



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Iau, 02 Hydref 2014
Thursday, 02 October 2014

Cynnwys **Contents**

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

Papurau i'w Nodi
Papers to Note

Cyllideb Ddrafft Comisiwn y Cynulliad ar gyfer 2015-16
Assembly Commission Draft Budget 2015-16

Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting

Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2015-16: Sesiwn Dystiolaeth 1
Welsh Government Draft Budget 2015-16: Evidence Session 1

Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru The Party of Wales
Mike Hedges	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Ann Jones	Llafur Labour
Julie Morgan	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Jeff Andrews	Cynghorydd Polisi Arbenigol, Llywodraeth Cymru Specialist Policy Adviser, Welsh Government
Y Fonesig/Dame Rosemary Butler	Aelod Cynulliad, Llafur (Y Llywydd a Chadeirydd y Comisiwn) Assembly Member, Labour, (The Presiding Officer and Commission Chair)
Nicola Callow	Cyfarwyddwr Cyllid, Comisiwn y Cynulliad Director of Finance, Assembly Commission
Claire Clancy	Prif Weithredwr a Chlerc y Cynulliad, Comisiwn y Cynulliad Chief Executive and Clerk of the Assembly, Assembly Commission
Matt Denham-Jones	Pennaeth Rheoli a Chofnodi Cyllidebau, Llywodraeth Cymru Head of Budgetary Control and Reporting, Welsh Government
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog Cyllid a Busnes y Llywodraeth) Assembly Member, Labour (The Minister for Finance and Government Business)
Jo Salway	Dirprwy Gyfarwyddwr Cyllidebu Strategol, Llywodraeth Cymru Deputy Director, Strategic Budgeting, Welsh Government

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Bethan Davies	Clerc Clerk
Martin Jennings	Gwasanaeth Ymchwil Research Service
Don Peebles	Ymgynghorydd Arbenigol Expert Adviser
Meriel Singleton	Ail Glerc Second Clerk

Tanwen Summers

Dirprwy Glerc
Deputy Clerk*Dechreuodd rhan gyhoeddus y cyfarfod am 8:59.
The public part of the meeting began at 8:59.***Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **Jocelyn Davies:** Welcome everybody to this meeting of the Finance Committee. I have no announcements to make, but perhaps people would like to check that their mobile devices are at least switched to silent.

09:00

**Papurau i'w Nodi
Papers to Note**

[2] **Jocelyn Davies:** Before we go to our first substantive item, we have one or two papers to note. We have the Welsh Government response to the supplementary budget. Is everybody happy to note the response? You are.

**Cyllideb Ddrafft Comisiwn y Cynulliad ar gyfer 2015-16
Assembly Commission Draft Budget 2015-16**

[3] **Jocelyn Davies:** The first substantive item on our agenda is our scrutiny of the Assembly Commission draft budget 2015-16. We are delighted to have the Presiding Officer with us this morning. Would you like to introduce yourself for the record? I understand that you have a short statement to make before we go to questions.

[4] **The Presiding Officer:** Yes. Thank you very much, Chair. I am very pleased to be here today. I am Rosemary Butler, I am the Presiding Officer here at the National Assembly, and I have with me today Claire Clancy, who is the Chief Executive and Clerk of the Assembly, and Nicola Callow, our director of finance, both of whom I know are well known to you. I would like to give apologies on behalf of Angela Burns. As you will all be aware, the Commission budget forms the major part of her portfolio, but, unfortunately, she cannot be here today.

[5] In 2011, the Commission set a clear three-year budget strategy for enhancing the capacity and capabilities of Assembly services in order to deliver the Commission's strategic goals. This strategy was supported and approved by the Finance Committee and the whole Assembly. We must continue to deliver the full range of day-to-day business to high standards, as well as building on the significant investment that will have been completed in the first four years of this Assembly. The Commission has ensured that sound financial arrangements exist to deliver value for money, savings where possible, contain costs where appropriate, and invest where best needed. For 2015-16, the Assembly Commission will maintain this approach.

[6] The total operational budget for 2015-16 is £50.9 million, which delivers a real-terms cut of 1%. We believe that this is slightly tougher than the 0.8% real-terms cut to the Welsh block, but we are confident that it will be sufficient to meet the Commission's plans. We have a firm commitment to the quality of services to Members and the public, and, at the same time, we are focusing on driving out inefficiency and securing value for money to allow for continued innovation. We are here to support the Assembly and Assembly Members and we

recognise the challenges that Members face. The legislative, financial and scrutiny roles of elected Members are unique and are paramount, and we have invested time and effort in developing our vision for the support that we provide to Members.

