodation* being used to refer to arrangements which fall outside the scope of regulated activity and therefore where registration is not required. The former is not the sense in which “unregistered” is used in the Explanatory Notes.

In light of the points raised, we propose to make a revision to the Explanatory Notes on this point at the end of Stage 2, to remove the reference to ‘unregistered’ accommodation, and provide an alternative form of words which will be clearer for lay readers consulting the Explanatory Notes in future.

Continuing healthcare

- 2. In relation to issues with continuing healthcare you gave an undertaking to ask the Cabinet Secretary for Health and Social Care to update the committee on progress with the review of the current CHC Framework. As part of this, we would like to hear whether there is any scope to bring this review forward, and whether there is merit in doing this so that any changes that are needed to be made to the existing system can happen in tandem with the introduction of direct payments for CHC.**

The current CHC Framework was published in 2021 and became operational as of 1 April 2022. This Framework replaced the previous 2014 publication. The Welsh Government gave a commitment to review the Framework within five years of implementation, therefore a new Framework should be in place and operational by April 2027.

With the introduction of the Health & Social Care (Wales) Bill and its provisions to enable the introduction of direct payments for Continuing NHS Healthcare, it would be timely to consider the legislative timetable of the Bill in tandem with the revision of the CHC Framework. This would enable relevant information regarding the newly established direct payments for CHC to be included in the revised Framework document. Given the Bill's current timetable, it is hoped that the Bill might receive Royal Assent in late Spring 2025. This will be followed by the drafting of Regulations and Guidance during 2025-26 and with the aim that some direct payments for CHC would begin during 2026. This timetable would therefore fall in line neatly with the revision of the CHC Framework.

The revision of the Framework would require a full external consultation exercise, involving key partners and other stakeholders, with all responses being considered before a revised Framework is published.

The Complex Care Joint Forum, formed in 2023, would also be key in discussing changes to the CHC Framework, as it includes Welsh Government policy colleagues and representatives from local authorities and health boards. The group supports the implementation of the Framework, with a particular focus on the interface between social care and healthcare, and on partnership working between health boards and local authorities. The group aims to work together for shared knowledge and cross organisational working.

These key partners and stakeholders would also be heavily involved in the introduction of the newly established direct payments system. I am conscious that such key external partners will be involved in both aspects and, therefore, we need to ensure that we are not excessively loading them with additional work whilst implementing such a significant change.

- 3. Also in relation to continuing healthcare, we have heard from health board representatives that there is currently no performance framework for CHC, as it is in the process of being revised. They said this framework was critical, and should include metrics to capture and measure progress and success. You agreed to ask the Cabinet Secretary to provide us with an update of work in this area, including details of when the revised framework will be put in place.**

The CHC Framework 2021 refers to a National Performance Framework, forming part of the governance and accountability arrangements for CHC in Wales.

During the pandemic, there was an agreement that health boards would not be required to complete returns in relation to a CHC Performance Framework, due to pressures faced.

Discussions then took place with the health boards' CHC Leads regarding the possibility of re-establishing the Performance Framework. There was agreement that it needed to be refined in order that it was a meaningful exercise for the health boards and that the information collated was of benefit to the Welsh Government.

During this time, it became apparent that not all health boards collect information using the same categories or indicators. It was therefore difficult to compare information received from the various health boards.

In November 2023, Judith Paget, Director General of Health and Social Services / Chief Executive NHS Wales, wrote to the Chief Executives of all health boards informing them of the work of the newly established Value and Sustainability Board, which included five workstreams, one being a CHC workstream.

Shane Mills, Clinical Director, National Collaborative Commissioning Unit, along with a national group, has undertaken a time-limited piece of work to review high-cost patient placements, to identify opportunities to reduce the cost whilst ensuring quality and outcomes are protected. This work is still underway and is being done in conjunction with representatives from all health boards.

The group has identified that the solutions required to deliver on these opportunities would be best delivered on an all-Wales basis. Next steps have included the proposal to facilitate the use of a standardised reporting system across all health boards in Wales potentially using one software platform to collect performance data, instead of the different platforms and systems currently used. This proposal is still under consideration at present, and any decision made on this is clearly relevant to any proposal to create an updated CHC Performance Framework.

As the CHC Performance Framework has been raised by health board representatives as part of their discussions with the Committee, my officials will revisit this area, including working with the Value and Sustainability subgroup to establish the best way forward to create an integrated all-Wales approach to data collection. We will be working with our partners to scope out and develop an implementation plan for a new performance framework over the autumn and winter months.

Agenda Item 2.9

FIN(6)-17-24 PTN 9



FIRST VICE PRESIDENCY OF THE GOVERNMENT
TREASURY

SECRETARY OF STATE OF THE TREASURY
GENERAL SECRETARY OF AUTONOMOUS
AND LOCAL FINANCING

NOTE ON THE SPANISH STATE-AUTONOMOUS COMMUNITIES FINANCIAL AND TAX COOPERATION SYSTEM

In an autonomous state like Spain, co-governance between different levels of Government, especially the General State Administration (AGE) and Autonomous Communities (CCAA), is essential for the coordinated exercise of powers and the correct financing of each level of government, as well as for the correct development of public policies.

In Spain, Law 40/2015, of 1 October, on the Legal Regime of the Public Sector, establishes a complete system of relations between the different Public Administrations, which is complemented by sectoral regulations that regulate particularities in the area of financial and tax relations between the State and the Autonomous Communities. This Law defines and differentiates the principles that must govern relations between administrations, as specified by constitutional jurisprudence. The underlying principles of collaboration, cooperation and coordination are of great importance.

Article 140 Principles of inter-administrative relations

1. The different Public Administrations act and relate to other Administrations and entities or organizations linked or dependent on them in accordance with the following principles:

- a) *Institutional loyalty.*
- b) *Adaptation to the order of distribution of powers established in the Constitution and in the Statutes of Autonomy and in the regulations of the local regime.*
- c) *Collaboration, understood as the duty to act with the rest of the Public Administrations to achieve common goals.*
- d) *Cooperation, when two or more Public Administrations, voluntarily and in the exercise of their powers, assume specific commitments for the sake of common action.*
- e) *Coordination, by virtue of which a Public Administration and, singularly, the General Administration of the State, has the obligation to guarantee the coherence of the actions of the different Public Administrations affected by the same matter to achieve a common result, when this is provided for by the Constitution and the rest of the legal system.*
- f) *Efficiency in the management of public resources, sharing the use of common resources, unless it is not possible or justified in terms of their best use.*



- g) Responsibility of each Public Administration in fulfilling its obligations and commitments.*
- h) Guarantee and equality in the exercise of the rights of all citizens in their relations with the different Administrations.*
- i) Interterritorial solidarity in accordance with the Constitution.*

The existence of different general cooperation bodies is also considered:

The Conference of Presidents

The Conference of Presidents is located at the apex of the system of cooperation bodies. It was established on October 28, 2004, in response to a question long raised during the construction of the autonomous State. From academic and political positions, attention has been drawn to the non-existence in the Spanish autonomous model of a constitutional body, or a meeting forum that would bring together all the Presidents and in which political issues could be addressed, as well as holding debates on those matters that, due to their great significance, require adopting at least shared general positions.

