

Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date:

Wednesday, 24 September 2014

Meeting time:

09.00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Bethan Davies

Committee Clerk

029 2089 8120

FinanceCommittee@wales.gov.uk

Agenda

1 Introductions, apologies and substitutions (09:00)

2 Papers to note (09:00– 09:05) (Pages 1 – 3)

Higher education finances: Letter from Darren Millar AM (30 July 2014) (Pages 4 – 7)

**Higher Education (Wales) Bill: Letter from Higher Education Wales (31 July 2014)
(Pages 8 – 13)**

**Welsh Government Outturn report 2013–14: Letter from the Minister for Finance (5
August 2014) (Pages 14 – 23)**

**Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill: Letter from
the Minister for Local Government and Government Business (29 August 2014)
(Pages 24 – 31)**

**3 Best Practice Budget Processes Inquiry Part II: Evidence Session 1
(09:05–10:05) (Pages 32 – 37)**

By video conference

FIN(4)–15–14 paper 1
Research Brief

Laura van Geest – Director, CPB Netherlands Bureau for Economic Policy Analysis
Wim Suyker – Programme Leader, CPB Netherlands Bureau for Economic Policy Analysis

(Break 10:05–10:15)

**4 Best Practice Budget Processes Inquiry Part II: Evidence Session 2
(10:15–11:15) (Pages 38 – 44)**

Research Brief

Robert Chote – **Chairman of the Office for Budget Responsibility**

**5 Motion under Standing Order 17.42 to resolve to exclude the public
from the meeting for the following business: (11:15)**

Items 6, 7, 8 & 9 and Item 1 of the meeting on 2 October 2014

**6 Best Practice Budget Processes Inquiry Part II: Consideration of
evidence received (11:15–11:45)**

**7 Financial Education and Inclusion (Wales) Bill: Financial Implications of
the Bill (11:45–12:00) (Pages 45 – 48)**

FIN(4)–15–14 paper 2

**8 Wales Audit Office: Audit Findings Report for accounts 2013 – 2014
(12:00–12:15) (Pages 49 – 77)**

FIN(4)–15–14 paper 3

9 Forward work programme (12:15–12:30) (Pages 78 – 82)

FIN(4)–15–14 paper 4

Finance Committee

Meeting Venue: **Committee Room 3 – Senedd**

Meeting date: **Wednesday, 16 July 2014**

Meeting time: **09.00 – 10.46**

This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_400000_16_07_2014&t=0&l=en

Cynulliad
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National
Assembly for
Wales



Concise Minutes:

Assembly Members:

Jocelyn Davies AM (Chair)
Christine Chapman AM
Paul Davies AM
Mike Hedges AM
Alun Ffred Jones AM
Julie Morgan AM

Witnesses:

Peter Black AM, Commissioner
Rhodri Glyn Thomas AM, Commissioner
Nicola Callow, Assembly Commission
Craig Stephenson, Assembly Commission
Dave Tosh, Assembly Commission

Committee Staff:

Bethan Davies (Clerk)
Claire Griffiths (Deputy Clerk)
Joanest Jackson (Legal Advisor)

TRANSCRIPT

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

1.1 The Chair welcomed the Members to Committee. Apologies were received from Ann Jones and from Peter Black for items 1 – 5.

2 Papers to note

2.1 The papers were noted.

2.1 Higher Education (Wales) Bill: Letter from the Minister for Education and Skills (30 June 2014)

2.2 Best Practice Budget Processes Inquiry: Additional Information from CIPFA

3 Assembly Commission Draft Budget 2014–15

3.1 The Committee took evidence from Rhodri Glyn Thomas AM, Assembly Commissioner with responsibility for the Commission's official language functions and policy, legal services and Freedom of Information, Craig Stephenson – Interim Director of Commission Services, National Assembly for Wales and Nicola Callow – Director of Finance, National Assembly for Wales on the Assembly Commission Draft Budget 2014–15.

4 Assembly Commission Draft Budget 2014–15

4.1 The Committee took evidence from Peter Black AM, Assembly Commissioner with responsibility for ICT, broadcasting and e–democracy; the Assembly estate and sustainability, Dave Tosh – Director of ICT, National Assembly for Wales and Nicola Callow – Director of Finance, National Assembly for Wales on the Assembly Commission Draft Budget 2014–15.

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

5.1 The motion was agreed.

6 Gender–based Violence, Domestic Abuse and Sexual Violence (Wales) Bill: Financial Implications of the Bill

6.1 Members considered the briefing paper on the Gender–based Violence, Domestic Abuse and Sexual Violence (Wales) Bill and agreed they would not invite the Minister for Local Government and Government Business to answer questions on the financial implications of the Bill at this stage but would write to her seeking clarification on a number of issues.

6.2 The Chair agreed to write to Christine Chapman AM, Chair of Communities, Equalities and Local Government Committee (CELG) advising that Finance Committee

does not wish to invite the Minister to Committee at this stage but would welcome updates on the financial implications of the Bill.

7 The Well-being of Future Generations (Wales) Bill: Financial Implications of the Bill

7.1 Members considered the briefing paper on the the Well-being of Future Generations (Wales) Bill and agreed that they would not invite the Minister for Communities and Tackling Poverty to answer questions on the financial implications of the Bill but would write to him seeking clarification on a number of issues.

7.2 The Chair agreed to write to Alun Ffred Jones AM, Chair of Environment and Sustainability Committee (ESC) advising that Finance Committee does not wish to invite the Minister to Committee at this stage but would welcome updates on the financial implications of the Bill.

8 Best Practice Budget Processes Inquiry: Consideration of the draft report

8.1 The Committee considered and agreed the draft report subject to a few minor changes and noted that it will be published on 24 July.

Agenda Item 2.1

Pwyllgor Cyfrifon Cyhoeddus
Public Accounts Committee

Cynulliad
Cenedlaethol
Cymru
National
Assembly for
Wales



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

30 July 2014

Dear Jocelyn,

At its meeting of 15 July, the Public Accounts Committee noted the Finance Committee's report into Higher Education Funding, which was published in May.

