

Pwyllgor Cymunedau, Cydraddoldeb a
Llywodraeth Leol

Communities, Equality and Local Government
Committee

Cynulliad
Cenedlaethol
Cymru
National
Assembly for
Wales



Jeff Cuthbert AM
Minister for Communities and Tackling
Poverty

Bae Caerdydd / Cardiff Bay
Caerdydd / Cardiff
CF99 1NA

29 October 2013

Dear Minister

Welsh Government draft budget proposals, 2014-15

Thank you for attending the Committee on 24 October 2013 to answer questions on the Welsh Government's draft budget proposals for 2014-15.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, as soon as possible.

We note that the Finance Committee's consideration of the draft budget is structured around the four financial scrutiny objectives of affordability; prioritisation; value for money; and budget processes. We have applied these objectives to our considerations and have identified the relevant objective against each of the matters set out below. A copy of this letter goes to the Finance Committee to inform its overarching consideration of the draft budget and it will also be published on our website.

1. Overall priorities

(Scrutiny objectives: affordability, value for money and budget process)

We are pleased that you are seeking, where possible, to protect funding for key programmes aimed at tackling poverty, including Communities First, Families First and Flying Start.

We asked you how the delivery of commitments in your portfolio, and their associated outcomes will be monitored and evaluated to demonstrate value for money. In responding, you explained that all schemes are subject to evaluation and that there is a “standard procedure” for evaluation, which is followed for key programmes within your portfolio, including Communities First, Families First and Flying Start.

In relation to Flying Start, you later confirmed that its planned evaluation has been delayed until December. **You agreed to provide us with further detail about the number of families taking part in the Flying Start areas as a proportion of the total number of families within the area.**

We asked you how the integrated approach to equality, sustainable development, poverty, children’s rights and Welsh language impact assessments has helped you to prioritise funding in the areas where it is most needed. You stated that the need to undertake Equality Impact Assessments within the budget process “applies to all Ministers”, that it was “accepted procedure” and that these assessments had been undertaken.

We note that you have cross-departmental responsibility for a number of issues including tackling poverty, equality and sustainable development and **would welcome more detail on how allocations within individual portfolios are co-ordinated across and within those policy areas to meet *Programme for Government* objectives.**

2. Tackling Poverty Action Plan

(Scrutiny objectives: affordability and prioritisation)

The Welsh Government has made clear that tackling poverty is one of its key priorities for the draft budget 2014-15, which is to be welcomed. As Minister with overall responsibility for tackling poverty, we believe it is crucial for you to ensure that priority is being given to this agenda during the budget process across all portfolios. You mentioned that your Ministerial counterparts were supportive in your discussions with them on this matter. However, **we would welcome further detail from you about the strategic co-ordination of the tackling poverty agenda across government as part of the budget process. We would also welcome more detail about how the co-ordination of spending is focused on prevention, rather than reaction.**

During our discussions, you highlighted some of the ways in which you believe the draft budget reflects this, including the extension of Jobs Growth Wales into a fourth year and the continuation of the pupil deprivation grant, as well as the continued commitment to Communities First, Families First and Flying Start. While this is helpful, **we would welcome further detail from you about how the draft budget demonstrates that tackling poverty is a priority across government by way of examples from across Ministerial portfolios.**

3. Communities First

(Scrutiny objectives: affordability, value for money, prioritisation and budget process)

Following concerns during our scrutiny of last year's budget about a lack of effective monitoring of how Communities First funds were being spent, we recommended that your predecessor put in place systems to ensure value for money at the start of the new remodelled programme. He subsequently undertook to build on existing monitoring arrangements and make Communities First monitoring information available as soon as possible.

While you provided a brief outline of the existing monitoring and evaluation arrangements in place, including internal Welsh Government monitoring arrangements, we would be interested to receive further detail from you on this issue. We would also like an indication of when you anticipate monitoring and evaluation data being made publicly available, and what types of data it will include.