This body of the highest political level was thus created, with an open scope of action, made up of the President of the Government (who presides) and the Presidents of the 17 Autonomous Communities and the Cities of Ceuta and Melilla. In 2009, its internal operating regulations were approved, although at a legal level it was not until Law 40/2015 (Article 146) when for the first time in our system the Conference of Presidents was defined and institutionalized.

This Conference is called to go beyond the sectoral scope of the Sectoral Conferences - which will be discussed below -, incorporating maximum responsibility and an integral and complete vision of the entire territory. Its purpose is to debate and adopt agreements on matters of special relevance to the autonomous system and its agreements and recommendations are considered political commitments and are public in nature.

The Sectoral Conferences

The Sectoral Conference is a cooperation body, with multilateral composition and a specific sectoral scope, which brings together, as president, the head of the Ministerial Department of the Government that is competent due to the matter, and the corresponding members of the Government Councils, in representation of the CCAA and the Cities of Ceuta and Melilla.

Sectoral Conferences are, therefore, a main pillar of inter-administrative cooperation, of a multilateral nature and related to a specific sector of public activity.



The Conferences have internal operating regulations approved by their members and the votes required for the adoption of agreements depend on each sectoral conference.

There are currently 43 Sector Conferences (as of February 2024), with a very heterogeneous level of activity. The Conferences with the highest number of annual meetings are those of the Agriculture, Fisheries and Environment sectors.

In general, they have a work and support body, called the Sectoral Commission, which is responsible for preparing meetings and monitoring the agreements adopted. Working groups are usually formed to carry out the technical tasks entrusted to them.

Bilateral Cooperation Commissions

These are cooperation bodies of bilateral composition and of general scope that bring together members of the Government, representing the General Administration of the State, and members of the Government Council, representing the Administration of the respective Autonomous Community. Its creation is carried out by agreement, which determines the essential elements of its regime.

Its functions are to consult and adopt agreements that aim to improve coordination between the respective Administrations in matters that uniquely affect the Autonomous Community.

In addition, they may adopt agreements to resolve discrepancies that avoid, where appropriate, the filing of an appeal for unconstitutionality.

They can create work groups to carry out their activity.

Most of the Statutes of Autonomy approved in 2006, 2007 and 2018 regulated bilateral cooperation more extensively, mainly through Bilateral Commissions. In this way, the Statutes of Catalonia, Andalusia, Aragon, Castilla y León, Extremadura and the Canary Islands gave greater relevance to the Bilateral Cooperation Commissions, as permanent bodies of general cooperation.

Specifically in the field of finance, sector regulations regulate the following cooperation bodies:

The Fiscal and Financial Policy Council (CPFF)

This is the sectoral conference in the field of Finance, the coordinating body of the State and the Autonomous Communities in fiscal and financial matters.

It was created in 1980 by Organic Law 8/1980, of September 22, on Financing of Autonomous Communities (LOFCA) and its functions are the following:



- Coordination: budget policy, debt, public investments...
- Study and assessment: fund distribution criteria, methods for calculating the costs of services transferred to the Autonomous Communities, proposal for a regional financing system and other financial issues.
- Issuance of reports and adoption of agreements on budget stability and financial sustainability of the Autonomous Communities.
- In general, any aspect of the financial activity of the Autonomous Communities and the State Treasury that, given its nature, requires coordinated action.

It is made up of the head of the ministry with powers in the Treasury, who presides over it, the Ministry responsible for public administrations and the Treasury Councillors of each AC and Ceuta and Melilla (among them, the head of the vice presidency is appointed).

The CPFF secretariat corresponds to the person in charge of the General Secretariat of Autonomous and Local Financing.

It has its own regulations, which were approved in 1981 and have been subject to various modifications.

The summons is made by the person who holds the Presidency, through the secretariat, on his own initiative or by a third of the members. A quorum of half of its members is required and regarding voting, for an agreement to be adopted, the favourable vote of two-thirds of its members is required in the first vote and an absolute majority in the second vote. The AGE has half of the votes and each of the CCAA one vote.

As previously indicated in relation to the Sectoral Conferences, the CPFF has its own Sectoral Commission, as a working and support body.

In addition, numerous working groups have been created, among which we can highlight the working group for the development of the CPFF's powers attributed by the budget stability regulations, or the working group related to the tax benefits of the CCAA.

Apart from the above, the Permanent Technical Evaluation Committee has been created within it, whose purpose is to assess the different structural aspects of the Autonomous Financing System to inform the Council of possible modifications.



The Council prepares a session diary and, in addition, a minute is drawn up for each plenary session that is put to a vote in the following session. Likewise, an annual report of actions is prepared.

Other bilateral commissions in the field of Finance:

- Mixed Transfer Commissions. Their functions are associated with transfers of functions and services derived from the transfers of powers and their financing; in practice, they have assumed AGE-CA financial relations until the creation of the Joint Committees on Economic and Fiscal Affairs.
- Joint Economic and Fiscal Affairs Commissions with the common regime CCAA:
- The Statutes of Catalonia, the Balearic Islands, Andalusia, Aragon and Extremadura create these specific cooperation bodies in economic-fiscal matters.
- This is a bilateral body for relations between the State and the AC, in the field of regional financing, in fiscal and financial matters.
- Each Joint Commission has approved its operating regulations.
- The representatives of the AGE in these Commissions are included in the Royal Decree of Structure of the Ministry of Finance.
- The Presidency and the Secretariat are held for rotating annual periods.
- They can act in plenary session and in subcommittees.

Tax cooperation bodies between the AGE and the CCAA of the common regime:

The Superior Council for the Direction and Coordination of Tax Management (CSDCGT)



It is a collegiate body, made up of representatives of the State Tax Administration and the CCAA and Cities with Statute of Autonomy, in charge of coordinating the management of transferred taxes.

The CSDCGT is regulated in Article 65 of Law 22/2009, of December 18, which regulates the financing system of the CCAA of the common regime and Cities with Statute of Autonomy and modifies certain tax regulations.

It is chaired by the President of the State Tax Administration Agency and is made up of the following members:

- The General Director of the State Tax Administration Agency, who holds the first Vice Presidency.
- Five representatives of the State Tax Administration Agency.
- The head of the General Secretariat of Finance. Currently, its functions are carried out by the Secretary of State for Finance.
- The head of the General Secretariat of Territorial Financing (currently the functions of this body are entrusted to the General Secretariat of Autonomous and Local Financing, on whose behalf the SG of Tax Relations with the Autonomous Communities assists).
- The head of the General Inspection of the Ministry of Finance.
- A representative of each of the CCAA of the common regime and of the Cities with Statute of Autonomy, one of whom will be designated by them each year to hold the Second Vice Presidency (those Communities and Autonomous Cities that are entrusted to two bodies or entities different functions of tax application and those of design or interpretation of regional regulations, they may appoint two representatives, although they will have only one vote).

Its operation can be in plenary session or through one or several Commissions or working groups, temporary or permanent, which, in any case, must have an equal composition between the representations of the State Treasury and the CCAA and Cities with Statute of Autonomy.



The Superior Council has a Permanent Technical Secretariat, performed by an official from the State Tax Administration Agency with a minimum rank of Deputy Director General.

