

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
8 May 2013

Meeting time:
09:30

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Gareth Price
Committee Clerk
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Agenda

- 1. Introductions, apologies and substitutions (09:30–09:35)**
- 2. Papers to note** (Pages 1 – 16)
FIN(4)–08–13 Paper 1 – Letter from Community Housing Cymru
FIN(4)–08–13 Paper 2 – Welsh Government response to Invest-to-Save
Minutes of the previous meeting
- 3. Motion under the Standing Order 17.42 to resolve to exclude the public from the meeting for the following business**
Items 4 to 7.
- 4. Enterprise Zones – Consideration of draft terms of reference (9:35–10:00)** (Pages 17 – 18)
- 5. Preventative Spending – Options Paper (10:00–10:30)** (Pages 19 – 42)
- 6. Financial implications of the Further and Higher Education (Governance and Information) (Wales) Bill (10:30–10:45)** (Pages 43 – 47)
- 7. Asset Management – (Public Services Leadership Group) Demonstration of its E-Pims system (10:45–11:30)**

Agenda Item 2



Jocelyn Davies AM
Welsh Government
Cardiff Bay
Cardiff

26 April 2013

Dear Jocelyn

We're very sorry that we were unable to provide oral evidence to the Finance Committee on this issue but we hope that this written evidence will inform your inquiry.

Housing Association Assets

As we stated in our previous paper Wales suffers not just from a lack of affordable housing but associated problems including poor long term health, low educational attainment, unemployment and high levels of economic inactivity. RSLs seek to alleviate many of these problems by providing housing, regeneration and care solutions in Wales. They underpin successful regeneration outcomes and add value to individuals, communities and the economy in general.

The sector now owns and manages 155,152 units with 50% represented by LSVT organisations.

The ability of the sector to generate surpluses is critical to match lender needs, and with a heightened re-pricing of traditional bank debt RSLs must continue displaying robust financial performance to access suitable long-term finance. Surpluses generated are used to underpin investment in maintaining existing housing stock and help finance development of new homes.

Asset management in the housing sector

With this in mind, in answering your first question, managing assets does form a key function in our members' business planning on both a strategic, long-term level as well as a day to day basis.

All our members are working towards or have achieved the Welsh Housing Quality Standard and are maintaining that standard, all of which requires detailed business plans. The levels of expenditure varies according to the quality of the stock but individual members link the programme of work to the Annual Budgets and also submit 5 year and 30 year business plans to Welsh Government.

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Our members also have a budget for 'General Repair and Maintenance' which again is linked into their business plans and annual budgets as well as having a component accounting and replacement plan.

Q2 Our members carry out the following activities to monitor the condition of assets and performance in asset management:

All members undertake a stock condition survey which captures complex data of the stock. RSLs are also involved in 'procurement frameworks' and 'open book accounting'. Many of our members are also involved with Housemark which is a benchmarking club and CHC and WG publish Global Accounts annually for the sector which provides sector information useful which is useful for benchmarking and decision-making.

Q3 Housing Association investment has a much wider positive impact on society than just housing and contributes to other Welsh Government policies such as regeneration, energy, health and social services.

There is potential therefore to contribute towards the achievement of other Welsh Government Programmes other than just housing quality or supply through adopting a more creative approach.

This is consistent with recent Welsh Government strategy to support and deliver outcomes increasingly across rather than within Departmental portfolios.

In this context it is disappointing that the transfer of assets, in particular land, has not been transferred from other Departmental portfolios into housing projects despite it being a clear WG objective through its protocol. Land can be considered in many different ways which make it a flexible asset and a potentially huge catalyst to unlocking innovative funding mechanisms and increasing housing supply. We are disappointed that Public sector organisations are not willing to think more creatively about how their assets can be used other than to sell them off to the highest bidder. We would encourage public sector organisations to assess the social value of their assets not just their financial value.

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All Wales Public Sector Property Database – e-PIMS

Q4 & Q5

Our understanding of the reason two members have recorded less than a hundred properties on the e-PiMS database is because they took part in an EPS exercise, a Gas information exercise. All our members' assets are recorded on the Land Registry Database and we would imagine that the e-PIMS database has a link to that database, in which case, CHC sees no reason to encourage its members to duplicate work unnecessarily.

Land Transfer and Affordable Housing Protocols

Q6 Please refer to our answer to Q3.