In providing further detail on the assessment of the impact of Communities First, your official explained that outcomes are considered "over a longer period of time". She went on to report that these outcomes are identified by Communities First clusters through their delivery plan. **We understand that you are currently developing guidance for clusters to assist them in this matter and we would like you to provide us with a copy of the guidance as soon as practicable.**

Notwithstanding your evidence, we remain concerned about the robustness of monitoring and evaluating arrangements. In particular, we question the extent to which it is appropriate for Communities First clusters themselves to define the outcomes by which they will measure success. Given the importance of the programme and its potential for providing assistance to the most disadvantaged within our communities, we believe it is essential to have in place robust arrangements in order to monitor the effectiveness of the programme, to assess the extent to which it provides value for money, and to understand its impact on the tackling poverty agenda. **We seek further assurances from you in this regard and ask that you consider the use of performance indicators as a means of monitoring progress and the overall impact of the scheme on communities.**

We understand that the evaluation of the remodelled Communities First programme is scheduled to be undertaken early in 2014, the outcome of which could be used to identify any areas for improvement within the programme. **While we recognise that this is some way off, we ask that you report back to us on the outcome of the evaluation when you are in a position to do so.**

4. Welfare reform

(Scrutiny objectives: affordability, value for money and prioritisation)

In your evidence, you told us you believed that the level of funding for the Discretionary Assistance Fund (DAF) will be sustainable in future years. You went on to inform us of a current underspend of the DAF for 2013-14 of approximately £2 million. Given the challenges faced by individuals as a result of the existing

economic climate, and in light of the UK Government's on-going programme of welfare reform, we were surprised by this. We believe it is important to ensure that those most likely to find themselves in need of assistance are made aware of the support available to them through the fund. **Raising awareness of the DAF will become increasingly important over the coming year as the programme of welfare reform progresses. We ask that you consider undertaking further work to this effect.**

5. Third sector

(Scrutiny objectives: prioritisation and budget process)

We recognise the crucial role of third sector organisations within our communities and the strong contribution that they make in helping tackle poverty and providing support to the most disadvantaged and deprived communities. Accepting the current financial climate, we are disappointed at the reduction in allocation for third sector in the draft budget 2014-15.

We look forward to your statement on the outcome of the consultation *Refreshing the Relationship between the Welsh Government and the Third Sector in Wales*.

Your official told us that, while there was no overall figure for the reduction in allocation to the third sector across all government departments, work was being undertaken to assess the overall impact of budget reductions on the third sector. **We ask that you report back to us on this issue at the first available opportunity, including an assessment of how these reductions may impact on the statutory services that the third sector deliver.**

We welcome the allocation of £2.2 million in 2014-15 for advice services given the preventative impact of such services.

6. Equality

(Scrutiny objectives: value for money)

We welcome your commitment to protecting funding at the current levels for equality and inclusion. We note the allocation of £1.6 million for the new Equality and Inclusion Grant scheme and that the application process for the scheme will be coming to an end shortly.

We understand the intention is to ensure that these grants deliver "concrete outcomes, make a difference for those on whom they are focused, and provide the best value for money for the public pound within a robust governance framework." You also told us that successful applicants would be required to identify projected outcomes and that there would be on-going monitoring and evaluation of schemes to ensure that the grant was being utilised effectively. **However, we would like further detail on the improvements in the monitoring and evaluation of this fund, and the specific objectives that this scheme aims to achieve.**

7. Financial Inclusion and credit unions

(Scrutiny objectives: prioritisation and budget process)

We share your view that Credit Unions have the potential to play an important role in tackling financial exclusion. Like you, we believe that, in order to for them to fulfil this role, we need to ensure that they are sustainable.

We note that in the current financial year you have made available a one-off payment of £1.25 million to support the promotion of Credit Unions, subject to an acceptable business case jointly prepared by the Association of British Credit Unions Ltd and Ace Credit Union Services. You told us that this was from a total allocation of £1.8 million. You went on to state that £650,000 has been allocated for Credit Unions in the draft budget 2014-15, which was “less in total than we have offered this year, but it is not actually a reduction”. In June, your predecessor said that, aside from the £1.25 million to support promotion, £612,000 would be made available for the period of six months from October to March 2014. As such, we are unclear about the funding available for Credit Unions. We seek further clarification on the total allocation for Credit Unions for 2014-15 and how it compares to that for 2013-14.