The CSDCGT is entrusted with the following functions:

- a) Report, before approval, the Objective Plan of the State Tax Administration Agency for each year; periodically analyse the Annual Objective Plan and the results of the previous year's Objective Plan.
- b) Establish strategic lines of action and functional priorities of the Territorial Councils for the Direction and Coordination of Tax Management.
- c) Propose general criteria for harmonizing the regulatory policies of the State and the Autonomous Communities and Cities with Statute of Autonomy regarding transferred taxes, as well as those related to their management.
- d) Analyse and report the regulatory drafts of legal status that must be submitted to the approval of the respective Government or Government Council and that modify the regulation of the taxes transferred.

- e) Advise the competent state and autonomous bodies or entities on issues related to the needs and problems raised by the application of the tax system.
- f) Design the general policy for the management of transferred taxes, establish guidelines for its application and for the coordination of the management of said taxes.
- g) Design the basic lines of certain programs to be included in the tax control plans in relation to transferred taxes and agree on the guidelines for the execution of coordinated actions in certain programs.
- h) Coordinate and specify the contents and procedures of the exchange of tax information between the autonomous Administrations and between them and the State Treasury.
- i) Propose the implementation of specific systems for the telematic exchange of information on matters that are of mutual interest to the State Tax Administration Agency and the Autonomous Communities and Cities with Statute of Autonomy.
- j) Carry out studies, analyses and reports on the regulation or application of transferred taxes.



k) Prepare the reports requested by the Arbitration Board for the resolution of conflicts regarding State taxes transferred to the CCAA.

l) Approve action proposals, coordinate activities and be informed of the actions carried out by the Territorial Councils for the Direction and Coordination of Tax Management, evaluating the results of their actions.

m) Propose, receive for study and analyse the draft agreements between the State Tax Administration Agency and the Autonomous Administrations.

n) Propose acts susceptible to management entrustment between the State Tax Administration Agency and the CCAA and Cities with Statute of Autonomy.

The Plenary Session of the Superior Council meets at least once a semester, as well as when convened by its President or requested by the representatives of at least three Autonomous Communities. A quarterly plenary session is usually held.

Territorial Councils for the Direction and Coordination of Tax Management (CTDCGT)

The Territorial Councils for the Direction and Coordination of Tax Management are collegiate bodies made up of representatives of the Tax Administration of the State and the Autonomous Community or the City with Statute of Autonomy in question who are responsible for coordinating the management of the taxes transferred in their respective territorial scope.

The Territorial Councils will be made up of four representatives from the State Tax Administration Agency and four from the respective Autonomous Community or City with Statute of Autonomy.

It will be chaired by the Special Delegate of the State Tax Administration Agency.

The Head of the Regional Unit for Institutional Relations with Tax Administrations will perform the functions of Secretary of the Council.

The other two representatives of the State Tax Administration Agency will be designated by the President of the State Tax Administration Agency from among the officials assigned to the corresponding Special Delegation.



The representatives of the CCAA and Cities with Statute of Autonomy will be designated by them, with one of their members being the head of the Management Center competent for the application of the transferred taxes.

The Territorial Councils of the Cities of Ceuta and Melilla will be chaired by the Delegate of the State Tax Administration Agency in such Cities.

The Secretary of the Council will be the official designated by the President of the respective Territorial Council.

The CTDCGT are regulated in Article 66 of Law 22/2009, of December 18, which regulates the financing system of the CCAA of the common regime and Cities with Statute of Autonomy and modifies certain tax regulations and has the following functions:

- a) Coordinate the management of transferred taxes.
- b) Analyse and evaluate the results of the application of your application.
- c) Study the proposals and adopt decisions that contribute to the improvement of its management.
- d) Formulate to the management of the State Tax Administration Agency and the body or entity of the Autonomous Community or City with Statute of Autonomy competent in the management of transferred taxes proposals aimed at improving the adaptation to the management of the means available.
- e) Develop and specify the programs included in the tax control plans, as well as design and plan the execution of coordinated actions in certain programs.

- f) Collaborate in the management of transferred taxes, especially those whose application affects the resources or activity of the other Administration, and in the collection management of rights of the Autonomous Public Treasury carried out by entrustment or agreement.
- g) Analyse the results of the objective plans, as well as be periodically informed of the annual objective plans.



- h) Adopt agreements on the exchange of information between the state and regional administrations and analyse their degree of compliance.
- i) Decide on the application of acts susceptible to management entrustment between the State Tax Administration Agency and the CCAA and Cities with Statute of Autonomy.
- j) Propose, receive for study and analyse the draft agreements between the State Tax Administration Agency and the Autonomous Tax Administration.
- k) Approve the appropriate opinions on the applicable taxation in the case of conflict between the AGE and the CCAA or Cities with Statute of Autonomy in relation to incompatible taxes or tax debts.
- l) Adopt agreements aimed at encouraging the use of telematic services made available to taxpayers by both administrations.
- m) Establish joint training plans on matters related to tax management.

The Territorial Councils for the Direction and Coordination of Tax Management will meet at least once every quarter, at the request of either of the two parties represented.

The agreements will be adopted by majority and in case of disagreement, the conflictive case will be raised before the General Directorate of Taxes of the Ministry of Finance, which will resolve it on a binding basis.

Financial and tax cooperation bodies between the AGE and the autonomous communities

The first additional provision of the Spanish Constitution establishes respect for the historical rights of the provincial territories within the framework of the Constitution itself and the Statutes of Autonomy.

From the financial point of view, both the Statute of Autonomy of the Basque Country, approved by Organic Law 3/1979, of December 18, and Organic Law 3/1982, of August 10, on Reintegration and Improvement of the Statutory Tax Legislation of

Navarra establish that the tax and financial relationships between these provincial territories and the State will be regulated by the Economic Agreement system.

In the Chartered Community system, the financing model is characterised by the fact that the Historical Territories of the Basque Country and the Chartered Community of Navarra have



the power to maintain, establish and regulate their tax regime. This implies that the levy, management, liquidation, collection and inspection of the majority of state taxes (currently all, except import duties and import charges on Special Taxes and Value Added Tax) corresponds to each of the three territories of the Basque Country and to the Foral Community of Navarre.

As a consequence of the particularities of its system, there are also specific bodies for financial and tax cooperation between the State and the regional autonomous communities.

Mixed commission of the Basque Country-State economic agreement

The Joint Economic Agreement Commission is a bilateral body between the State and the Basque Country that is regulated by Articles 61 and 62 of Law 12/2002, of May 23, approving the Economic Agreement with the Autonomous Community of the Basque Country.

The functions assigned to the Joint Commission are the following:

1. Agree on the modifications of the Economic Agreement.
2. Agree on collaboration and coordination commitments regarding budget stability.
3. Agree on the methodology for setting the quota in each five-year period and for quantifying adjustments for indirect taxes.
4. Agree on the appointment and regime of the members of the Arbitration Board.
5. All those agreements that in tax and financial matters are necessary at all times for the correct application and development of what is provided for in the Economic Agreement.

Regarding its composition, it is currently made up of six representatives from the State Administration and another six from the Administration of the Basque Country, one representative from each Provincial Council and another three from the Basque Government.