[7] I will be continuing to press that this Assembly, and those in the future, should have the appropriate powers to be an effective, democratic institution. In the meantime, we recognise that the challenges to the remainder of this Assembly are significant and we are committed to delivering the support that is needed by Members while preparing for the transition to the fifth Assembly. I am confident that we have the right team in place and that the budget will give us the resources that we need to deliver on both of these counts. I would like to reassure you that the Commission takes seriously its role in scrutinising and overseeing the management of the budget. The Commission is always happy to provide additional information to meet committees' requests and individual commissioners continue to be prepared to come to give evidence to committees, as both Rhodri Glyn Thomas and Peter Black have done recently, and, of course, Peter gave evidence to the Public Accounts Committee only last week. We are very happy to answer your questions, and, as I have said, for anything that we are unable to answer now, we will, of course, write to you with the information.

[8] **Jocelyn Davies:** Thank you and, before I go on to the first question, perhaps you would pass on the best wishes of this committee to Angela Burns. We hope to see her back here very soon. The budget for the core Assembly Commission services will see a reduction following a period of quite sustained investment. You have mentioned in your remarks the management and your plans and so on, but how do you plan to change the organisation's culture so that it can cope with operating within declining resources?

[9] **The Presiding Officer:** We have planned for this situation from the beginning of the Assembly in 2011. It is the reason why we have taken a strategic approach to our budget planning over several years, which is important. We have been seeking to build strong foundations through investment, and this is what we have done. However, I will ask Claire Clancy to give you further details. I do not know whether you want to ask a more detailed question or whether you want Claire to carry on.

[10] **Jocelyn Davies:** Do you think culture change has happened or do you think that it is going to be a barrier to making your plans a reality?

[11] **Mrs Clancy:** I do not think that it will be a barrier in the coming year because, as the Presiding Officer has said, from the beginning, in 2011, we have known that this is the journey that we would be on, and that there would be years of investment. We let the staff know all about the budget plans going forward, so, for example, earlier this year, there was an all-staff meeting, and we talk about the budget not just for the current year, but for future years, so there has been a high level of awareness of the budgets to come. Also, we have worked very hard to embed a culture of value for money into the organisation. So, we have been running workshops and getting people to think about delivering value for money, even at a time when the budget was more generous, and so that culture of value for money, I believe, is already firmly embedded into the organisation.

[12] **Jocelyn Davies:** Okay, so you have involved all the staff all the way along, so there are no nasty surprises for anybody.

[13] **Mrs Clancy:** There are no surprises. This budget is exactly as had been anticipated from the outset.

[14] **Jocelyn Davies:** I notice that your budget includes an estimate of £500,000 for pre-election costs. Can you give us any details relating to what this allocation is intended to fund?

[15] **The Presiding Officer:** Well, that is exactly the question that I asked of the Commission and, in preparing for the next election, we have budgeted in anticipation that some of the costs will fall in 2015-16, because some of the preparations will happen before the election. However, we are treating these costs separately, as has been the established practice with previous Assemblies, and it is one that we would like to carry on. So, what we are proposing is that it is handled in exactly the same way as we did the last election, but perhaps I can ask Nicola to give you further details.

[16] **Jocelyn Davies:** Yes, perhaps you can tell us what some of these costs will be.

[17] **Ms Callow:** Certainly. We have used the past experience of handling elections to guide us as to what we should put in here. It is indeed ring-fenced, so we will be returning any funds that are unused. We set aside the £500,000 to undertake pre-election work, which predominantly includes any estates-related work, ICT work that may need to be done, and publication and engagement costs, as well as being able to respond to any early staffing decisions as Members take their decisions about where they are going to go into the fifth Assembly. With the Easter recess highly likely to run into dissolution, we can see that we are going to be particularly busy, particularly with estate infrastructure, and, therefore, we can see this need arising and are budgeting accordingly.

[18] **Jocelyn Davies:** These costs are based on previous experience of when Members have stood down and so on, so, obviously, if Assembly Members are employing staff, they might be made redundant and so on. So, these costs would cover those sorts of things. So, it is to do with the structure of the building, offices and staff.

[19] **Ms Callow:** Yes, it is, most certainly. However, this is only the cost that we are expecting to hit in the 2015-16 financial year. Clearly, the most significant election-related expenditure will be in 2016-17's budget and, again, we will be doing what we did for the fourth Assembly in seeking a separate, identifiable, ring-fenced sum in the future budget.