The Committee believed you might find the attached letter from the Auditor General for Wales of interest as you maintain a watching brief on Higher Education Funding. In his letter, the Auditor General reflects on the Welsh Government's response to his November 2013 report on Higher Education Finances. You will note that, while the Welsh Government accepted the report's six recommendations that applied to them, the Public Accounts Committee has not yet received a response from HEFCW on two recommendations relating to their 'risk review' process and their role in identifying, disseminating and promoting good practice.

Yours sincerely,

Darren Millar AM
Chair

Bae Caerdydd
Cardiff Bay
CF99 1NA

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E-bost / Email: PublicAccounts.Committee@Wales.gov.uk

Croesewir gohebiaeth yn y Gymraeg a'r Saesneg/We welcome correspondence in both English and Welsh

Mr Darren Millar AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Date: 9 July 2014
Our ref: HVT/2179/fgb
Page: 1 of 3

Dear Darren

HIGHER EDUCATION FINANCES

I am writing with regard to the Welsh Government response to my November 2013 report on *Higher Education Finances*. To help inform any further action by the Committee, I have also provided below an update on the Welsh Government commissioned work referred to in my report that was still on-going when I and Wales Audit Office staff briefed the Committee in January 2014.

Commissioned work on the processing of student finance applications and related data matching

As noted in my *Higher Education Finances* report (paragraphs 2.35-2.41), the Welsh Government had commissioned further work by the Wales Audit Office to review the operation of controls in relation to student finance applications at nine local authorities. That work followed on from a 2012 review of controls at four other local authorities. The latest report found that, since the 2012 review, the Welsh Government has improved aspects of its oversight and control of student finance, although a small number of significant weaknesses remain in the overall system of control operated collectively by the Welsh Government, Student Loans Company and local authorities. The report and the Welsh Government's response to its recommendations have been considered by the corporate governance committee for the Department for Education and Skills.

Wales Audit Office staff have also been facilitating a data matching exercise, the aim of which was to explore the use of data matching work to address potential control weaknesses in the assessment of applications for student finance, particularly in respect of the Tuition Fee Grant. The data processing itself was undertaken by the Audit Commission. Wales Audit Office staff have provided the Welsh Government with a summary of the findings from this work which covered three pilot local authority areas (Cardiff, Swansea and Wrexham). The work involved the matching of address details for students applying for student support with electoral data. The aim of this exercise was to

identify any anomalies between the data sets which could have arisen due to fraud or error (whilst accepting that timing differences may also be a source of anomalies). The exercise aimed to identify negative matches: those students who had applied for student finance via a Welsh local authority, but did not appear on the latest electoral data for Wales. For all of the negative matches, the process also identified from the electoral data, whether or not there was someone else living at the address with the same family name.

Wales Audit Office staff risk-assessed the data matching results and gave the three local authorities guidance to support their follow-up investigations. The local authorities indicated to Wales Audit Office staff that they had largely been able to obtain evidence to demonstrate that applicants were eligible for the Tuition Fee Grant (where negative matches had been identified). However, Wales Audit Office staff recommended to the Welsh Government that it should seek assurance from the local authorities on the eventual outcomes of their investigations and the evidence that they obtained in undertaking their investigations.

Welsh Government response to my *Higher Education Finances* report and further action by the Committee

At the time of writing this letter, I understand that the Committee has not yet received a response from HEFCW to recommendations 7 and 8 in my report. Those recommendations related to HEFCW's 'risk review' process and to HEFCW's role in identifying, disseminating and promoting good practice.

The Welsh Government has responded positively to the recommendations in my report. The Welsh Government has indicated that it accepts all six of the recommendations that were directed at it. However, it would have been helpful if the Welsh Government could have set out more clearly the likely timetable for discharging the actions that it has set out in response to recommendations 5 and 6, particularly given the time that has already passed since my report.

When the Committee discussed my report in January 2014, it noted the on-going Finance Committee inquiry on *Higher Education Funding*. The Finance Committee's report covers some similar ground to my report and I am aware that the Finance Committee report has recently been the subject of a plenary debate. Added to which, there is the on-going work of the '*Review of Higher Education Funding and Student Finance Arrangements in Wales*' and an expectation that the National Assembly will, as part of its regular budget scrutiny, have an opportunity to keep track of the financial implications of the current tuition fees policy. I have also written recently to the Children and Young People Committee to draw attention to issues arising from my report, and the Welsh Government's response to it, that are relevant to that Committee's scrutiny of the Higher Education (Wales) Bill.

In January 2013, we noted that one of the issues arising from my report that appeared to have been covered in less detail by the Finance Committee concerned the arrangements for the valuation of the student loan book and annual loan policy write-off charges (paragraphs 2.7 to 2.11). However, the Finance Committee's report does include a section on the student loan book and many of the related issues have also been covered by the Westminster Public Accounts Committee's February 2014 report on *Student Loan Repayments*, which followed a National Audit Office report on the same subject in November 2013. The planned consideration of the Welsh Government's 2013-14 consolidated accounts should provide an opportunity for your Committee to follow up these issues from a Welsh Government perspective.

The other issue that we highlighted to the Committee in January 2014 was the Student Finance Wales modernisation project (paragraphs 2.26 to 2.34 of my report). That project will see the Student Loans Company take on the processing of student finance applications for all new and returning students for the 2015/16 academic year, having taken on the applications for new students only in 2014/15. The Children and Young People Committee had expressed some concern about these changes when reporting on the Further and Higher Education (Governance and Information) (Wales) Bill in July 2013.