The agreements of the Joint Commission of the Economic Agreement must be adopted unanimously by all its members.



Regulatory Coordination and Evaluation Commission (CCEN)

The Regulatory Coordination and Evaluation Commission is a bilateral State-Basque Country body in charge of resolving any issues that have to do with the application and execution of the Economic Agreement with the Autonomous Community of the Basque Country, approved by Law 12/2002, of May 23, basically aimed at giving effectiveness to the principle of collaboration provided for in Article 4 of the Economic Agreement.

The Regulatory Coordination and Evaluation Commission is regulated in Articles 63 and 64 of the Economic Agreement.

The composition of the Regulatory Coordination and Evaluation Commission will be as follows:

- Four representatives of the State Administration. Currently these representatives are the heads of the following bodies:

- Secretary of State of Finance.
- General Directorate of the State Tax Administration Agency.
- General Directorate of Taxes.
- General Secretariat of Autonomous and Local Financing.

- Four representatives of the Autonomous Community appointed by the Basque Government, three of which will be proposed by each of the respective Provincial Councils.

They are entrusted with the following functions:

- Evaluate the adequacy of the tax regulations to the Economic Agreement prior to its publication.

- Resolve queries that arise regarding the application of the connection points contained in the Economic Agreement.

- Resolve observations that arise regarding the issues of Article 47 of the Economic Agreement.

- Carry out the studies they deem appropriate for an adequate structural and functional articulation of the autonomous regime with the state fiscal framework.

- Provide the competent Administrations with uniform action criteria, IT plans and programs and articulate the instruments, means, procedures or methods for the effective materialization of the principle of collaboration and exchange of information.



- Analyse the assumptions or issues that have been raised regarding inspection between the State Administrations and the respective Provincial Councils, as well as the valuation problems for tax purposes.
- Issue the reports requested by the Ministry of Finance, the different Finance Departments of the Basque Government and the Provincial Councils and the Arbitration Board.
- To deal with any other issues related to the application and execution of the Economic Agreement.

Normally, the Regulatory Coordination and Evaluation Commission has been carrying out its functions through the exchange of documentation, both physical and electronic, through the bodies that represent the State Administration and the Autonomous Community of the Basque Country.

Planned Arbitration Board in the Economic Agreement with the Autonomous Community of the Basque Country (JACE)

The Arbitration Board of the Economic Agreement is an administrative and collegiate body for deliberation and resolution of conflicts provided for in the Economic Agreement.

The Arbitration Board provided for in the Economic Agreement is regulated in Articles 65-68 of the Economic Agreement and in the Regulations approved by Royal Decree 1760/2007, of December 28, which approves the Regulations of the Arbitration Board provided for in the Economic Agreement with the Autonomous Community of the Basque Country, modified by Royal Decree 335/2014, of May 9 and by Royal Decree 392/2022, of May 24.

The Arbitration Board provided for in the Economic Agreement is made up of three arbitrators, one of whom will serve as president and the other two as Members. Their appointment must be agreed upon by the Joint Economic Agreement Commission and formalized by the head of the Ministry of Finance and the head of the Department of Economy and Finance of the Basque Government, and must be published in the “Official State Gazette” and in the “ Official Gazette of the Basque Country”.

The arbitrators of the Arbitration Board are appointed for a period of six years, without prejudice to their possible renewal for successive periods of equal duration, and are appointed from among experts of recognized prestige with more than fifteen years of professional practice in tax or finance matters.

Likewise, the Regulations of the Arbitration Board provide for the existence of a Secretariat, the head of which may not be a member thereof, and who must be a person in the service of the State Administration or the Administration of the Autonomous Community of the Basque Country or the Provincial Councils.



The head of the Secretariat will be appointed, on a rotation basis and for periods of three years, by the head of the Ministry of Finance and the head of the Department of Economy and Finance of the Basque Government.

The duties of the Arbitration Board include the following:

- a) The resolution of conflicts that arise between the State Administration and the Provincial Councils or between them and the Administration of any other Autonomous Community, in relation to the application of the connection points of the agreed taxes and the determination of the proportion corresponding to each Administration in the cases of joint taxation by Corporate Tax or Value Added Tax.
- b) The resolution of conflicts that arise between the interested Administrations as a consequence of the interpretation and application of the Economic Agreement to specific cases concerning individual tax relationships.

In particular, to resolve disputes whose resolution corresponds primarily to the Regulatory Coordination and Evaluation Commission, which are not resolved by the latter due to lack of agreement, both in relation to consultations regarding the application of the connection points contained in the Economic Agreement, as well as in relation to the cases of coordination of the powers of imposition and inspection provided for in Article 47 of the Economic Agreement.

- c) The resolution of discrepancies that may arise regarding the domiciliation of taxpayers.

Commissions of the Navarra-State economic agreement

Coordinating Commission

The Coordinating Commission is a bilateral State-Navarra body whose regulation is found in Article 67 of the Economic Agreement between the State and the Chartered Community of Navarra approved by Law 28/1990, of December 26.

The powers of the Coordinating Commission are:

1. To evaluate the adequacy of the tax regulations to the Economic Agreement prior to its approval.
2. Resolve queries that arise regarding the application of the connection points contained in the Economic Agreement.



3. Determine the economic contribution and establish the method for the quantification and settlement of the adjustments for direct and indirect taxes regulated in Articles 64, 65 and 66 of this Economic Agreement.

4. Quantify the annual, provisional and definitive assessment of the cost of the powers exercised by the Chartered Community of Navarra in matters of police.

5. Carry out the studies deemed appropriate for adequate structural and functional articulation of the regional regime with the state fiscal framework.

6. Agree on collaboration and coordination commitments regarding budget stability.

The Coordinating Commission is made up of six representatives of the State Administration and six representatives of the Chartered Community appointed by the Government of Navarra.

The agreements of the Coordinating Commission must be adopted unanimously by all its members.

Negotiating Commission

The Negotiating Commission of the Economic Agreement is a bilateral State-Navarra body whose function is to agree on modifications to the Law of the Economic Agreement.

This Commission is established based on what is established in its Article 6, by virtue of which "Any modification of this Economic Agreement must comply with the same procedure followed for its preparation and approval.", although it is not regulated in the Law of the Economic Agreement, unlike the Coordinating Commission.

The function of the Negotiating Commission is to agree on the modifications of the Economic Agreement.

Currently, the representation of the State Administration is made up of seven senior officials from the Ministry of Finance and the representation of Navarra is made up of those responsible for the regional Treasury and all the political parties with parliamentary representation in the Parliament of Navarra.

The agreements of the Negotiating Commission must be adopted unanimously by all its members.



Arbitration Board provided for in the Economic Agreement between the State and the Chartered Community of Navarra (JAN)

The Arbitration Board of the Economic Agreement is an administrative and collegiate body for deliberation and conflict resolution provided for in the Economic Agreement between the State and the Chartered Community of Navarra, approved by Law 28/1990, of December 26.

The Arbitration Board provided for in the Economic Agreement is regulated in Article 51 of the Economic Agreement and in the Regulation approved by Royal Decree 353/2006, of March 24, which approves the Regulation of the Arbitration Board provided for in the Economic Agreement between the State and the Chartered Community of Navarra, modified by Royal Decree 530/2017, of May 26 and by Royal Decree 1126/2023, of December 19.

