

## Agenda – Finance Committee

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Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: 19 September 2018

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

[SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

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### Election of a temporary Chair

- 1 **Introductions, apologies, substitutions and declarations of interest**  
(09.00)
- 2 **Paper(s) to note**  
(09.00) (Pages 1 – 3)
  - 2.1 **PTN1 – Letter from the Minister for Children, Older People and Social Care – Inter-Ministerial Group on Paying for Social Care – 26 July 2018**  
(Pages 4 – 8)
  - 2.2 **PTN2 – Letter from the Cabinet Secretary for Finance – Welsh Government First Supplementary Budget 2018–19 – 10 August 2018**  
(Pages 9 – 11)
- 3 **Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting and the meeting on 27 September 2018**  
(09.00)
- 4 **Preparations for replacing EU funding for Wales: Consideration of draft report**  
(09.00–10.30) (Pages 12 – 67)

Paper 1 – Draft report



## **5 Consideration of Tax Statutory Instrument**

(10.30–10.40)

(Page 68)

Paper 2 – The Landfill Disposals Tax (Wales) Act 2017 (Site Restoration Relief) (Amendment) Regulations 2018 – Summary legal briefing

[The Landfill Disposals Tax \(Wales\) Act 2017 \(Site Restoration Relief\) \(Amendment\) Regulations 2018 Explanatory Memorandum](#)

## **6 Senedd@ initiatives**

(10.40–10.45)

(Page 69)

Paper 3 – Letter from the Llywydd – Senedd@ initiatives – 18 July 2018

## **7 The Cost of Caring for an Ageing Population: Consideration of draft report**

(10.45–11.45)

(Pages 70 – 125)

Paper 4 – Draft report

## **8 Approach to scrutiny of the Welsh Government's Draft Budget 2019–20**

(11.45–11.50)

(Pages 126 – 128)

Paper 5 – Approach to scrutiny of the Welsh Government's Draft Budget 2019–20

## Concise Minutes – Finance Committee

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Meeting Venue:

Committee Room 1 – The Senedd

Meeting date: Wednesday, 11 July 2018

Meeting time: 09.01 – 12.13

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4843>

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### Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Jane Hutt AM David Rees AM Mark Reckless AM
Witnesses:	Mark Drakeford AM, Cabinet Secretary for Finance Georgina Haarhoff, Welsh Government Julian Revell, Welsh Government Gerald Holtham
Committee Staff:	Catherine Hunt (Second Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Deputy Clerk) Martin Jennings (Researcher) Joanne McCarthy (Researcher) Gareth David Thomas (Researcher)



## **1 Introductions, apologies, substitutions and declarations of interest**

1.1 Apologies were received from Steffan Lewis AM and Nick Ramsay AM.

1.2 The Chair welcomed Mark Reckless AM who attended as a substitute for Nick Ramsay AM.

## **2 Paper(s) to note**

2.1 The paper was noted.

## **3 The Cost of Caring for an Ageing Population: Evidence session 8 (Cabinet Secretary for Finance)**

3.1 The Committee took evidence from Mark Drakeford AM, Cabinet Secretary for Finance; Julian Revell, Head of Fiscal Analysis; and Georgina Haarhoff, Head of Tax Strategy, Policy and Engagement on its inquiry into the cost of caring for an ageing population.

3.2 The Cabinet Secretary agreed to share details of the five distinct work streams and the terms of reference for the inter-Ministerial group on Paying for Social Care.

## **4 The Cost of Caring for an Ageing Population: Evidence session 9 (Professor Gerald Holtham)**

4.1 The Committee took evidence from Professor Gerald Holtham on its inquiry into the cost of caring for an ageing population.

## **5 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting**

5.1 The motion was agreed.

## **6 The Cost of Caring for an Ageing Population: Consideration of the key issues**

6.1 The Committee discussed the key issues. The draft report will be considered at the next meeting.

## **7 Inquiry into preparations for replacing EU funding for Wales: Key issues**

7.1 The Committee noted the letter from the Cabinet Secretary for Finance and discussed the key issues. The draft report will be considered at the next meeting.

## **8 Consideration of Tax Statutory Instruments**

8.1 The Committee noted the statutory instruments.

## **9 Consideration of forward work programme**

9.1 The Committee considered its forward work programme for the autumn term.

# Agenda Item 2.1



Huw Irranca-Davies AC/AM  
Y Gweinidog Plant, Pobl Hŷn a Gofal Cymdeithasol  
Minister for Children, Older People & Social Care

Llywodraeth Cymru  
Welsh Government

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

26 July 2018

Dear Chair

During his evidence session before the Finance Committee on Wednesday 11 July, the Cabinet Secretary for Finance promised to provide further information on the work streams agreed to take forward the considerations of the Inter-Ministerial Group (IMG) on Paying for Social Care. As the chair of the IMG I thought it was more appropriate if I provided you with this information.