The Welsh Government responses to recommendations 2 and 4 in my report are both relevant to the Student Finance Wales modernisation project. As noted in the report (paragraph 2.38), the adequacy of controls around Tuition Fee Grant payments is material to my opinion on HEFCW's financial statements. The Wales Audit Office team that audits HEFCW's accounts is likely to be undertaking further work during 2014-15 to seek assurances about the robustness of the Student Loans Company's own processing of student finance applications. The specification for, and costing of, the new centralised student finance Wales service had not been finalised at the time of my report, but these costs and potential future savings are another issue that could be explored as part of scrutiny of the Welsh Government's budget.

I hope that this letter is helpful to the Committee.

Yours sincerely



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

Agenda Item 2.2



Bethan Davies, Clerk
Finance Committee
National Assembly for Wales
Cardiff Bay, Cardiff
CF99 1NA
FinanceCommittee@wales.gov.uk

31 July 2014

Dear Bethan

HE (Wales) Bill

Please could you pass our comments on to the Finance Committee relating to the above Bill, in the hope that they are of use in identifying the key outstanding issues relating to the financial implications of the Bill in so far as we can assess them at this stage. We would like to thank the Committee in seeking further information and clarity over the costings provided. At this stage the issues which the Committee may wish to consider further, or seek clarification on, are as follows:

- *Regular and recurrent costs of implementation.* The Welsh Government identifies recurring costs of around £1.6m p.a. for regular tasks of which £363k is identified as additional cost. The Explanatory Memorandum appears to confirm that there was no consultation with the sector on these costings and the cost estimates for institutions rely on the 'sense-checking' by Welsh Government officials only (Explanatory Memo, Annex A paras 333-35). The further information provided by the Welsh Government to the Finance Committee is helpful in understanding the how the cited figures were reached, but lacks detail on the salary assumptions used or where the additional costs have been assumed at this level. HEFCW, in its submission, estimated costs at one additional relatively senior member of staff per university which appears to be a significantly higher estimate of the additional costs for universities than estimated by the Welsh Government. We would welcome further comment on the difference in these estimates.
- *Exceptional costs.* The Explanatory Memorandum provides estimates of exceptional costs relating to sanctions which would only be incurred when compliance activity is triggered (paras 245-5), and models two potential scenarios on this basis. It does not appear that the costs of litigation have been adequately included, however. The further information provided by the Welsh Government in their letter to the Finance Committee clarifies that the costings

assume a number of days of specialist staff time (costed at an institutional rate) relating to sanction/compliance costs for institutions (18 by our count), of which only some would be additional (it is not clear how many). From this it appears that the exceptional costs do not include the costs of commissioning legal advice and/or litigation costs, or these cost estimates are significantly lower than we may have expected. On the face of it this looks like a serious omission in the costings and we would welcome further clarification on this.

- *Other compliance costs.* HEW has also drawn attention to the fact that the Bill, as it stands, enables the Welsh Government and/or HEFCW to impose financial requirements or requirements with a financial impact which do not relate either to grant funding or fee grant payments. Under current legislation, the Welsh Government/HEFCW may not set terms and conditions which relate to income/grant which does not come from the Funding Council. The Bill could mean that the Welsh Government/HEFCW set requirements that universities have to fund from other sources and is effectively an additional cost for universities: there is a risk that in future policy requirements have financial consequences for universities without the corresponding public funding to support it. This heading of potential costs is not dealt with by the Bill and we would welcome clarity on how the Welsh Government intends to ensure that there will be no additional costs for universities under this heading in future if that is the Welsh Government's assumption.
- *Major contingent costs.* In addition, it is noted that the Bill does not deal with the financial implications in the event that the Bill compromises charitable status/duties or universities classification for purposes of national accounting, or the damage to the business and financial interests of universities arising from the actual or apparent erosion of financial autonomy, as outlined in our submission to the Children Young People & Education Committee (see the appended extract). Para 227 of the Explanatory Memorandum states that the Welsh Government discounted some of the benefits in the light of risks identified in the consultation responses relating in particular to the 'breach of institutional and academic autonomy with unintended consequences and that direct funding and control would risk HEIs in Wales being reclassified as part of the public sector'. The paragraph states that benefits are discounted in Option 3 (see paras 272-282) – but they are not mentioned there, and the benefits are not quantified in any way. We would welcome any figures relating to discounting of benefits under this heading. These potential major costs appear not to have been included in the costings presented.
- *The cost of providers other than existing universities becoming regulated institutions.* The Welsh Government's costings are based on the assumption that the existing universities in

Wales will become regulated institutions only. They do not include costs relating to other potential regulated institutions. The Explanatory Memorandum (EM, para 240) also assumes no additional costs in tuition fee grants and loans arising from the Bill. Are these realistic assumptions? If providers other than universities become regulated institutions their courses would automatically qualify for student support and this could have a significant impact on the student support budget. It could also, as current arrangements stand, have a significant financial implication for existing universities since fee grant payments are paid from HEFCW's budget. We would welcome further scrutiny of these assumptions.

- In particular, we understand that the Bill is designed to allow further education institutions (among others) to become regulated institutions. We would welcome the Committee seeking to clarify the Welsh Government's assumptions on this. How far could this lead to an increase of students eligible to receive student support? What mechanisms would be in place to control student numbers if necessary (there are none included in the Bill). If there is a potential increase in student support and fee grant costs, how will this increased cost be met?
- *Costs relating to HEFCW's regulation of providers who are not 'regulated institutions' with an approved plan.* Under the Bill only regulated institutions would be covered by HEFCW's statutory duty to assess the quality of education. However, the Explanatory Memorandum suggests (although we have queried this) that HEFCW could maintain quality assessment arrangements for part-time only providers through terms and conditions of funding 'because HEFCW will continue to pay some recurrent funding to institutions for part-time courses for the foreseeable future' (EM, para. 112). What are the Welsh Government's assumptions about HEFCW's available budget for the foreseeable future, the sums required to meet this commitment, and how will the Welsh Government ensure that this commitment can be met in the light of the above points?
- Will a similar commitment be needed to enable HEFCW to make quality assurance arrangements for postgraduate only providers in future? It is noted that although part-time only providers may potentially be brought within the new regulatory framework in future, postgraduate provision cannot be included in the list of qualifying courses covered by the fee and access plans i.e. postgraduate only providers cannot be later included.
- *Costs arising from revisions to HEFCW's quality assurance duty.* An issue raised with the Welsh Government is that the new duty to assess the quality of education appears to extend to all education provided by a regulated institution, not just higher education. It is not yet

clear whether this is intentional or not. In the case of further education colleges or other providers with significant provision at levels lower than HE, this duty could be significant (and conflict with the statutory duties of other bodies). We would welcome greater clarity on the cost implications of this.