The Arbitration Board provided for in the Economic Agreement is composed of three arbitrators, one of whom will serve as President and the other two as Members and will be appointed by agreement between the person in charge of the Ministry of Finance and the person in charge of the Department responsible for tax matters of the Government of Navarra, and must be published in the "Official State Gazette" and in the "Official Gazette of Navarra".

The arbitrators will be appointed for a period of six years from the date of appointment, without prejudice to their possible renewal for successive periods of equal duration, and will be appointed from among experts of recognized prestige in tax or finance matters.

If the six-year period is met without an agreement being reached between both Administrations for the appointment of new arbitrators or the renewal of existing ones, their mandate will be understood to be extended for a maximum of one year.

Likewise, the Regulations of the Arbitration Board provide for the existence of a Secretariat, the head of which may not be a member of it, and who must be a person in the service of the State Administration or the Administration of the Chartered Community of Navarra.

The person in charge of the Secretariat will be appointed on a rotation basis for periods of three years, by the person in charge of the Ministry of Finance and the person in charge of the department responsible for tax matters of the Government of Navarra.



It is the responsibility of the Arbitration Board:

- a) The resolution of conflicts that arise between the interested Administrations as a consequence of the interpretation and application of the Economic Agreement to specific cases concerning individual tax relationships.
- b) In particular, resolve, ultimately and where appropriate, disputes that, arising from consultations regarding the application of the connection points contained in the Economic Agreement and whose resolution is primarily the responsibility of the Coordinating Commission, do not become resolved by it due to lack of agreement.
- c) The resolution of conflicts that arise between the AGE and that of the Chartered Community or between it and the Administration of an Autonomous Community, in relation to the application of the connection points of the taxes whose levy corresponds to the Chartered Community of Navarra and the determination of the proportion

corresponding to each Administration in the cases of joint taxation by Corporate Tax or Value Added Tax.

- d) The resolution of any discrepancies that may arise between Administrations regarding the domiciliation of taxpayers.
- e) The resolution of disputes between Administrations arising from the application of the procedure for coordinating inspection powers in the Value Added Tax, in accordance with the provisions of Article 46 bis of the Economic Agreement.



Peredur Owen Griffiths MS
Chair of Finance Committee
Welsh Parliament
Cardiff Bay
CF99 1NA

2 August 2024

Dear Peredur

Thank you for your letter. I have provided some information below outlining the Welsh Government's position regarding the questions that the Committee did not reach during the session.

What has been your engagement with the Treasury on previous Spending Reviews and what input would you like to have moving forward?

We had limited engagement from the previous UK Government on Spending Reviews. They were operated mainly as a UK Government exercise, where our settlement was, in effect, a by-product.

Spending Reviews take place over a number of months, across several work streams and, while there is usually an attempt by HM Treasury to involve Welsh Government officials, in previous years this has not been consistently followed up with regular engagement or a genuine collaborative approach. We have previously been asked to provide information to inform the workstreams but with little opportunity for discussion or to input our thinking. There has been very little discussion at Ministerial level and we have not usually been informed of the conclusions of the Spending Review until the Chancellor has made their Statement.

I have written to both the new Chief Secretary to the Treasury (CST) and the Chancellor of the Exchequer, and had a constructive meeting with the CST, during which we discussed the re-setting of relations between our two governments and the need for close engagement on any Spending Review. Furthermore, the last time there was a Spending Review the Finance: Interministerial Standing Committee did not exist, so I am interested to explore how that forum could be used to facilitate discussion on key issues of shared interest.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Do you think engaging with the UK Government during development of the Statement of Funding Policy would be an effective approach to addressing project categorisation issues?

The Welsh Government, and the other devolved governments, are consulted when the UK Treasury updates the Statement of Funding Policy as part of the Spending Review process, however it remains a UK Government document.

The Welsh Government does engage with these consultations, but ultimately the decisions about categorisation in the Barnett formula are currently made by the UK Government.

What engagement have you had with the Treasury regarding a review of the Welsh fiscal framework and what is the rationale for the Treasury not updating the fiscal framework in line with the Scottish fiscal framework to enable greater budget flexibility?

The UK Labour Manifesto recognises that “the Welsh Fiscal Framework is out of date”. My immediate focus is on updating our flexibilities in line with those changes seen in Scotland a year ago. We have been calling for similar improvements for some time, as our borrowing and reserve limits are worth 23% – around a quarter – less this year than when they were introduced in 2018-19. These limits should immediately be increased, in the same way they have been for Scotland since last August, without the need for a review of the Welsh fiscal framework. It is a specific and minor adjustment that would make the framework agreement more sustainable for budget management purposes.

I have already spoken to the CST about the budget flexibilities afforded to the Welsh Government being insufficient to manage our in-year financial position, to support economic growth and to enable delivery of high-quality public services in Wales. The result of the UK general election provides a unique opportunity to re-set relations and begin a new era of partnership, working together with the UK Government to deliver a shared vision for the outcomes we want to see for Wales, where it uses its reserved levers as well as providing enablers through ensuring we have the right budgetary tools.

I made repeated representations to the previous UK Government for additional fiscal flexibilities through the appropriate channels, including the F:ISC and through bilateral meetings and correspondence with successive CSTs and Chancellors of the Exchequer. At the last F:ISC meeting [14 March] I secured a commitment for officials to re-visit work to develop proposals for improving in-year funding processes including consideration of capital to resource switches, to be discussed during a future F:ISC meeting. This is something I will raise with the new UK Government.

The IGR review noted that disputes raised in relation to the Welsh and Scottish Governments’ fiscal frameworks will continue to be managed through the arrangements set out in the fiscal framework agreements. What are the key differences between the dispute resolution mechanisms for the fiscal framework and other fiscal matters and could you elaborate on the strengths and weaknesses of each?

The Fiscal Framework dispute arrangements only relate to the implementation or operation of the Fiscal Framework. Any dispute raised using the Fiscal Framework process will firstly be considered by officials, initially at working level and then by Joint Exchequer Committee (JEC). Where officials are unable to reach agreement, disputes will be considered by ministers at JEC. The fiscal framework dispute arrangements potentially provide a streamlined resolution process in this area.

The IGR dispute process covers disagreements on any fiscal or economic matter. Similarly to the Fiscal Framework process, any dispute will be considered in the first instance by officials, before being escalated to a ministerial level if officials are unable to reach agreement. If no solution is reached between ministers, the matter will be referred to the IGR Secretariat to be considered by the Prime Minister and Heads of Devolved Governments in the Council. This process is set out in the Terms of Reference for the Council.

The IGR dispute process removes some of the former barriers to raising disputes and requires independent chairing and secretariat arrangements, which were not previously part of dispute arrangements. They include a presumption of independent input, through either advice or mediation, and increased transparency to aid legislatures' scrutiny and stakeholder engagement.

Similarly, the Fiscal Framework dispute process also incorporates the ability to include views from independent bodies, which is an important innovation. However, neither process has been properly tested.