In order to provide the social care policy considerations alongside the financial considerations of a potential social care levy the Cabinet Secretary for Finance has been undertaking, the First Minister asked me to chair a cross-government group. Consequently as my Written Statement of 10 July confirmed, I have established the IMG to provide that input with membership to reflect the intended cross-government focus of this including the Cabinet Secretary for Health and Social Services, the Cabinet Secretary for Local Government and Public Services, the Cabinet Secretary for Finance and the Minister for Housing and Regeneration.

At its first meeting on 27 June the IMG agreed its terms of reference. On the basis of this it then discussed its work programme and agreed this should be taken forward through five distinct work streams. These comprise of one each to consider issues around raising additional finance for social care via a levy, the distribution of the finance raised in this way and the utilisation of the finance to deliver social care priorities. It also consists of a work stream to consider the interface with the UK Government, including how any social care levy would interact with the welfare benefits system, and one to develop a communications strategy to engage with citizens and the social care sector to both inform them of the purpose of this work and to seek their views.

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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.

I have attached a paper which sets out the IMG's agreed terms of reference and which provides more details on each of the work streams agreed. I hope the Committee finds this helpful.

A handwritten signature in black ink, appearing to be 'Huw Irranca-Davies', written in a cursive style.

**Huw Irranca-Davies AC/AM**

Y Gweinidog Plant, Pobl Hŷn a Gofal Cymdeithasol  
Minister for Children, Older People & Social Care

## **INTER-MINISTERIAL GROUP ON PAYING FOR SOCIAL CARE**

### **Terms of Reference**

- to identify and quantify the funding priorities for social care in the medium to long term to deliver sustainable social care in line with Prosperity for All and which support the transformation of social care through the Long Term Plan for Health and Social Care and its delivery under the Social Services and Well-being (Wales) Act 2014;
- to identify the options for funding social care in the future through a social care fund;
- to consider the effectiveness of these options in terms of their income generation, collection mechanisms, viability of operation, acceptability to the sector and public, and their ability to meet the funding priorities identified;
- to identify the options for the return those who contribute to a social care fund would receive as a consequence of their contributions (the “promise” to which Professor Gerry Holtham refers) and the merits of these in terms of their benefit to the individual, their interaction with the arrangements for the provision of and charging for social care, their sustainability, and their acceptability to the sector and public;
- to identify the ways in which the UK Government, the sector and public should be engaged in a dialogue about the potential for a social care fund, and to start such engagement, so as to gauge and influence opinion about the available options and seek a consensus about the way forward;
- to come to a view about whether a social care fund should be established and if so, the basis of this, its timing, and the most appropriate option for raising funding for it.

### **Work Streams**

#### Raising the Finance

- consideration of the options to collect funding and their respective merits, including that proposed by Professor Holtham (e.g. income tax, levy);
- review of the evidence of options used to collect funding in other countries and their merits (eg Japan, Germany);
- consideration of the way in which charging for social care occurs and its implications for future funding.

#### Distributing the Finance

- consideration of the various delivery partners through which funding could be distributed and the merits of using each (e.g. Local Authorities, Regional Partnership Boards);



- consideration of the options by which funding could be distributed to delivery partners and the merits of these (eg RSG, Transformation Fund);
- consideration of the various options by which funding could be provided to the individual and the merits of these.

#### Utilising the Finance

- consideration of the finance required in future to fund the perceived priorities for social care and the new models of social care delivery (eg the future priorities work commissioned from ADSS Cymru and the outcome of the Healthier Wales analysis of future health and social care spending to be commissioned);
- consideration of the future sector investment required to sustain the social care sector;
- consideration of the options as to what the return would be for those who pay a social care levy or tax and the merits of these (the “promise” to which Professor Holtham refers).

#### UK Government Interface

- consideration of the implications arising from the UK Government’s planned Green Paper on social care and the handling of these;
- general liaison with UK Government, including along with Welsh Treasury acceptability of any proposal brought forward to HM Treasury;
- consideration of the implications for welfare benefits in Wales of any proposal brought forward and the handling of these.

#### Communication

- raising awareness of the current system for funding social care, including the chargeable nature of social care;
- raising awareness of the pressures on the Welsh Government’s budget and the challenge this faces in light of the potential increasing demand for social care;
- raising awareness of the way in which a seamless, integrated health and social care system is to be delivered in the future;
- promoting the need for people to take responsibility for meeting their care needs in the future, including the possibility of them making a contribution to the cost of this via a levy or tax;
- seeking views on the options to raise additional funding for social care and the return they might receive as a result of contributing to this (the “promise” to which Professor Holtham refers).



**Mark Drakeford AM/AC**  
Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance

Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref MA – P/MD/2827/18

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

10 August 2018

Dear chair,

Thank you for your Committee's scrutiny of the First Supplementary Budget 2018-19 and the report that followed.