- *Impact on HEFCW budget available for grant funding.* More generally we would welcome clarification on how the Welsh Government intend to ensure that there is enough funding in HEFCW's budget for research or other strategic priorities (including support for expensive and strategic subjects) as a result of the regulatory changes in light of the above. Would HEFCW be expected to make fee grant payments in relation to students on courses designated on a case-by-case basis? If so, how could it control its budget? How would the costs fall between the Welsh Government, HEFCW and universities?
- *Financial implications for regulated institutions compared to unregulated institutions.* The Explanatory Memorandum states that the Welsh Government assumes that all existing universities would wish to become regulated institutions under the Bill proposals – and this has been our assumption so far too. However, the key benefit identified for institutions in return for accepting greater regulation is that their students would be eligible to receive the grant element in addition to the loan element of student support. The grant element, however, is paid from the budget that HEFCW has available for making grants to higher education. Does this not mean that there is no net financial advantage for universities becoming regulated institutions, compared to seeking designation of all courses on a case-by-case basis? Clarity is needed over how this would operate in order to assess the costs and impact of the proposals.

Finally we note that, in so far as we were aware, there was no consultation with the sector on these costings, and the costings for institutions rely on the 'sense-checking' by Welsh Government officials only (Explanatory Memo, paras 333-35). We query whether the Welsh Government has been able to set out its best estimates as required by standing orders without any consultation with the sector, and hope that these issues can be clarified.

Yours sincerely

Ben Arnold
Policy Adviser

Extract from HEW's submission to the Children Young People & Education Committee:

37. The costs for the sector may largely depend on the further regulations and exercise of the HEFCW's powers. There will undoubtedly be an additional administrative cost for both HEFCW and universities anticipated as result of this Bill. Since the new regulatory framework would rely on enforcement through legal action we would also expect there to be significant costs for the Council and sector arising from increased litigation.
38. The Bill includes several new powers to allow the Welsh Government and/or HEFCW to determine and enforce spending requirements. These are not limited to income derived from the Funding Council, or additional income received from regulated fees. Where powers are used to direct university spending which does not relate to the use of grant or regulated fee income, this would represent additional cost to the sector which must be met from other sources. There is a clear danger that the Bill could be used to enforce policy on universities, at the expense of other activities, without proper financial support.
39. The new powers to direct income could also seriously damage the business and financial interests of universities. Investors, contractors and bankers need to be confident in universities ability to determine their own financial and corporate affairs. There is evidence in Wales to suggest that any questions regarding this could significantly damage universities ability to compete for business and research contracts and research council income, to enter partnerships and agreements, to obtain banking covenants or to attract investment more generally.
40. As it stands our advice is that the Bill and its subsequent regulations could lead to the breach of the charity duties of university governors, leading to their personal financial liability should their institution apply to become a regulated institution. The wider financial and reputational impact on universities would be critical to their continuation.
41. In the case of reclassification of universities to central government for purpose of national accounting we would expect there to be significant consequences for the DfES budget, which in turn would have serious implications for the sector – in particular surpluses and losses would become Welsh Government funds and would have to be managed within their overall budget. If universities lost NPISH status and became part of the public sector then it would also be necessary for the universities affected to conduct a comprehensive review of all their contracts and legal agreements with third parties. Particular areas of concern include: employment arrangements and collective employment agreements; banking covenants to ensure there is no

breach of covenant; and representations and warranties as to a university's legal status in commercial agreements, and joint ventures.

42. It is not clear whether these have been identified or included in the costs set out in the Explanatory Memorandum. In general, we note that we do not understand the costs presented in the Explanatory Memorandum. We are not aware of any engagement with universities in their preparation. We are uncertain whether HEFCW has been appropriately involved but would regard HEFCW as the most appropriate body to comment on the costs as shown. We would welcome the Finance Committee scrutinizing these further to clarify what these costs refer to and how they were calculated in producing a Stage 1 report.

Agenda Item 2.3

Jane Hutt AC / AM
Y Gweinidog Cyllid
Minister for Finance



Llywodraeth Cymru
Welsh Government

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

5 August 2014

Dear Jocelyn,

As in previous years and in line with my commitment to good practice and transparency I have produced a written report to the Finance Committee on 2013-14 final outturn against spending plans which is attached.

The Welsh Government's Consolidated Annual Accounts for 2012-13 were published on 5 August 2014 and so the figures provided in the report are audited.

The final Ambit outturn for 2013-14 is £13,929.6 million, an underspend against the Welsh Government Budget of £85.2 million which represents a 0.6% variance.

The report and supporting annexes provide a summary of expenditure by portfolio, variations compared to the budget, an explanation of significant variances and details the Welsh Government underspends which will be carried forward into the current year under 'Budget Exchange'.

Best wishes,

A handwritten signature in black ink that reads "Jane".

Jane Hutt AC / AM
Y Gweinidog Cyllid
Minister for Finance

1. Introduction

1.1 This report has been produced in accordance with the protocol endorsed by the National Assembly for Wales on 21 March 2012 regarding changes to the Budget motion and their impact on the in-year Budget cycle.

1.2 As part of the protocol the Welsh Government agreed:

In line with the Welsh Government's commitment to working openly and transparently, the Welsh Government will provide a written report to the Committee on final outturn. The report would include a comparison with the spending plans set out in the last Supplementary Budget of the year and an explanation of significant variations.