We recognise that future support for Credit Unions will depend to a large extent on the direction of travel the sector itself wishes to follow and this will be outlined in the business plan currently being considered by Welsh Government officials. However, **we believe it is important that you provide clear direction to the sector as to the outcomes you are seeking to achieve from future financial support. In particular, we ask you to consider what more can be done with Welsh Government support to encourage and enable individuals to access affordable finance, including financial assistance from Credit Unions and the Discretionary Assistance Fund, where appropriate, before seeking the services of payday loan companies.**

8. Sustainable development

(Scrutiny objectives: prioritisation and budget process)

Following our scrutiny of the draft budget 2013-14, we asked your predecessor to show more clearly how sustainable development assessments have impacted on his decisions in formulating future budgets. This issue was subsequently taken up by the Finance Committee, which received an assurance from the Minister for Finance that more would be done to develop sustainability assessments as part of the budget process.

When asked about whether the potential impacts of your budget proposals on sustainable development were considered as part of the Equality Impact Assessment, you confirmed that a full assessment had been carried out and that the budget allocations reflect this. However, it was less clear whether any proposals or schemes had been withdrawn as a result of the assessment. To this end, **we seek further clarification from you on this issue. In addition, we ask that future budget documents provide more detail on how sustainable development has been considered as part of the budget process, and specific details of any changes made as a result of those assessments.**

9. Capital allocations

(Scrutiny objectives: prioritisation and value for money)

- *Communities, Facilities and Activities Programme*

We were pleased to note that you are currently considering the option to replace the Community Facilities and Activities Programme (CFAP) and look forward to an announcement from you on this matter in due course.

In relation to the monitoring and evaluation of the CFAP, we note that the last full evaluation was undertaken in 2007, the outcome of which was positive. **We seek clarification from you on whether a full evaluation of outcomes of CFAP will take place at the end of the existing programme in order to assess its effectiveness. In addition, we seek assurance from you that any replacement programme will have robust systems for monitoring and evaluation of outcomes built in from the start. We would also welcome an update on the launch of the new scheme as soon as details are available.**

- *Gypsies and Travellers*

We asked you about any evaluation that had been undertaken of previous expenditure on the Gypsy and Traveller Sites Capital Grant and the extent to which the funding can demonstrate positive outcomes. While we were pleased to hear from you about the arrangements in place to ensure that work on sites is completed and meets required standards, **we would like to know what work has been undertaken to assess the benefits for Gypsy and Traveller children and families, e.g. better attendance and attainment within the education system, better health and greater integration, which you refer to in your paper.**

We understand that the forthcoming Housing (Wales) Bill will place a statutory requirement on local authorities to provide Gypsy and Traveller sites where there is unmet need. Your paper suggests that the cost for local authorities of providing sites will be met by the Gypsy and Traveller Sites Capital Grant and, as such, the duty “should not place an additional financial burden on local authorities”.

During the meeting, your official explained that local authorities were undertaking preliminary work to assess the need for Gypsy and Traveller sites within their areas. We encourage close working between the Welsh Government, local authorities and the Gypsy and Traveller community to ensure that sites that receive funding are located where need is greatest, taking into account cross-border issues. Given that proper needs assessments have yet to be carried out, we believe it is difficult to predict with any great certainty what the demand for funding from the Gypsy and Traveller Sites Capital Grant will be once the statutory duties are in place.

We understand that a Regulatory Impact Assessment and cost analysis will be included in the Explanatory Memorandum accompanying the Bill and that this will provide further details of costs associated with the provision by local authorities of Gypsy and Traveller sites. It is our intention to pursue this issue further with the Minister for Housing and Regeneration if, as anticipated, the Bill is referred to us for Stage 1 consideration.

You agreed to clarify whether the Gypsy and Traveller Sites Capital Grant could be used for the purpose of improving and/or providing transit sites.

10. Legislation

(Scrutiny objectives: affordability and prioritisation)

When asked about whether there was sufficient allocation within the draft budget 2014-15 to meet the costs of forthcoming legislation within your portfolio, you stated you “are not aware of any particular problems.” You reiterated the requirement for all Bills to be accompanied by a Regulatory Impact Assessment and cost analysis before being introduced to the Assembly.

In relation to the Future Generation (Wales) Bill, you told us that “issues of financial demands will become apparent” during the formulation of the Bill and that these would need to be taken into account. As with the Housing (Wales) Bill, in the event that the Future Generation (Wales) Bill is referred to us for Stage 1 consideration, we will pursue this issue further.

Yours sincerely

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

Christine Chapman AC / AM
Cadeirydd / Chair

Cc. Jocelyn Davies AM, Chair, Finance Committee