The aim in the first instance is dispute avoidance through constructive engagement. The first stage in raising a dispute requires us to demonstrate that all steps have been taken to exhaust pragmatic resolution.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office

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Via email

Reference: AC451/caf
Date issued: 12 August 2024

Dear Peredur

Finance Committee Annual Scrutiny of the Wales Audit Office

Further to your report - the [Annual scrutiny of the Wales Audit Office and the Auditor General for Wales](#) – and our subsequent letter to you dated 1 February 2024, we are writing to provide an update on our response to the Committee's recommendation 18.

Estimate 2024-25

Recommendation 18. The Committee recommends that Audit Wales provides regular updates on:

- **how the funding associated with staff pay awards will be applied across grades;**
- **the budgetary impact of any decisions taken in relation to staff pay;**
- **consultations taking place with Trade Unions and specialist pay review bodies; and**
- **the intended impact of the pay awards on staff turnover.**

For the 2024-25 pay round we did not receive a formal pay claim from our trade union partners PCS and Prospect because of the position relating to national disputes, but we have established and maintained constructive and productive relationships with both, involving fortnightly meetings and information sharing.

We made a formal pay offer to staff based on a flat rate increase in February, and both trade unions advised their members to accept the offer. The vote of union members from both trade unions concluded in April, and overwhelmingly supported the pay offer made by the Board. On a turnout of a total of 73% of union members, 95% voted to accept the offer. Uplifts to pay were processed in time for the April pay run.

The offer made was in line with that indicated in our Estimate for 2024-25 and hence within the available budget.

Our intention with this year's pay award was that we use it to address the shortfall that had arisen over the previous two years in comparison with awards elsewhere and the prevailing rate of inflation, against a backdrop of significant competition from private sector firms and other employers which made it increasingly difficult to retain and recruit staff with the necessary skills to delivery high quality audit work. Whilst the pay award was implemented only 3 months ago, we have already seen an increase in applications for roles in Audit Wales, in terms of both quantity and quality. However, whilst our turnover level has reduced by 2.8% since then, it is still 12.5% which is above our KPI target range of 5-10%, and so there is still work to do to ensure that we can retain and recruit staff with the necessary skills to deliver high quality work.

Please do not hesitate to contact us if there is any further clarification we can helpfully provide.

Yours sincerely



DR IAN REES
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales

Agenda Item 2.12

Hyllgoedd / Finance Committee

FIN(6)-17-24 PTN 12



Unit 33

The Enterprise Centre

Tondu, Bridgend

CF32 9BS

29 August 2024

CC: Finance Committee Clerk

Mr Peredur Owen Griffiths MS

Email Only

Dear Pededur,

The University and College Union in Wales (UCU Cymru) represents almost 7,000 academics, lecturers, trainers, instructors, researchers, managers, administrators, computer staff, librarians, and postgraduates in universities, colleges, adult education, and training organisations across Wales.

As such not only do we have access to the expertise and experience of our members but also recognise our duty as both professional body and creative partner.

Given the breadth of our activities across higher, further and adult education, we believe that UCU Cymru is uniquely positioned to offer oral evidence in relation to the impact of the 2025/26 Draft Budget.

For this reason, we would be delighted to assist the Finance Committee as we approach the budgets publication.

Many thanks,

Jamie Insole – UCU Cymru Policy and Political Officer

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros
Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change and Rural Affairs

Ein cyf/Our ref: MA/HIDCC/5478/24

Mike Hedges MS
Chair
Legislation, Justice and Constitution Committee
Welsh Parliament

2 September 2024

Dear Mike,

In accordance with the inter-institutional relations agreement, I am writing to notify you that a Service Level Agreement between Welsh Ministers, Rural Payments Agency and the British Cattle Movement Service was published on 2 September 2024 and can be found [here](#).

This Service Level Agreement records the agreement made between the Welsh Ministers and the BCMS for the provision of services and the exercise of Welsh Ministers' functions pursuant to section 83 of the Government of Wales Act 2006

I have also copied this letter to Rebecca Evans MS, Cabinet Secretary for Finance, Constitution & Cabinet Office, the Economy, Trade, and Rural Affairs Committee and the Finance Committee.

Yours sincerely,



Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Financial Transactions Capital

Welsh Treasury / Financial Control Evidence Paper

18/09/2024

Financial Transactions Capital (abbreviated as FTC, or sometimes just as FT) is a ring-fenced section of the Welsh Government's capital budget, provided by the UK Government to boost state-led investment in private and third sector entities.

This document sets out the rules surrounding FTC, the Welsh Government's approach to its use, and what changes are already underway to reform that approach moving forwards.

1. Background on FTC

Financial Transactions Capital is a form of capital that can only be used for loan or equity investments to an entity outside of Welsh Government accounting boundaries.

UK Level

1. When considering options for the future of Financial Transactions Capital in Wales, it is important to accurately identify the competencies and ownership of each respective layer of government and the role of the private sector.
2. The overarching rules governing FTC are determined by the UK Government and are set out in Chapter 8 of the [UK Consolidated Budgeting Guidance](#).
3. The UK Government also determines the total amount of FTC that the Welsh Government receives through the process set out in the Statement of Funding Policy, which determines the allocation of Barnett Consequentials.
4. Allocations must also align with subsidy control principles. These have been set out in the [UK Government's Subsidy Control Act 2022](#) and are determined at the UK wide level.
5. These limitations are reflected in the portfolio of projects that are approved utilising FTC. Each proposal must:
 - a. generate a financial return
 - b. be repaid
 - c. only be given to entities outside of Welsh Government accounting/budgetary boundaries
 - d. align with state aid rules

Alignment to UK Rules

- 6.** While there is scope for the Welsh Government to shape and prioritise projects, the Welsh Government is also responsible for scrutinising any proposals for funding to ensure that the entity receiving FTC can appropriately utilise it for the purpose in question in line with the restrictions set out above.
- 7.** The Welsh Government is also expected to return at least 80% of gross FTC funds to HMT. Given most proposals contain an element of risk, this requires the total portfolio of projects to charge additional interest to offset this risk.
- 8.** Finally, the Welsh Government requires a willing partner who wishes to be in receipt of FTC and who is eligible to receive it to propose viable projects.
- 9.** This can be challenging, as FT loans can be as expensive as commercial loans and take longer to access as the Welsh Government have specific scrutiny requirements to ensure proposals align with UKG guidance and can cover the wider FTC portfolio. Moreover, given that FT is designed to supplement not displace private investment, the typical bid FT attracts has lower financial returns but high social returns, hence we have an even smaller margin of error to cover losses from bids which fail to repay. Consequently, it is necessary to charge market rates for higher risk spending, while also implementing multiple stages of scrutiny via our legal, commercial and financial teams.

Welsh Government Allocations

- 10.** The Welsh Government's priority is to assign FTC in line with the above requirements to maximise delivery of Ministerial priorities, optimise value for money and ensure positive outcomes for the people of Wales.
- 11.** FTC has primarily been allocated towards a mixture of economic and housing investments. It has also been used to finance Welsh Government equity stakes in Mutual Investment Model projects in the A465, schools and the new Velindre Cancer Centre.
- 12.** These areas have been chosen for investment because they are priorities but also because they are considered more reliable in terms of being able to develop an effective pipeline of projects with key delivery partners in line with the requirements and repay investments at the scale needed. Some other priority areas for investment do not have the properties to make them suitable for use of FTC.