1.3 This report addresses that commitment for the financial year 2013-14.

1.4 The Second Supplementary Budget for 2013-14, was approved by the National Assembly on 11 March 2014. The final outturn follows publication of the Welsh Government's Consolidated Annual Accounts on 5 August 2014. See the attached internet link:

<http://wales.gov.uk/about/civilservice/how-we-work/facts-figures/ourfinance/welsh-government-consolidated-accounts/welsh-government-annual-accounts-2013-2014/?lang=en>

1.5 The outturn is reported on the basis of the Welsh Government budget structure in force at the time.

2. Main Expenditure Group Outturn 2013-14

- 2.1** The Consolidated Accounts of the Welsh Government were laid before the Assembly on 30 July 2014. These audited accounts contain a Summary of Resource Outturn against the control totals approved in the Second Supplementary Budget motion of 2013-14 (the 'Ambit').
- 2.2** This report provides details of outturn against the controls operated and enforced by HM Treasury. These administrative budgets are detailed in the documentation and tables which supported the Second Supplementary Budget (<http://wales.gov.uk/funding/budget/2nd-supplementary-budget-2013-2014/?lang=en>).

Departmental Expenditure Limit (DEL) Outturn

- 2.3** The Welsh Government's audited DEL outturn is £15,733.4 million. This is an underspend against the budget as agreed in the Second Supplementary Budget of £32.4 million.
- 2.4** Included in the results is an underspend of £13.4 million against the Fiscal Resource budget (near cash revenue). There is also an underspend of £8.8 million on the Capital budget. The outturn represents an underspend of 0.1% against Fiscal Resource and 0.7% Capital. The Non Fiscal Resource budget (non cash) is underspent by £10.2 million.
- 2.5** Underspends of greater than 1% of departmental DEL and above a de-minimis level of £0.5 million and *any* overspends are explained below. A breakdown of the outturn by MEG is provided in Annex 1.

Fiscal Resource

- 2.6** There were underspends on all MEGs the most significant of which was on the Communities and Tackling Poverty MEG.

2.7 The underspend on the Communities and Tackling Poverty MEG was a combination of claw-backs from prior year grant certification work, project delays due to complexity of establishment and operation of new schemes, recruitment issues across the public and third sector due, primarily, to concerns over continuity of posts and some optimistic expenditure forecasts from some delivery bodies. Lessons have been learnt from the issues arising and an action plan has been put into action to mitigate events recurring in 2014-15 and future years.

Capital

2.8 All MEGs reported underspends. The most significant of which were in respect of the Communities and Tackling Poverty and Natural Resources and Food MEGs.

2.9 There was an underspend of £1.2 million reported against the Communities and Tackling Poverty MEG. There were a number of large and complex Flying Start settings which encountered planning and construction problems towards the year end, leading to slippage in development and completion of the schemes.

2.10 The underspend on the Natural Resources and Food MEG of £5.6 million includes £5 million agreed in principle to be carried forward to 2014-15 through the budget exchange mechanism. The funding is in respect of Local Authority capital flood works which suffered slippages due to the severe weather storms last Winter.

Non Fiscal Resource

2.11 There were underspends on all MEGs apart from Education and Skills which overspent.

- 2.12** The underspend on the Health and Social Services MEG was £20.5 million. The budget covers depreciation charged against assets held by NHS bodies. These charges are dependent on asset valuations which can fluctuate from year to year as a result of economic factors. As a result they are difficult to forecast. The NHS Estate Valuation of 2012/13 resulted in a favourable outturn in 2013-14 financial year.
- 2.13** The underspend on the Economy, Science and Transport MEG of £12.3 million relates primarily to depreciation charges for the motorway and trunk road network (there is a small element in respect of infrastructure assets). The depreciation charge is dependent upon the results of an annual road condition survey and the value of Welsh Government capital maintenance investment. The budget allocation is set at a predicted level based on historic trend although the charges will vary year on year following the results of the independent assessment of the network condition.
- 2.14** The Education and Skills MEG reported an overspend of £25.6 million, which reflects the final statement on student loans submitted by SLC on 14 April. The overspend is due to identification of an error in the student finance model ('HERO') which was identified following a comprehensive year end check. The correction increased the annual 'write off' charge which was not previously forecast.
- 2.15** The £1.2 million variance on Housing and Regeneration non-cash relates mainly to a credit of £1 million reflecting an increase in the carrying value of the Welsh Government's investment in the Regeneration Investment Fund for Wales (RIFW). This was an adjustment carried out after the year end based on the RIFW final audited accounts. As the amount of the adjustment could not be foreseen prior to this time, no budgetary provision was made for it in the Second Supplementary budget 2013-14.

2.16 The underspend on Central Services and Administration of £1.6 million arose principally because an impairment charge in respect of ex-Welsh Development Agency properties. The charge of £1 million was budgeted to fall within the MEG but correctly sat within the Economy, Science and Transport MEG.

Annually Managed Expenditure (AME) Outturn

2.17 HM Treasury recognise the volatility and demand led basis of certain programmes and the resultant difficulty in estimating costs over a period of time. As a result these programme budgets are managed on an annual basis and funding cover is generally provided. Examples include asset impairments, student loans issued and repaid, housing revenue account subsidy and pension valuations of sponsored bodies. The Welsh Government are unable to recycle underspends against AME programmes.

2.18 Annex 2 to this report provides a summary of outturn against Annually Managed Expenditure (AME) Budgets.

3. Budget Exchange System

3.1 In the Second Supplementary Budget for 2013-14, the Welsh Government reported Fiscal Resource DEL reserves of £50.8 million and Capital DEL reserves of £7.8 million. We also planned to carry forward both these reserves and any underspends up to the agreed caps under Budget Exchange. The caps are set at 0.6% of Resource DEL and 1.5% of Capital DEL (although financial transactions within the Capital DEL have a cap of 20% in 2013-14).

