

Agenda – Finance Committee

Meeting Venue:	For further information contact:
Committee Room 5 – Tŷ Hywel	Bethan Davies
Meeting date: 29 November 2018	Committee Clerk
Meeting time: 09.15	0300 200 6372
	SeneddFinance@assembly.wales

The Committee resolved on 21 November 2018 to exclude the public from the meeting

- 1 Introductions, apologies, substitutions and declarations of interest**
(09.15)
- 2 Paper(s) to note**
(09.15) (Pages 1 – 5)
 - 2.1 PTN1 – Letter from the Cabinet Secretary for Finance: UK Autumn Budget 2018 – Consequentials to the Wales DEL – 19 November 2018**
(Pages 6 – 9)
 - 2.2 PTN2 – Letter from the Assembly Commission: Voluntary Exit Scheme 2018 – 20 November 2018**
(Pages 10 – 11)
 - 2.3 PTN3 – Letter from the Cabinet Secretary for Finance – Vacant Land Tax – 20 November 2018**
(Page 12)
- 3 Mutual Investment Model: Technical Briefing**
(09.15–10.15) (Pages 13 – 15)
Andrew Jeffreys, Director, Welsh Treasury, Welsh Government
Steve Davies, Deputy Director, Innovative Finance, Welsh Government



Paper 1 – Letter from the Chair of the Economy, Infrastructure and Skills Committee – Funding for major infrastructure projects – Mutual Investment Model – 18 October 2018

- 4 Autism (Wales) Bill: Consideration of draft report**
(10.15–10.30) (Pages 16 – 30)
Paper 2 – Draft report
- 5 Public Services Ombudsman (Wales) Bill: Consideration of proposed amendments at Stage 2**
(10.30–11.15) (Pages 31 – 133)
Paper 3 – Public Services Ombudsman (Wales) Bill: Consideration of proposed amendments at Stage 2
- 6 Financial implications of the forthcoming Senedd and Elections (Wales) Bill**
(11.15–11.30) (Pages 134 – 136)
Paper 4 – Financial implications of the forthcoming Senedd and Elections (Wales) Bill
- 7 Funding of directly funded bodies**
(11.30–11.45) (Pages 137 – 146)
Paper 5 – Funding of directly funded bodies
- 8 Consideration of forward work programme**
(11.45–12.00) (Pages 147 – 150)
Paper 6 – Forward work programme: Spring 2019
- 9 The Landfill Disposals Tax (Tax Rates) (Wales) (Amendment) Regulations 2018**
(12.00–12.05)

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Thursday, 15 November
2018

Meeting time: 09.06 – 11.41

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

<http://senedd.tv/en/5140>

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Rhun ap Iorwerth AM Neil Hamilton AM Mike Hedges AM Jane Hutt AM Nick Ramsay AM David Rees AM
Witnesses:	Sophie Howe, Future Generations Commissioner Sara Jones, Wales Retail Consortium Joshua Miles, Federation of Small Businesses (FSB) Cathy Madge, Future Generations Commissioner for Wales
Committee Staff:	Bethan Davies (Clerk) Georgina Owen (Deputy Clerk) Martin Jennings (Researcher)



1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.

2 Paper(s) to note

2.1 The papers were noted.

2.1 **PTN1 – Letter from the Chair of the Petitions Committee – P-05-840 Fair Funding for Neath Port Talbot County Borough Council and all other Local Authorities – 6 November 2018**

3 Welsh Government Draft Budget 2019–20: Evidence session 8 (Economic growth panel)

3.1 The Committee took evidence from Joshua Miles, Policy Manager, FSB Wales and Sara Jones, Head of the Welsh Retail Consortium.

4 Welsh Government Draft Budget 2019–20: Evidence session 9 (Future Generations Commissioner for Wales)

4.1 The Committee took evidence from Sophie Howe, Future Generations Commissioner for Wales and Cathy Madge, Lead Change Maker, Office of the Future Generations Commissioner for Wales.

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 Welsh Government Draft Budget 2019–20: Consideration of evidence

6.1 The Committee considered the evidence received.

7 Wales Audit Office and the Auditor General for Wales's Estimate 2019–20: Consideration of draft report

7.1 The Committee agreed the report with minor changes.

8 Public Services Ombudsman for Wales Estimates 2019–20: Consideration of draft report

8.1 The Committee agreed the report with minor changes.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Thursday, 15 November
2018