Q7 To transfer land from one department of Welsh Government to another requires cross-departmental collaboration. Our experience at CHC has been that departments work in silos and it is very difficult to have cross-departmental discussions let alone transfer of assets, hence the reason why so few transfers have taken place despite a Protocol being in place. CHC understands the budgeting mechanisms and organisational structure and culture Welsh Government operates within which upholds the internal departmental focus but we also recognise that Welsh Government is establishing a strategy that works across departments. CHC is more than happy to work with WG to demonstrate how cross-departmental collaboration can bring cross-departmental benefits. Eg Housing and Health (see below)

Q8 There needs to be a clear Strategy that joins up the Outcomes of all portfolios in Welsh Government and this should be backed up with a public list of all of Welsh Government's assets.

CHC published a report eighteen months ago that considered the different areas and opportunities that Housing could make an useful contribution to Health's agenda. Eighteen months on we are seeing a lot of progress in the Aneurin Bevan Trust where a programme of work and innovative mechanisms of service delivery are being designed collaboratively, but we want to see similar progress across Wales. CHC is focusing its efforts on building up the capacity and specialism within the RSL sector to understand and deliver services required on a wider Social Care, Health and Housing agenda. Land transfer for homes must form part of a balanced equation in achieving shared outcomes.

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Guidance and good practice

Q9 The RSL sector has a long and strong track record of successfully managing its assets and CHC would be happy to work with Welsh Government to give advice and share good practice with the wider public sector where that would be deemed useful. However we don't believe it is lack of skills and knowledge in the field of asset management that is holding back progress on asset transfer. We believe that there needs to be a more strategic vision and shared outcomes across departments that filters all the way through the decision making and design of service delivery which will allow for wider collaboration, where transfer of assets would become a natural activity within that strategy.

Thank you for the opportunity to expand on our initial paper. We hope the oral evidence sessions went well and we are more than happy to answer any further questions you may have on any aspect of this paper.

Kindest regards

Nick Bennett
Group Chief Executive

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Jane Hutt AC / AM
Y Gweinidog Cyllid
Minister for Finance



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: SF/JH/1347/13

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

29 April 2013

Dear Jocelyn

Report of the Finance Committee, Invest-to-Save (March 2013)

I welcome this report of your inquiry into the Invest-to-Save Fund, which I consider to be helpful, pertinent and will assist us in our thinking to further improve the way the Fund operates. I put on record my appreciation of the hard work by the Finance Committee in collecting evidence and presenting their findings.

The report's recommendations relating to Invest-to-Save are consistent with the work being done on the Fund and I am pleased to be able to accept them. For the final recommendation relating to the Regional Collaboration Fund, this requires further consideration as it falls to the portfolio of the Minister for Local Government and Government Business.

These are difficult and challenging financial times. Furthering the efficiency and effectiveness of our public services in Wales is a high priority for the Welsh Government as is the need to ensure the most efficient and effective use of the resources we have available at our disposal. The necessity to find different ways to deliver services that are more cost-effective, but at the same time, maintain or improve on quality has never been so great. We have sought to prepare for this with the development of a Welsh Government efficiency agenda – including the introduction of the Invest-to-Save Fund.

The Welsh Government has been making investments from the Invest-to-Save Fund since early 2010. Seven funding rounds later the value of investment made amounts to over £75million, in support of a total of 65 projects.

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*Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)
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Learning from the new approaches and cascading this new knowledge is essential and the Committee's endorsement of the Welsh Government's approach to capture and share learning through published reports and case-studies of supported projects and the link with the key link Public Service Leadership Group is very welcome.

We will continue to review the effectiveness of the Invest-to-Save Fund in helping to improve public services and have now commissioned work to start on an external evaluation. The Committee's report, and the evidence presented during its preparation, will provide valuable information to assist us in that process. I thank the Committee again for its work during the inquiry into the Fund.

My response to the Report's recommendations are included in an annex to this letter.

Best wishes,
Jane

Jane Hutt AC / AM
Y Gweinidog Cyllid
Minister for Finance

Written Response by the Welsh Government to the report of the National Assembly for Wales Finance Committee entitled Invest to Save

Recommendation 1. We were not convinced that the benefits of themed bidding rounds, and given that the invest-to-save pot is finite, we recommend that bidding rounds continue to support the best bids, irrespective of content.