3.2 Table 1 illustrates the final reserves position. The balances to be carried forward for the Welsh Government will be £64.2 million Fiscal Resource, £18.5 million Non-Fiscal Resource and £16.5 million Capital which are within the Treasury limits.

Table 1 Carry forward resulting from Welsh Government outturn

	Fiscal Resource £000	Non Fiscal Resource £000	Capital £000
Reserves as per Second Supplementary Budget 2013-14	50,771	51,088	7,750
2013-14 Underspends	13,446	10,221	8,763
Balance to be carried forward to 2014-15	64,217	18,460¹	16,513
<i>Treasury Budget Exchange Limits</i>	<i>82,677</i>	<i>4,919</i>	<i>34,880²</i>

3.3 The balance to be carried forward will be affected by the outturns of the other bodies funded from the Welsh DEL i.e. the National Assembly for Wales Ombudsman, the Public Services Ombudsman for Wales and the

¹ In the event that the limit for Fiscal Resource DEL carry forward is not fully utilised the balance can be used to carry additional Non Fiscal Resource DEL forward up to the overall cap on the Fiscal Resource DEL.

² The capital limit is made up of £18.8m traditional and £16.1m financial transactions.

Auditor General for Wales. The figures will be revised if necessary following the publication of their audited accounts.

- 3.4** The adjustments to our baseline to reflect the final amount carried forward outlined above will be made later in the financial year through the UK Supplementary Estimate process and will feature in the Second Supplementary Budget for 2014-15.
- 3.5** Allocations were made in the First Supplementary Budget of 2014-15 of £29.5 million from the Fiscal Resource reserve and £18 million from the capital reserve.

Annex 1 – DEL Outturn 2013-14

Main Expenditure Group	Supplementary Budget			Outturn			Underspends / Overspends (-)		
	Fiscal Resource £000	Non Fiscal Resource £000	Capital £000	Fiscal Resource £000	Non Fiscal Resource £000	Capital £000	Fiscal Resource £000	Non Fiscal Resource £000	Capital £000
Health & Social Services	5,973,197	168,100	240,821	5,972,576	147,554	240,784	621	20,546	37
Local Government	4,705,014	150	22,920	4,704,852	140	22,757	162	10	163
Communities & Tackling Poverty	175,891	0	27,200	169,714	0	26,045	6,177	0	1,155
Economy, Science & Transport	414,288	128,491	360,626	410,283	116,204	359,681	4,005	12,287	945
Education & Skills	1,531,426	436,931	202,134	1,531,341	462,560	202,058	85	-25,629	76
Natural Resources & Food	295,850	8,826	102,316	294,321	8,715	96,682	1,529	111	5,634
Housing & Regeneration	172,593	0	331,725	172,459	-1182	331,500	134	1,182	225
Culture & Sport	121,341	3,677	15,084	121,247	3,562	14,939	94	115	145
Central Services & Administration	285,120	18,500	23,642	284,481	16,901	23,259	639	1,599	383
TOTAL	13,674,720	764,675	1,326,468	13,661,274	754,454	1,317,705	13,446	10,221	8,763

Annex 2 – AME Outturn 2013-14

Main Expenditure Group	Supplementary Budget			Outturn			Underspends / Overspends (-)		
	Fiscal Resource £000	Non Fiscal Resource £000	Capital £000	Fiscal Resource £000	Non Fiscal Resource £000	Capital £000	Fiscal Resource £000	Non Fiscal Resource £000	Capital £000
Health & Social Services	0	159,336	0	-79,344	200,192	0	79,344	-40,856	0
Local Government	18,507	0	0	18,507	0	0	0	0	0
Economy, Science & Transport	0	47,362	0	0	17,698	0	0	29,664	0
Education & Skills	0	-98,456	340,323	0	-84,560	305,838	0	-13,896	34,485
Natural Resources & Food	0	3,600	0	0	0	0	0	3,600	0
Housing & Regeneration	-73,000	0	0	-72,790	0	0	-210	0	0
Culture & Sport	0	2,740	0	0	0	0	0	2,740	0
Central Services & Administration	0	1,473	0	-1,010	0	0	1,010	1,473	0
TOTAL	-54,493	116,055	340,323	-134,637	133,330	305,838	80,144	-17,275	34,485

Agenda Item 2.4

Lesley Griffiths AC / AM
Y Gweinidog Llywodraeth Leol a Busnes y Llywodraeth
Minister for Local Government and Government Business



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: LF/LG/0800/14

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

29 August 2014

Dear Jocelyn,

GENDER-BASED VIOLENCE, DOMESTIC ABUSE AND SEXUAL VIOLENCE (WALES) BILL – FINANCE COMMITTEE – REQUEST FOR FURTHER INFORMATION

Thank you for your letter of 29 July 2014, requesting further clarification on the financial implications of the Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill ("the Bill"), which the Finance Committee is currently scrutinising. My views in reply to each point you have raised are provided at Annex A.

My vision for this Bill is in the future victims of gender based violence, domestic abuse and sexual violence will no longer be negotiating difficult care pathways and will be able to access a service which can help them. A victim will also be able to receive services from a skilled, aware workforce, who will respond effectively and engage specialist support quickly. I also want a victim to access services which are of the same quality, no matter where delivered and these services will form part of a collaborative partnership of professionals who can cater to all of a victim's needs.

I trust this additional information will assist Members in their scrutiny of the Bill, however, please do not hesitate to contact me should you have any further queries or require any further information on any aspect.

I am also sending a copy of this letter to Christine Chapman AM, Chair of the Communities, Equality and Local Government Committee.

Regards,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Lesley Griffiths AC / AM

Y Gweinidog Llywodraeth Leol a Busnes y Llywodraeth
Minister for Local Government and Government Business

Annex A

Point 1 - Additional funding in the Welsh Government budget

Given that the additional costs to the Welsh Government for each year from 2015-16 to 2017-18 range between £0.4 million and £0.5 million, it would be helpful to have clarity on whether the additional funding allocated is sufficient to meet the requirements of the legislation, particularly given that the implementation of the Act is anticipated to lead to a further increase in the number of clients accessing public and specialist services, and possible additional costs in excess of those included in the RIA.