Meeting time: 13.36 – 15.29

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

<http://senedd.tv/en/5398>

Concurrent meeting

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Jane Hutt AM Nick Ramsay AM Lynne Neagle AM (Chair) Suzy Davies AM Siân Gwenllïan AM Julie Morgan AM John Griffiths AM (Chair) Jayne Bryant AM Leanne Wood AM
Witnesses:	Ruth Coombs, Equality and Human Rights Commission Professor Sally Holland, Children’s Commissioner for Wales Rachel Thomas, Children’s Commissioner for Wales Mark Drakeford AM, Cabinet Secretary for Finance Julie James AM, Leader of the House and Chief Whip



	<p>Andrew Jeffreys, Welsh Government</p> <p>Paul Dear, Welsh Government</p> <p>Matt Wellington, Welsh Government</p> <p>Anthony Jordan, Welsh Government</p>
Committee Staff:	<p>Llinos Madeley (Clerk)</p> <p>Georgina Owen (Deputy Clerk)</p> <p>Sian Thomas (Researcher)</p> <p>Hannah Johnson (Researcher)</p>

Concurrent meeting of the Finance Committee, Children, Young People and Education Committee and the Equality, Local Government and Communities Committee

1 Introductions, apologies, substitutions and declarations of interest

1.1 Llyr Gruffydd AM, Chair of the Finance Committee, welcomed Members to the concurrent meeting of the Finance Committee, the Children, Young People and Education Committee and the Equality, Local Government and Communities Committee.

2 Welsh Government Draft Budget 2019–20: Impact assessments accompanying draft budgets (Evidence session 1)

2.1 The Committees took evidence from:

- Ruth Coombs, Head of Wales, Equality and Human Rights Commission;
- Professor Sally Holland, Children’s Commissioner for Wales; and
- Rachel Thomas, Head of Policy and Public Affairs, Children’s Commissioner for Wales.

3 Welsh Government Draft Budget 2019–20: Impact assessments accompanying draft budgets (Evidence session 2)

3.1 The Committees took evidence from:

- Mark Drakeford AM, Cabinet Secretary for Finance;

- Julie James AM, Leader of the House and Chief Whip;
- Andrew Jeffreys, Director, Treasury, Welsh Government;
- Matt Wellington, Head of Programme for Government Reporting and Analysis, Welsh Government;
- Paul Dear, Head of Equality, Welsh Government; and
- Anthony Jordan, Head of Programme and Legislative Implementation, Welsh Government.

3.2 The Leader of the House provided Members with an overview of the Welsh Government's [Integrated Impact Assessment process](#) in hard copy.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting

4.1 The motion was agreed.

5 Welsh Government Draft Budget 2019–20: Impact assessments accompanying draft budgets (Consideration of evidence)

5.1 The Members representing each of the three committees agreed that they will consider the evidence gathered in this session and produce a joint output in due course to inform the Welsh Government Draft Budget 2020–21 and future draft budgets.

Agenda Item 2.1

Mark Drakeford AM/AC

Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref

Llyr Gruffudd AM
Chair
Finance Committee
National Assembly for Wales
Cardiff
CF99 1NA

19 November 2018

Dear Llyr,

UK Autumn Budget 2018 - Consequentials to the Wales DEL

In line with established practice, I am writing to advise you of the Barnett consequentials for Wales resulting from the UK Government's Autumn Budget. These figures are subject to confirmation in the settlement letter from HM Treasury, which has yet to be received.

Please find attached, at Annex A, a detailed list of all Barnett consequentials, along with aggregated totals for each classification of expenditure, in the financial years 2018-19 to 2020-21.

I am able to confirm the level of additional funding Wales will receive as a result of the operation of the fiscal framework. Following the additional allocations in the UK Autumn Budget, in total the 105 per cent Barnett multiplier provides Wales with an additional £25m in 2018-19 and £74m over the period covered by the Welsh Government's draft Budget 2019-20 (an extra £46m revenue and £53m capital).

Best wishes,

Mark Drakeford AC / AM

Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Correspondence.Mark.Drakeford@gov.wales

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.

Annex A – Impact of the UK Government Autumn Budget 2018 on the Wales DEL

Table 1. Barnett Consequentials Aggregates

Expenditure Classification	£000s ¹			
	2018-19	2019-20	2020-21	Total
Resource DEL	63,111	423,351	-	486,462
Capital DEL (General)	52,596	2,591	4,715	59,902
Capital DEL (Repayable Financial Transactions)	-	-	8,497	8,497
Total DEL	115,707	425,942	13,212	554,861

Table 2 Barnett Consequentials

Measure	Expenditure Classification ²	£000s		
		2018-19	2019-20	2020-21
Business Rates				
Retail Discount (LA Support)	RDEL	-	16,110	-
Retail Discount (Central Share)	RDEL	-	9,855	-
Revision to AB2017 package (Central Share)	RDEL	27,801	2,220	-
Revision to AB2017 package (LA Support)	RDEL	10,976	7,612	-
Health and Social Care				
NHS Settlement	RDEL	-	364,741	-
o/w funded through ongoing baseline transfer from DH budgets	RDEL	-	(31,865)	-
Transport				
Local Road Maintenance	CDEL	24,784	-	-
Air Quality - Implementation Fund	CDEL	372	384	-
Birmingham Future Mobility City	RDEL	-	118	-
Birmingham Future Mobility City	CDEL	-	295	295
Education				

¹ Figures are subject to HM Treasury roundings.