Response: Accept

I have not sought to specifically limit bids by a narrow theme, choosing instead to encourage the widest possible proposals that bring about improvement and greater efficiency in our public services. I have however ensured that the Fund is supportive of the work of the Public Service Leadership Group (PSLG) workstreams and is available for initiatives that have been identified by public sector partners as areas of priority. For example, the establishment of the National Procurement Service and various projects as part of the programme of work being led by the PSLG National Assets Working Group.

I will also continue to encourage new bids that emulate initiatives which have through previous investments demonstrated that they can lead to significant benefits.

Financial Implications – none.

Recommendation 2. We recommend that the threshold be returned to £100,000 to ensure that projects with the potential to make significant savings are not lost to the system.

Response: Accept in principle

The threshold was introduced to help target strategic projects that give a good return on investment, represent good-value-for money and are additional. Such targeting also helps keep the Fund's administrative overhead to a minimum.

Despite the recent increase in the de-minimus threshold limit, there continues to be scope to support project proposals below £200,000 with the improvement areas identified by the workstreams of the Public Service Leadership Group being given priority. Nevertheless, we recognise that the Fund's guidance could be improved to explain how the threshold is applied and therefore this will be addressed in revised guidance for the next funding round.

The threshold limit will also continue to be kept under review to ensure that no worthy project is exempt from applying and I will encourage lower value bids

above £100,000 to be submitted by the smaller public sector bodies where there is evidence that significant benefits will result from such projects.

Financial Implications – projects selected for support under the Invest-to-Save Fund will be funded from within existing programme budgets. Any increase in administrative overhead will be managed within existing running cost provision.

Recommendation 3. We recommend that assessment panels should include at least one person with a high level of expertise, particularly where it applies to projects which may be technical in nature.

Response: Accept

The core membership of the Panel currently has a high level of expertise including the Welsh Government's: Deputy Director of the Strategic Investment Division; Chief Economist; Head of NHS Financial Management; Deputy Director of Public Service Reform; and, the Head of the Invest-to-Save Unit. In addition to this expertise, specific policy advice is also sought during the appraisal of bids to assist understanding of policy context and to ensure strategic fit. The Panel will also consider inviting other officials to attend its meetings where this would assist project understanding and help progress the appraisal of bids.

Financial Implications – None.

Recommendation 4. We recommend that all projects in receipt of invest-to-save funding should receive a visit 6-12 months after the initial award, or when repayments begin. This visit should include a more thorough evaluation not just of whether the project met its financial targets, but its overall impact on service delivery. A formal visit would also enable the Welsh Government to gather evidence which could be used to promote the project as an example to others.

Response: Accept

To help capture and cascade their learning, Invest-to-Save projects are encouraged to prepare short case studies, which are then published in the Investing-to-Save Reports. Since Round VI, all new projects are visited by officials within 3-months of them being awarded funded so as to discuss and agree project evaluation arrangements. Such arrangements are designed to assess a project's impact on service delivery, including progress towards delivering wider benefits.

On project monitoring, the Welsh Government requires quarterly reports to be submitted and for post project reviews to be undertaken. Formal visits are a feature of monitoring/review arrangements and these will continue to be held; targeted at specific projects as necessary.

Financial Implications – None.

Recommendation 5. The best invest-to-save projects we looked at showed a clear link between the investment made and savings generated. While it was no doubt important to find additional funding for the creation of Natural Resources Wales, it is not clear to us that this was an invest-to-save project. We recommend that Invest-to-save funds should only be used where there is robust evidence of savings resulting from the investment, not where this is a need for extra funding, which will probably result in savings over time.

Response: Accept

The Invest-to-Save Fund will continue to support a variety of different project proposals and initiatives that lead to improvements in public services. All projects supported need to demonstrate that they will ultimately lead to financial savings and inevitably there will be project differences regarding timing and approach between an investment and subsequent savings, however, all projects still need to generate savings in order to qualify for Invest-to-Save support.

Financial Implications –None.

Recommendation 6. We recommend that the Minister continues to monitor demand for the scheme. Overall, we believe this is an excellent scheme which improves services to the public and generates real savings to the public purse. We would not wish to hear that schemes which would save money were being held up for lack of pump priming through invest-to-save.

Response: Accept

The Welsh Government monitors demand for the scheme closely alongside available resources. The approach to date has resulted in budget flexibilities being maximised and the Fund being supplemented with an additional £20.5 million of funding between 2012-13 and 2014-15 to help further new investments in worthy projects.