For 2014-15, I increased the budget to £4 million, an increase of £0.33 million. I have also made available £500,000 this year in capital funding to build the necessary infrastructure and support service providers. Whilst still subject to the current draft budget process, I hope to at least maintain, if not increase, the budget again for the next financial year.

The cost of delivering the National Training Framework and the Healthy Relationship programme are already accounted for within the existing budget and are not, therefore, additional costs. The cost of the Ministerial Adviser will amount to an additional cost of £92,500 in 2015-16 and thereafter £81,000 per annum, as set out in the RIA (page 47). I am seeking additional resources to cover this.

More generally, I am very aware an increase in referrals is probable as a result of the . Legislation. An increase in referrals and interventions may lead to increased demand and, therefore, a cost to Public Services. However, this increased cost is far outweighed by the decrease in the human and emotional costs of the issues and the decrease in the cost of lost economic output.¹ The development and increased utilisation of Public Services has also been credited in part, with contributing to a decrease in the amount of domestic violence.

Previous research would indicate improved work within the Public Service should provide a reduction in the total cost of domestic violence over a relatively short period of time, which will outweigh the costs of increased disclosures. Walby's² 2009 update (from 2004 research), showed the total cost of domestic violence alone had fallen by £23 billion to around £16 billion per year. This decrease had been partly achieved by the development and increased utilisation of Public Services. She concluded investment in Public Services to reduce domestic violence is cost effective.

I am reviewing the current funding structure to identify the most appropriate model going forward from the second half of 2015-16. The absolute priority for me is ensuring resources are directed in the most appropriate way, to ensure effective services are supported and available to those who need them, when and where they need them.

¹ It is also likely this decrease is an under-estimate as it refers only to domestic violence and not other forms of gender-based violence such as sexual violence, Forced Marriage or Female Genital Mutilation.

² Walby, S., *The Cost of Domestic Violence: Up-date 2009*.

Point 2 - Costs associated with Local Government reorganisation

It would be beneficial to know whether newly merged local authorities would be required to produce new strategies, and what assessment of the potential costs of this before 2017-18 has been made.

As the Committee will be aware, at the point of publishing the Bill and RIA (as part of the Explanatory Memorandum), we had not published the 'Reforming Local Government' White Paper. The White Paper is currently subject to a 12 week consultation ending on 1 October and will result in a Bill to provide the powers necessary to enable mergers to take place in a coherent and planned way, for introduction into the Assembly early next year.

It is, therefore, premature to produce potential costs for a Local Authority structure which does not yet exist. The costs within the RIA have been, and could only be, based on the current 22 Local Authorities. However, as highlighted in your letter, the total cost of the development of Local Strategies may well be less if, as is likely, there are fewer individual authorities incurring costs and this would likely provide a longer term saving.

The RIA also provided an estimated cost of £8,300, split between the Local Authority and the Local Health Board, for the development of a local Strategy. These costs are unlikely to change whatever the structure of Local Authorities in Wales.

As set out in the White Paper, subsequent legislation to merge and reform Authorities is not planned for introduction before May 2016. However, I intend in the autumn of 2015, to publish, for consultation, a draft Bill explaining how the mergers will work, including provisions to enable the wider reform which I have already outlined.

I recognise further consideration will need to be given to the requirement on Local Authorities and Local Health Boards to publish their first local strategies no later than one year after the date on which the first Local Government elections are held after commencement.

Point 3 - Statutory guidance

It would be useful to understand whether the Welsh Government is able to update the Committee on the areas it intends to issue guidance on, and whether there will be any additional costs associated with this.

The guidance power provided by section 12 of the Bill is deliberately broad. Guidance may be issued in relation to any function exercised by a relevant authority which could contribute to the pursuit of the purpose of the Act.

As I explained in my evidence to the Communities, Equalities and Local Government Committee on 17 July, given the broad nature of the power it is not possible, or advisable, to list what guidance may or may not be required over the coming years. The Bill has been drafted to ensure future Governments can respond appropriately and pro-actively to emerging need, legislative changes and practice, through appropriate issuing of guidance.

Rather than limiting the potential guidance by trying to list matters exhaustively on the face of the Bill, the approach I have taken creates greater scope for flexibility and the opportunity to respond to the needs of victims of gender-based violence, domestic abuse and sexual violence, with well thought out policy, detailed implementation guidance, workable principles and clear outcomes.

I provided the Communities, Equalities and Local Government Committee with three examples of the types of guidance we propose to issue under section 12, namely multi agency collaboration, the National Training Framework and Ask and Act. These are early drafts to assist with consideration of the Bill. The usual engagement and consultation process will continue to be undertaken before any guidance would be issued under section 12.

The immediate plans for additional guidance are on effective commissioning of specialist services and on information sharing. My officials are planning this work now and engaging expert stakeholders. I hope to have drafts available for consultation in early 2015. Thereafter, and if the need is identified, guidance could, for example, be published on awareness raising, to drive much needed cultural change on these issues and the whole school approach, to ensure our young people understand the importance of healthy relationships.

Any additional piece of guidance will require resourcing to some degree. Much of the guidance provided to the Committee was drafted by the Welsh Government, with input from identified experts. Further resource will be targeted at the creation of the commissioning and information sharing guidance, including specialist subject and legal expertise. I expect the costs of the commissioning guidance to be a one off cost of approximately £7,000. I expect the information sharing guidance to require more intensive multi agency and expert input and, as such, the costs will potentially be higher. These costs will be met from my existing budget.

Point 4 - Opportunity costs of National Training Framework and Ask and Act

In order to assess the value for money of this part of the Bill, it would be helpful to ascertain whether any assessment has been made in these areas, and whether the Welsh Government believes that the benefits of this training outweigh the opportunity costs.