² Resource DEL (RDEL), Capital DEL (CDEL) (General), Capital DEL (FT) (Repayable Financial transactions)

Measure	Expenditure Classification ²	£000s		
		2018-19	2019-20	2020-21
Apprenticeships - Reducing co-investment charge for SMEs	RDEL	-	1,180	-
Children's Social Care	RDEL	-	2,343	-
Regional pilot of on-the-job training for young people	RDEL	-	207	-
National Retraining Scheme	RDEL	-	236	-
National Retraining Scheme	CDEL	-	354	354
Regional Skills for the Self-employed	RDEL	-	295	-
School Capital	CDEL	23,604	-	-
BEIS (Dept for Business, Energy & Industrial Strategy)				
Improving management by supporting peer to peer networks	RDEL	-	1,180	-
Knowledge Transfer Partnerships	CDEL	-	59	177
Small Business Leadership Programme - Conf Enterprise Package	RDEL	-	649	-
University Enterprise Zones	RDEL	295	-	-
DEFRA (Dept for Environment, Food & Rural Affairs)				
Air Quality - Implementation Fund	RDEL	159	266	-
Food Waste Fund	RDEL	-	885	-
Village Halls	RDEL	177	-	-
Landfill Site Clearance	RDEL	-	295	-
Urban Tree Planting	RDEL	-	41	-
Urban Tree Planting	CDEL	-	171	171
Plastics and Waste Innovation Funding	CDEL	-	590	-
MHCLG (Ministry of Housing, Communities and Local Govt)				
Development Corporations	RDEL	-	118	-
Disabled Facilities Grant	CDEL	3,246	-	-
Future to Help to Buy: Equity Loan	FT	-	-	8,497
High Streets	CDEL	-	30	3,334

Measure	Expenditure Classification ²	£000s		
		2018-19	2019-20	2020-21
High Streets	RDEL	99	797	-
Strategic Housing	RDEL	-	236	-
Neighbourhood forums	RDEL	-	165	-
Social Care (2018-19)	RDEL	14,162	-	-
Social Care (2019-20)	RDEL	-	38,357	-
DCMS (Dept for Digital, Culture, Media & Sport)				
Coventry City of Culture	CDEL	-	502	-
Digital Skills Bootcamps	RDEL	-	177	-
Heritage High Streets	CDEL	-	207	384
Heritage High Streets	RDEL	-	89	-
Other				
Reprofile of 2017-18 BRR recosting	RDEL	12,940	-	-
Reprofile of Efficiency Review Savings	RDEL	(3,570)	-	-
Funded from Reserves				
Air Ambulance	CDEL	590	-	-
Apprenticeships - Capacity for IFA	RDEL	-	295	-
Apprenticeships - Supply Chain Flexibility	RDEL	-	5,311	-
Battlefields programme extension	RDEL	-	59	-
Centre for Public Service Leadership	RDEL	-	413	-
Eden Project (North) - Reserve	RDEL	12		-
Flood Risk Management - IPT Money	RDEL		395	-
Holocaust Education Project	RDEL	-	100	-
Maths and Physics Teachers	RDEL	-	295	-
Housing - Toton HS2 Station	RDEL	-	118	-
Miners Welfare	RDEL	59	59	-
Total Barnett Changes		115,707	425,942	13,212

Llyr Gruffydd
Chair of Finance Committee
National Assembly for Wales
BY EMAIL

20 November 2018

Assembly Commission 2018 Voluntary Exit Scheme (VES)

Dear Llyr

At the Commission's recent appearances before the Finance Committee and Public Accounts Committee, I was asked about the possibility of a Voluntary Exit Scheme (VES). I am now writing to confirm that, at its 5 November meeting, the Commission agreed to offer a Voluntary Exit Scheme to all staff.

The VES will help to ensure that the Commission can continue to provide the necessary skills, expertise and capacity to support the Assembly through the particular challenges brought by Brexit and Constitutional Change, whilst continuing to work, for as long as possible, within the overall establishment cap of 491 posts.