Financial Implications – no immediate impact, but the position will continue to be monitored.

Recommendation 7. We recommend that the Welsh Government continues to promote case studies, encourage institutions to emulate successful schemes, and to champion invest-to-save through the Public Sector Leadership Group.

Response: Accept

The Committee's endorsement of the Welsh Government's existing approach is very welcome and we will continue to publish and promote case studies and engage with the Public Service Leadership Group to help encourage the wider take up and adoption of tried and tested good practice project proposals.

Financial Implications – None.

Recommendation 8. We recommend that the Welsh government makes greater efforts to encourage education institutions and others outside the core NHS/Local Government sectors to access the fund.

Response: Accept

Work on raising the awareness of the fund continues, with all public sector bodies being alerted to the opportunities that the Fund presents. Investing-to-Save reports of case studies have been circulated across the whole of the public service in Wales and I have promoted initiatives supported by the Fund by attending formal openings etc and made an Oral Statement at the Assembly last year. My officials raise awareness of the Fund and good practice projects by using various networks and have led a programme of workshops – including with Directors of Finance from the Further education sector.

Financial Implications – None.

Recommendation 9. While invest-to-save is a savings scheme, which encourages collaboration, we recommend that while RCF is collaboration-focused, it must also generate savings to demonstrate it is providing value for money.

The recommendation requires further consideration as it falls to the portfolio of the Minister for Local Government and Government Business.

**Jane Hutt AM
Minister for Finance**

Finance Committee

Meeting Venue: Committee Room 2 – Senedd

Meeting date: Wednesday, 24 April 2013

Meeting time: 09:00 – 11:00

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Concise Minutes:

Assembly Members:

Jocelyn Davies (Chair)
Peter Black
Christine Chapman
Paul Davies
Mike Hedges
Julie Morgan
Ieuan Wyn Jones
Vaughan Gething

Witnesses:

David Bentley, Head of Asset Management, CIPFA

Committee Staff:

Gareth Price (Clerk)
Daniel Collier (Deputy Clerk)
Martin Jennings (Researcher)
Eleanor Roy (Researcher)
Kerry Dearden (Researcher)

1. Introductions, apologies and substitutions

1.1 The Chair Welcomed Members and members of the public to the meeting.

1.2 Apologies had been received from Ann Jones, for whom Vaughan Gething was substituting.

2. Asset Management – Evidence from : Chartered Institute Public Finance Accountancy

2.1 The Chair welcomed David Bentley, Head of Asset Management, Chartered Institute Public Finance Accountancy (CIPFA) – Property.

2.2 Members questioned the witness.

Action points:

The Committee agreed to write to David Bentley with the following questions, which specifically focus on Asset Management in Wales:

- The Welsh Government’s capital strategy, the Wales Infrastructure Investment Plan (WIIP), refers to asset management only in terms of recognising the need to make better use of the asset base. In your view how should asset management in central government, and in the wider public sector, be linked into the WIIP in practice?
- In your paper, referring to Welsh local government asset management plans you state that most of these make some reference to strategic or policy objectives, but these references must be real in practice. In your experience, is it the case that such links are not real in practice, and if asset management is viewed as a support service in some quarters, as some of our evidence suggests, how can it be ensured that such strategic links are made more tangible?
- In your paper in relation to ‘Lessons learnt from Wales’[pages 13-14] you provide ten examples of where you have provided assistance to local authorities in relation to property management. Were these all Welsh local authorities and how do these arrangements arise, for example does the authority contact you for assistance with a project?

3. Papers to note

3.1 The Committee noted the correspondence from the Deputy Minister for Social Services on the financial implications of the Social Services Bill and agreed to respond to the Deputy Minister seeking clarity on a number of issues.

4. Motion under the Standing Order 17.42 to resolve to exclude the public from the meeting for the following business

5. Asset Management – Consideration of Evidence

5.1 The committee considered the evidence received on its inquiry into Asset Management.

6. Guidance to other committees on financial scrutiny

6.1 The committee approved draft guidance to other committees on financial scrutiny.

7. Higher Education Funding – Consideration of draft terms of reference

7.1 The Committee considered the draft Terms of Reference on its forthcoming inquiry into Higher Education Funding and discussed methods of handling the inquiry.

8. Discussion on Welsh Government Draft Budget 2014–2015

8.1 The Committee discussed proposals for handling the Welsh Government's draft budget 2014–2015.

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

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