- 13.** Given the inherent risk in the nature of loan and equity investments it is inevitable that some repayment profiles will need to be amended, with some investments returning earlier than expected, others requiring delays. To manage this process, the Welsh Government undertakes an annual reconciliation exercise to ensure repayments balance the overall FTC position.
- 14.** It is also common that proposals that are developed and allocated funding are delayed even after funding is allocated due to wider market conditions or practical challenges with project delivery.

Current FTC Portfolio

- 15.** Based on the latest published data the Welsh Government has received a gross total of £1,377.639m FTC to date, which has since been fully allocated.
- 16.** As of 2022-23, the Welsh Government has received £333.894m in FT repayments and repaid a total of £372.150m of FTC to HMT. Data for FTC repayments received, and the FT repaid to HMT in 2023-24 is not yet available and will be published in the weeks following the completion and publication of the WG Consolidated Annual Accounts in November/December.
- 17.** Given the nature of the current arrangements, it is not possible to determine the allocation of recycled funding on specific projects. After funding has been repaid to UKG, residual funding forms part of the overall envelope when making allocations and is utilised to finance proposals published in our Budgets.
- 18.** Examples of some of the projects within our FTC Portfolio includes
- a. Help to Buy: £63m additional funding was allocated in 23-24 to extend our help to buy scheme until March 2025, bringing total investment to £780m since 2013. The scheme provides financial assistance to support people who would like to buy their own home
 - b. Help to Stay: £100m has been allocated towards measures to help people struggling to pay their mortgages stay in their homes and to support social housing which aims to help people avoid homelessness, prevent repossession and create more social housing
 - c. £20m developing a Further and Higher Education Decarbonisation Scheme providing educational institutions across Wales access to funds for renewable energy projects and to modernise infrastructure to reduce energy demand.

- d. £12m of funding has provided to DBW to help provide small businesses, sole traders and social enterprises in Wales with microloans.
- e. £7.7m has been made available to support the commercialisation of excess capacity of the rail fibre network
- f. Support for Mentor Mon Morlais Ltd: £4.8m has been allocated to help support energy harnessing tidal stream devices.

Strengths of FTC

- 19.** The primary benefit of FTC is its recyclable nature. FTC provides an opportunity for the Welsh Government to recoup investments and potentially reallocate funding multiple times, compounding the value added through the intervention.
- 20.** This can also make it more sustainable, enabling the prioritisation of projects that would otherwise not be fully funded in an effective and reliable format.
- 21.** When projects are suitable for FTC, then the value of its use over grants is clear from the perspective of Government in terms of the delivery of superior outcomes and the return of investment to Welsh and UK Governments, which strengthens the value for money case.

Challenges in deploying FTC

- 22.** While the repayable nature of FT has advantages, it also creates particular challenges.
- 23.** Bids for FT tend to inherently be either riskier or provide lower financial returns compared to wider investments, as otherwise they would use private sector loans which are often easier to access and less expensive.
- 24.** The lower financial returns means that if a bid fails to repay its funding, it would compromise the wider Welsh Government FT portfolio, requiring losses to be covered by returns from other bids. This places a greater burden on the Welsh Government to assess bids diligently with legal, financial and commercial experts. This can make the bidding process for securing FT bid much longer than a grant or a commercial loan, as it is essential we only fund projects which will be able to repay its funding.

- 25.** Additionally, even after being awarded FT funding, policy officials need to work with legal and commercial teams within WG to develop contracts for funding partners. It can take time to upskill staff for this task, which is then complicated if proposals have unique or complicated repayment terms and conditions.
- 26.** This increased level of scrutiny and assurance needed for FTC investments can disincentivise the development and submitting of bids compared to regular grant funding. Consequently, most new funding proposals considering the option for FTC generally do so as they have exhausted all alternative funding options for their proposal, not because the proposal in question is designed optimally for the use of FTC.
- 27.** Moreover, repayable loans create an administrative responsibility within government and increases budgetary risk for both the MEG that the bids falls within and for the centre of government who are responsible for repayments to HMT.
- 28.** Providing appropriate levels of scrutiny to bids can be particularly challenging given the short turnaround between Autumn Statements, where the FTC funding has been allocated in recent years by the UK Government, and the Draft Budget in December. This has led to a reliance on a small number of policy areas which are more used to utilising FTC, as they are most effective at managing and mitigating risk.
- 29.** To improve this process, the Welsh Government are considering options for reforming how we manage and allocate FTC which will impact from the 2026-27 Budget Process onwards, and which will respond to the recommendations of this Finance Committee review.
- 30.** The Welsh Government proactively engaged with HMT and other Devolved Governments when the Statement of Funding policy was being redrafted in 2020. Many of our representations concerned efforts attempting to simplify processes and increase the flexibilities of the Welsh Government in attempting to manage FTC, this includes returning to the old accounting rules which allowed DBW to receive and manage FT funding. We intend to continue to make the case for reforming processes to reduce bureaucracy moving forwards.

By virtue of paragraph(s) ix of Standing Order 17.42

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Agenda Item 6

By virtue of paragraph(s) ix of Standing Order 17.42

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Rebecca Evans MS
Cabinet Secretary for Finance, Constitution and Cabinet Office

29 July 2024

Dear Rebecca,

Welsh Government Budget Timetable 2025-26

I wrote to you on 11 July regarding the proposed timetable for consideration of the Draft Budget 2025-26, asking you to consider bringing forward the publication date of the Draft Budget from 10 December to enable more evidence sessions to take place this side of the Christmas recess, and for a two stage budget process to be prioritised, if time allows.

In your letter of 4 July, you indicated a willingness to move the publication date of the Draft Budget, subject to the date of the UK Government's fiscal event, stating that:

"The dates provided are dependent upon our budget settlement being announced in sufficient time to prepare the draft budget and may change. I will confirm arrangements once the date for the UK Government's fiscal event is known. Should the date of the UK fiscal event be early in the Autumn term I will carefully consider the case for amending our own budget timetable."

The Chancellor of the Exchequer has announced that the UK Government's budget statement and spending review will take place on 30 October.

Last year, you wrote to the Committee on 12 September outlining a timetable which provided “Welsh Ministers with the absolute minimum of 3 weeks and 4 days needed to prepare spending plans and compile the Budget documentation and supporting tables”. We therefore request that the publication date of the Draft Budget is brought forward in line with those minimum timescales, from 10 December to 26 November, to allow as much time as possible for it to be scrutinised by the Senedd.

A copy of this letter has been sent to the Business Committee and the Trefnydd and Chief Whip.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peredur Owen Griffiths', written in a cursive style.

Peredur Owen Griffiths MS
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Rebecca Evans AS/MS
Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad
a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE/212/2024

Peredur Owen Griffiths MS
Chair of Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA
SeneddFinance@senedd.wales

8 August 2024

Dear Peredur,

When we wrote to the Business and Finance Committees on 4th July, the Trefnydd and I indicated our intention to provide an update on our timetable for the Welsh Government's budget once the Chancellor of the Exchequer had announced the timing of the UK autumn budget, in which we expect to learn details of our budget settlement for 2025-26.