In summary the aims of the VES will be to:

- allow the Commission to respond to changes in skill and expertise requirements;
- facilitate organisational change, including within particular teams;
- improve workforce efficiency; and
- where possible, deliver long-term savings and avoid an establishment increase in meeting resource needs.

We intend to launch the VES on 22 November 2018, with the window for applications open until early January 2019. The scheme will be run in accordance with Cabinet Office/Treasury rules and will have robust and tested assessment criteria and decision processes. We will take full account of the recommendations arising from the internal audit



review of our previous schemes and from the wider WAO review of severance schemes. The Trade Union Side (TUS) has been informed of our intention to offer a VES and will be invited to observe the work of the selection panel.

The financial implications have been carefully considered and we have identified a budget of up to £800K. I can confirm that this budget can be funded from underspends from the Commission's operational staffing budget, largely resulting from higher than normal levels of staff turnover. This budget is similar to the budget of £850K set for the 2015 VES, of which £650K was committed. The Welsh Government, in its most recent VES, set a budget of £5.5M.

Finally, the costs of the scheme will be published as part of the 2018-19 Annual Report and Accounts in July 2019.

Please do not hesitate to contact me if you have any queries or would like any further information.



Manon Antoniazzi

Prif Weithredwr a Chlerc/Chief Executive and Clerk

Cynulliad Cenedlaethol Cymru/National Assembly for Wales

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





Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-L/MD/0670/18

20 November 2018

Dear colleague,

As you are aware, it is my intention to test the Wales Act 2014 mechanism by seeking the devolution of competence for a vacant land tax. Ahead of the amended Standing Order 27 process for the scrutiny of section 116C Orders, the Welsh Government has committed to keep the Assembly informed of progress.

My officials are commencing discussions with UK Government officials on a draft Order in Council to give legal effect to the transfer of competence. Once these discussions progress to a Joint Exchequer Committee meeting I will brief you on the latest position, in line with the commitments I have made.

Best wishes,

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

Llyr Gruffydd AM
Temporary Chair of the Finance Committee

18 October 2018

Dear Llyr,

Funding for major infrastructure projects – Mutual Investment Model

At its meeting on 3 October 2018, the Economy, Infrastructure and Skills Committee received briefing from Professor Gerry Holtham on financing for infrastructure projects and from Welsh Government officials on the Mutual Investment Model (MIM). I am writing to you to highlight some of the Committees concerns following those briefing sessions.

MIM reflects learning from the past use of PFI and PPP, and seeks to recognise where risk can effectively be transferred and where it cannot. The Committee was pleased to hear that soft services would not be included in a MIM and that provision for active contract management would be built in to the project from the start. In addition, a set of standardised contracts that seek to deliver community benefits and a return on any refinancing gains should deliver further improvements and greater value for money on previous models.

Although there are still questions around the availability of skilled, experienced staff able to deliver the improved contract management necessary to the success of the model, the Committee agreed that MIM appears to be a well thought through model that delivers significant improvements on previous models. However, the Committee was concerned about the context in which MIMs are



used. The Committee heard that the model could be used to deliver sections five and six of the A465, Velindre cancer centre, and Band B of the 21st Century Schools programme. The financing of these projects in this way seems to suggest that financing decisions are not taken within the context of a strategic, planned approach to infrastructure delivery.

No Government would borrow if it had ample budget to deliver its plans, but if its ambitions outstrip its capital means and there is a compelling case for delivering those ambitions, then prudent borrowing options are available. Professor Holtham described the issuing of Government bonds as 'much cheaper' than the funds that could be raised by private investors, especially for more complex or higher risk projects. The funding ceiling for such gilts is set at £1 billion in Wales, but the Committee has not got a sense from recent inquiries that this funding option was being considered as part of a wider discussion around the right investment type to deliver a part of a planned programme of projects. Rather, it seemed that MIMs are to be used when projects of sufficient size become a priority for delivery. Given that many of the positive aspects of MIMs – improved contract management; community benefits and adoption of environmental and employment codes of practice – can also be delivered through traditional procurement, it seems illogical to deliver complex projects like band B of the 21st Century Schools Programme through MIM when other, cheaper, financing options are available.

The EIS Committee will continue to scrutinise the funding of major infrastructure projects, but there appears to be a wider financial point of principle to be considered. Therefore, the Committee has asked me draw these concerns to your attention and ask if you have any plans to scrutinise the capital funding strategy of the Welsh Government.

The Clerk of the EIS Committee is able to supply further background information on these issues if that would be helpful.



Thank you for considering this issue. I look forward to receiving your response in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Russell George". The signature is fluid and cursive, with the name "Russell" written in a larger, more prominent script than "George".

Russell George
Chair



Agenda Item 4

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

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Agenda Item 6

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

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