[20] **The Presiding Officer:** I think that that is the important bit, Chair: the money is ring-fenced. We cannot actually spend it on anything else.

[21] **Jocelyn Davies:** All right, thank you. Chris is next.

[22] **Christine Chapman:** I know that you have set priority areas for change, innovation and investment for the remainder of this Assembly, and I know that there were five priority areas highlighted. How did you reprioritise the Assembly's goals when you prepared the estimate and what evidence did you use to inform your decisions on this?

[23] **The Presiding Officer:** In the spring of this year, we held a special strategy discussion to review the progress that we have already made towards our goals and to agree what we wanted to do up to 2016. That discussion—it was a very tough day, actually—was facilitated by two external advisers, so they challenged us from the outside point of view, but we also took into account Commission reports, corporate progress reports and a whole range of information that we already had. There was also blue sky thinking—if there is such a thing as blue sky thinking. However, we are always very keen that we need to achieve our key performance indicators and that is central to our decision making. All decisions are aimed at achieving those aims and goals that are part of our five-year strategy. As a result of the deliberations of that day, we confirmed our strategies, which are well known to Members, and it is very important that we achieve within 2015. It is no good having aims and strategies that we are not going to achieve. So, it was really very challenging and done by external advisers.

[24] **Christine Chapman:** Are you likely to return to this next year to see whether you

have achieved this? Will you evaluate it later on?

[25] **The Presiding Officer:** Yes, you are absolutely right, Christine. It is important that you do keep evaluating—that you do not wait until the end of the year. We do challenge it at every Commission meeting. Having external advisers there to push and stretch us is really quite valuable. We are always quite keen that nothing we do is outwith our aims and goals.

[26] **Christine Chapman:** Okay, thank you.

[27] **Mike Hedges:** May I first of all welcome the expenditure on ICT and development? I have two questions on it for you. The first question is: when are you going to start using ICT to bring additional cost savings? For example, I put an expenses claim in, I get a bit of paper telling me how much I have got. Why can I not have that sent by e-mail or pick it up using ICT? My pay every month comes through on a bit of paper. Why can that not be dealt with via the ICT system? Do you have any plans to start using ICT to make these savings? They are probably only in the hundreds of pounds, but if you keep on saving several hundreds of pounds, you start saving several thousands of pounds.

[28] **The Presiding Officer:** I always love Mike's questions. You get one and then he will challenge you and challenge you all the way. If I may, I will make a point on the general ICT strategy, and then come down to the nitty-gritty. As you know, in 2014, we did achieve a smooth transition from the ICT services to in-house delivery. That was important. That was achieved on time and within budget, so we are doing the major, major stuff. However, obviously, those kinds of small savings do add up, and it is something that we need to be looking at. Perhaps Claire would like to mention that and then I will talk about ICT in the Chamber. Do you want to deal with that one?

[29] **Mrs Clancy:** You are absolutely right. We are already doing those things. The new HR and payroll system does have an online payslip and we will be moving towards—. Well, that is already available but we will switch to that. Right across the piece, we are looking for efficiencies that we can deliver. There are examples that you hear about all the time of things like machine translation, where the availability of technologies allows us to make substantial savings that we can then reinvest in the services that we deliver. There has been a considerable amount of work we have had to do on the ICT infrastructure since we made the transition from Atos. Behind the scenes, a remarkable amount of work has been done to improve that infrastructure exactly so that we can deliver the sort of new applications and services that you are talking about. So, you are totally right, and that is what we are doing.

[30] **The Presiding Officer:** May I ask when that will be achieved? [*Laughter.*] Sorry, I am interested in that.

[31] **Mike Hedges:** I was going to ask that question, so thank you. [*Laughter.*] You stole my question.

[32] **The Presiding Officer:** I will withdraw my question. That is fine. I am not here to question my own staff.

[33] **Jocelyn Davies:** Presiding Officer, we are supposed to be asking the questions of you. [*Laughter.*] I think that Ann Jones has a small supplementary question.