The opportunity costs relate to the time commitment of the professionals to complete the relevant level of the National Training Framework (page 39 of RIA). This includes level 2 which is the provision of Ask and Act training (as summarised on page 42 of the RIA).

I am convinced the benefits of this training outweigh the opportunity costs. Expectations of the cost-effectiveness of the model include additional savings associated with reduced costs to the criminal justice system, the economy and in relation to the additional quality of life for those affected by such violence and abuse.

Population-based estimates applied to the Walby report,(referred to above), suggest domestic violence alone costs Wales £303.5m annually – £202.6m in service costs and £100.9m to lost economic output. These figures do not include any element of the human and emotional costs, which the research estimates at an additional £522.9m for Wales. This provides a total figure of £826.4m. Additionally, these figures do not include other forms of gender-based violence and sexual violence which also produce significant human, emotional and financial costs to society. Based on the substantial financial costs of domestic abuse to the economy, Walby argues the additional investment in Public Services to reduce domestic violence to be cost effective.

The estimated additional costs of this Bill are between £1.1m and £2m per annum (as outlined on page 62 of the RIA) during the next four financial years (2015-16 to 2018-19). This is a fraction of the overall costs of gender-based violence, domestic abuse and sexual violence to the country. Whilst it has not been possible to quantify fully the benefits associated with these proposals (there is a dearth of Welsh specific data on the costs of these issues, with the majority of this work related to England and Wales combined), it

follows there would only need to be a relatively small impact on the number and/or severity of such violent and abusive incidents for the benefits of the proposals to outweigh the additional costs.

To put these figures in some context, it is possible to combine Walby's cost data with some Welsh prevalence data to provide some estimates of the costs of specific behaviours to areas of the Welsh public service. I have provided a few examples here, similar extrapolation is possible in relation to many other forms of gender based violence, domestic abuse and sexual violence:

- Taking the 140,000 victims we believe to be suffering domestic abuse each year in Wales, and assuming the lowest estimates of domestic abuse police reporting (23%) and the CPS' charge rate of 65% (reported on 2012-2013), and only applying the costs of prosecuting the lowest level assault charge (section 39 Criminal Justice Act 1988), Walby's estimated costs work indicates this alone costs Wales around £4.5 million per annum.
- Another example relates to sexual violence incidents: 940 acute referrals for rape were accepted into SARCs last year. These are likely to have cost the hospital and ambulance services in Wales £640,000.
- In terms of housing, in Wales last year 22% of accepted homelessness applications (based on vulnerability) were due to domestic abuse. Walby's data, based on just the cost to Local Authority housing teams, indicates the costs of this to be in the region of £5.5 million.
- The cost of a domestic homicide is estimated by the Home Office at over one million pounds: a total of £1,097,330 for each death. According to ACPO Cymru there were 4 domestic homicides in Wales in 2013, which equates to £4.3 million.³

It is not possible to know what proportion of these costs relate to the same people, nor do these estimates include estimates of civil legal or child protection costs or the costs to our mental health and drug and alcohol services. However, I am sure you will agree, these few examples of direct costs to specific services indicate only a small reduction would cover the total costs of the Bill. Indeed, the prevention of two deaths caused by such abuse and violence would also equate to the maximum annual cost of the Bill. Further, the human costs in terms of reducing the significant number of people suffering these issues or being repetitively abused cannot be over-estimated.

The lack of a comprehensive and consistent framework of training in the gender-based violence, domestic abuse and sexual violence field has led to professionals accessing the numerous and varied training courses on offer in many parts of Wales, based on individual interest in this work, rather than any leadership direction to up-skill staff. There is no national, consistent coverage of training on these subjects, the structure of the courses is disparate and the content and quality is variable.

³ These figures assume the lowest level of reporting and the lowest possible offence for which cost data is available. They are estimates which use the Welsh specific data available through the recently published Review of Services (UCLAN) and Stats Wales. The Rape data is sourced, with thanks, from acute referral data provided by Ynys Saf and New Pathways. It is important to note female victims who have suffered severe domestic abuse suffer a mean average of 18 incidents and male victims of domestic abuse an average of 6. (Walby 2004 –based on BCS stats)

This variance of courses on offer, results in difficulty in ascertaining, on a national basis, the current average time commitment of relevant professionals to professional development in respect of gender-based violence, domestic abuse and sexual violence. However, a proportion of the relevant staff will already be committing time to professional development in this area and therefore incurring some of the opportunity costs.

There is currently no mechanism through which these local courses are formally aligned or quality assured nor are they always linked to national or local infrastructure. The creation of the National Training Framework will not only standardise and quality assure the training on these specialist subjects on offer in Wales but will also set this training in the context of national policy supporting the Bill.

Professionals will be able to act quickly and efficiently through simple, accessible care pathways. The outcome of means the time spent completing the training will be offset by the efficiency in which victims will be identified, offered support and referred. The improved consistency of working practice, which will have clear requirements related to the support victims require, will improve local and national performance.

Of course, the benefits of the training are not just financial. A strong and consistent response across a range of agencies is required to improve the perception of those who experience gender-based violence, domestic abuse and sexual violence of the effectiveness of services. This has been made clear in evaluations of multi agency processes (Robinson 2005) and through the service user feedback heard through the 10,000 Safer Lives project. A consistent service offered across the public service, with aligned messaging and care pathways will increase the confidence of clients to engage.

Point 5 - Subordinate legislation

It therefore seems likely that costs associated with the five powers to make subordinate legislation contained within the Bill will be covered by this area; however it would be useful if you could confirm this.

I can confirm the cost of administration associated with the use of the subordinate legislation powers within the Bill (and set out in the Policy Intent statements) will be covered by the Welsh Government within the provided costs of supporting the implementation of the National Strategy within the RIA.

Agenda Item 3

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

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Agenda Item 4

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

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Agenda Item 9

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

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