On 29th July, the Chancellor announced her autumn budget would be published on 30th October and would provide a settlement for a single year only, with a multi-year spending review to be announced in Spring 2025. As a result, I can confirm my intention to adhere to our previously indicated dates of 10th December 2024 for the publication of a single-year Draft Budget for the financial year 2025-26. In doing so, we will be publishing the Draft Budget in term time to provide Members with the opportunity to discuss the Draft Budget in advance of the Christmas recess, which has not always been possible.

The Chancellor made clear the challenges facing public finances, now she has learned the true position inherited from the previous UK Government. This inheritance is likely to result in greater than anticipated restrictions on public spending and many difficult decisions for Welsh Ministers. As a result, it will be necessary to allow more than the absolute minimum time to prepare the Draft Budget.

Leaving the Draft Budget on 10th December will provide only 5 weeks and 4 days to complete our spending and taxation plans and to publish the Draft Budget. I have noted the Finance Committee's request, in your letter dated 29th July, for the Draft Budget to be tabled on 26th November to allow as much time as possible for it to be scrutinised by the Senedd. I believe publishing on 10th December will achieve better and more equitable balance

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

between the time to publish the Draft Budget and the time available for its scrutiny. It is important to note that publishing the Draft Budget in less than 4 weeks from learning our settlement was only ever intended to be a one-off solution to a timetabling problem. It has been a tremendous feat for Ministers to publish numerous budgets under such a timescale and was never intended to become the norm.

I am proposing that the Finance Committee should be asked to publish its report on the outline Draft Budget on or before Monday 3rd February 2025 to enable the debate on the Draft Budget to take place on Tuesday 4th February. This would allow the annual budget process to be completed before the statutory deadline of 11th March for local authorities to set their Council Tax rates for the following financial year.

This timetable will provide 7 weeks and 4 days for Finance Committee's scrutiny of the Outline Draft Budget. Despite the constraints on the time available for preparing and publishing the Draft Budget, the proposed scrutiny period is only one day shorter than the 8 weeks set out in Standing Order 20 for the scrutiny of a budget published in a 'normal' year - a year when the Chancellor announces our Budget settlement in the Spring.

The planned dates for the publication of the Annual Budget and for it to be debated will remain unchanged on 25th February and 4th March respectively.

I would also like to take this opportunity to respond to issues relating to the budget timetable raised in the Committee's letter dated 11th July.

We take the Committees' concerns regarding the timeliness and quality of written evidence seriously and I have asked officials to consider the points raised and to explore what steps can be taken to ensure we provide the information required by Committees.

It is worth noting that the additional information we publish in advance of the Draft Budget usually amounts to well over 100,000 words so it's important that we consider how we can best provide the information required by Committees without necessarily increasing the quantity of information. Allowing a little more time to produce the Draft Budget will hopefully assist Cabinet Secretaries to respond more fully to the Committees' specific requests.

I am pleased to confirm that we intend, once again, to provide the English versions of the evidence papers to Committees on the day after the Draft Budget is published.

If it is the Chancellor's intention to return to one fiscal event per year it will help to resolve many of the issues we have experienced over recent years. I am hopeful it would mean we can return to publishing a two-stage Draft Budget and to providing the full 8 weeks for scrutiny. I know the Committee will join me in welcoming the prospect of a return to what we would consider to be a 'normal' budget timetable.

Yours sincerely,



Rebecca Evans AS/MS
Cabinet Secretary for Finance, Constitution and Cabinet Office
Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet

Agenda Item 9

By virtue of paragraph(s) ix of Standing Order 17.42

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Interparliamentary Finance Committee Forum

Rt Hon Laura Trott MBE MP
Chief Secretary to the Treasury

Copy to: Chancellor of the Exchequer; Financial Secretary to the Treasury;
Treasury Committee; Public Administration and Constitutional Affairs
Committee; Committee for Finance, Northern Ireland Assembly

26 March 2024

Interparliamentary Finance Committee Forum Meeting: Portcullis House, 21 March 2024

Dear Laura,

We are writing to you as the lead for Treasury interest in devolution to Scotland, Wales and Northern Ireland on behalf of the Interparliamentary Finance Committee Forum (the IFCF).

The IFCF was established in June 2022 by the Finance and Public Administration Committee of the Scottish Parliament and Finance Committee of the Welsh Parliament to provide a collective voice for the devolved legislatures in raising issues of common concern with devolved administrations and the UK Government. The IFCF provides opportunities for information-sharing, to hear from relevant Ministers, and to consider common challenges.

Northern Ireland Assembly officials currently attend IFCF meetings in an observer capacity, and it is hoped that its Finance Committee will also be able to join the IFCF in the coming weeks.

Our third meeting took place at Portcullis House in the House of Commons on Thursday 21 March 2024, where we met with Members of relevant Commons Committees, a former HM

Treasury Minister, the Institute for Government, and Office for National Statistics. As part of our discussions about financial scrutiny, we also discussed how HM Treasury interacts with the devolved governments in developing the UK Budget and related timetables. The aim was to foster greater understanding around the challenges faced in scrutinising devolved budgets, and to share respective approaches to parliamentary scrutiny of budgets and associated forecasts. The IFCF found these meetings incredibly useful and is grateful to all those who participated.

We were very disappointed that HM Treasury Ministers and officials declined to meet with the IFCF while we were in London. This is a missed opportunity to develop relationships and greater understanding around our respective roles, including how HM Treasury approaches budgetary decisions and their impact on the devolved administrations.

HM Treasury's approach reflects the recent experience of both Committees in being unable to secure oral evidence sessions with the Chancellor and/or other Treasury Ministers, despite repeated invitations. It also represents a departure from your predecessors' approach in previous parliamentary sessions. It is deeply disappointing and inhibits effective scrutiny of the overall funding position in the devolved nations. As you know, effective budgeting is essential in the context of the shared fiscal pressures faced by the UK Government and the devolved administrations. Further devolution and the sharing of powers in recent years has also led to budgetary decisions in the UK and the devolved nations becoming more closely linked. Discussion of these matters with HM Treasury would therefore be most helpful and we therefore urge you and/or the Chancellor to give evidence to our respective Committees when asked.

An issue of particular concern is the increasingly variable timing of the Autumn Statement which, over the past two years at least, has resulted in additional pressure on the time available to the Senedd and Scottish Parliament to conduct its subsequent scrutiny of the devolved governments' budget proposals. In addition to giving greater consideration to this matter, we would also welcome your efforts to provide greater certainty to the devolved governments regarding multi-year spending plans and the earlier sharing of information, particularly in relation to final supplementary estimates which can substantially impact on in-year budget plans.

The IFCF is keen to reopen dialogue with HM Treasury on these and related matters and remains ready to welcome Ministers to the Senedd and Scottish Parliament to support our

respective scrutiny of budgetary issues. We therefore invite you to update us on how you would wish to engage with the devolved Parliaments.

We are due to meet next as a IFCF later this year. We therefore look forward to receiving a response to this letter by the end of June 2024.

Yours sincerely



Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
Scottish Parliament



Peredur Owen Griffiths
Chair
Finance Committee
Senedd Cymru