I attach a written response to that report which I hope you find useful.

Yours sincerely



**Mark Drakeford AM/AC**  
Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance

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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.

**WELSH GOVERNMENT RESPONSE TO CONCLUSIONS FROM THE FINANCE COMMITTEE REPORT:  
SCRUTINY OF WELSH GOVERNMENT FIRST SUPPLEMENTARY BUDGET 2018-19**

**AUGUST 2018**

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**Conclusion 1**

**The changes in this supplementary budget are not substantial, however, the Committee valued the opportunity to consider the changes and believes this good practice should continue. The Committee has identified areas where additional information would be helpful at the draft budget stage.**

Supplementary budgets are an important part of the annual financial management process ensuring transparency and accountability of the Welsh Government's spending plans.

It has become the practice to lay two supplementary budgets a year and the Welsh Government expects this to continue.

We are always looking to improve the information we provide as part of the budget process. We will continue to develop our approach to budgeting and will reflect further on the Committee's comments in developing future budgets.

**Conclusion 2**

**The Committee welcomes the approach taken by the Welsh Government in regards to utilising financial transaction capital and would welcome further investigation into innovative and creative means to utilise this funding.**

The Welsh Government is collaborating with its stakeholders to find new and innovative ways to best deploy financial transaction funding to support Welsh priorities, despite its restrictive nature. We continue our dialogue with HM Treasury on how the constraints on usage impact the Welsh budget.

**Conclusion 3**

**The Committee intends to return to consideration of financial transaction capital when considering the draft budget in the Autumn. The Committee requests that detail relating to how financial transactions capital is allocated in the outline and detailed budgets and any repayment commitments should form part of the general summary of Welsh Government debt and repayment schedules provided at the same time as the outline budget.**

The outline draft budget will provide the total amount of financial transaction funding allocated to each main expenditure group (MEG) with the detailed draft budget providing further information specific to each portfolio.

As financial transaction capital is a funding stream from HM Treasury, it is unlike loans from the National Loan Fund, and does not have fixed payment dates; attract interest or penalties. As such we would not consolidate this funding stream alongside Welsh Government borrowing. We will consider the best way to present this information.

#### **Conclusion 4**

**The Committee intends to return to consideration of funding for Health and Social Care when scrutinising the draft budget in the Autumn, particularly in the light of its inquiry into the cost of caring for an ageing population, and requests that additional detail on any further changes to the mechanism for allocating funds to NHS bodies is provided at that stage.**

We await the outcome of the Committee's inquiry into the cost of caring for an ageing population, and will consider the impact any recommendations may have on the mechanism for allocating funds to NHS bodies. Any further changes to the mechanism for allocating funds to NHS bodies, in response to any recommendations arising from this inquiry, will be reported to the Committee.

#### **Conclusion 5**

**The Committee intends to return to consideration of the rail franchise fiscal agreement when considering the draft budget in the Autumn and requests that additional available details on how this agreement influences the 2019-20 and future budgets is provided at that stage.**

We have reached agreement on the fiscal arrangements for the operation of rail services with the UK Government, and will publish that agreement as soon as possible. The Cabinet Secretary for Economy and Transport issued a Written Statement to update Assembly Members on the future railway access charges on 1 June 2018.

#### **Conclusion 6**

**The Committee intends to return to consideration of decarbonisation and the impact of the Well-being of Future Generation (Wales) Act 2015 when considering the draft budget in the Autumn and requests that, in line with previous recommendations draft budgets should demonstrate how decision making is in alignment with well-being goals, meeting Prosperity for All priorities and also decarbonisation.**

We have previously acknowledged that embedding the principles of the Well-being of Future Generations Act in our budget planning would be an evolutionary process and would develop over a number of years. In developing the 2019-20 draft Budget we are working across government to review the alignment of our spending plans to Prosperity for All, Welsh Government well-being objectives and the ways of working. This includes consideration of the three specific areas agreed with the Future Generations Commissioner of which decarbonisation is one.

**Conclusion 7**

**The Committee intends to return to the consideration of issues relating to the long-term affordability of student loan policies when considering the draft budget 2019-20 in the autumn and requests that additional detail is provided at that stage.**

The latest forecasts for student loan liabilities will be included in the 2019-20 draft budget.

The student finance system was recently the subject of a two year independent review which considered, among other things, affordability and sustainability. The recommendations of the review were well received by all stakeholders and the Welsh Government is now in the process of implementing the resulting reforms. Student loan provision is underwritten by HM Treasury, who have approved the funding of the reforms on the basis that our system will continue to be less costly, with respect to student loans, than the UK Government's policies.

# Agenda Item 4

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

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# Agenda Item 5

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# Agenda Item 7

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# Agenda Item 8

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