[34] **Ann Jones:** Just on ICT, this is my bugbear, as many of you will know. I appreciate that I am one of 60, but why is it that I still cannot use my iPad and my iPhone when I should be using them, which is when I am travelling on public transport between north and south Wales? That is eight hours of my working week, if you like, spent sitting travelling. I can get halfway and my battery runs out on my phone because I have to tether it to the iPad, and I am

told that I cannot have a SIM card in the iPad. That is a basic requirement of any ICT. So, you can have all your ideas about online payslips, online BACS payments and online whatever else, but if I cannot read my papers on a journey from north to south Wales, then the ICT is failing and I would not want to see any more investment made. I still have two printers from the roll-out in October 2010, because nobody asked me what printer I required, nobody asked me why I had a printer at home, and nobody asked me what it was for. So, there is still a lot of work to do on actually getting Members to have the piece of equipment they need to enable them to carry out their job. I do not want to carry two iPads and two phones and then papers for backup, but that is what I am doing. To me, the ICT has been a waste of money, basically—the new ICT has been a waste of money.

09:15

[35] **Mrs Clancy:** It certainly has not been a waste of money. It is transformational; it has transformed the way that we are able to do business. There is no excuse for your not having the power in your devices so that you can work all the way to north Wales. There are solutions to that, and we will make sure that you are given those solutions.

[36] **Jocelyn Davies:** I think the point that Ann is making is that she cannot get access to the internet on her iPad, but she can on her phone. If she could attach the one to the other—

[37] **Ann Jones:** It is not that; it is more the battery capacity of the phone, because you have to tether the phone to the iPad to use it.

[38] **Mrs Clancy:** There are solutions to that. So, we will make sure that, within days, you have that solution. The staff on the team are very good and offer a very high level of customer service.

[39] **Ann Jones:** They are very patient. I have to say that.

[40] **Mrs Clancy:** They are very patient, and they will always want to talk to Members about your particular needs and do their very best. A feature of what we are now able to do, because we are no longer in the Atos contract, is the delivery of more bespoke services and more tailoring to Members. That is what we are striving to do. So, if we are still not quite getting it for you, we will have to work a bit harder.

[41] **Jocelyn Davies:** It would be nice if you could solve this for Ann, because I think that she has been very patient as well.

[42] **Mike Hedges:** As the Presiding Officer has come into our area, I will go into hers. Will you be providing the Commission with a programme for moving to the greater use of ICT along the lines that I suggested earlier? After you have produced that for them, will that then be provided to us the next time we start looking at the budget?

[43] **Mrs Clancy:** We do have an ICT strategy, which has been seen by the Commission, and we have detailed plans for how that will roll out. As you said, some of the things that you mentioned are very detailed operational points, some of which we will just be getting on and doing. What I think will be the greatest success factor is that you are happy and that you come and say, 'It's fantastic that this has changed'.

[44] **Mike Hedges:** I think the second thing is that you save money as well.

[45] **Mrs Clancy:** Yes, absolutely.

[46] **Mike Hedges:** In difficult times, when lots of parts of the public sector are under

severe pressure, any savings that we can make show that we are playing our part in tackling the austerity that is facing everybody.

[47] **My second question is, once again, on ICT expenditure. When I asked a question of the Minister for Public Services regarding the cost of local government reorganisation and ICT costs, in his response, he stated that, with the use of the cloud, there are substantial savings to be made. Are you finding that?**

[48] **Mrs Clancy:** Yes, we are. We have delivered a saving of several hundred thousand pounds because of the changes in our approach to back-up. So, yes, the use of the cloud and software such as SharePoint is delivering savings.

[49] **Mike Hedges:** I know that the answer to this last question will be ‘no’, but have you considered open-source software, rather than Microsoft?

[50] **Mrs Clancy:** We use the applications that are best suited to Members’ needs from all points of view—service delivery, security and so forth. If there is open-source software that fits in with our requirements, we would use it. We do not have any point of principle against it. However, a lot of assessment work has been done on particularly the way that SharePoint and Microsoft products fit our needs, and we will always follow those expert decisions on what is right for us.

[51] **Jocelyn Davies:** But you consider a range of options.

[52] **Mrs Clancy:** Yes, absolutely.

[53] **Jocelyn Davies:** Ffred, shall we come to your questions?

[54] **Alun Ffred Jones:** Hoffwn ofyn cwestiwn neu ddau am y gwasanaethau dwyieithog a’r Cofnod. Rydych wedi dechrau defnyddio cyfleuster cyfieithu peirianyddol Microsoft. Dywedodd y Comisiynydd, Rhodri Glyn Thomas, fod arbedion o 20% wedi deillio o hyn. Sut ydych yn bwriadu ail-fuddsoddi’r arbedion hynny? **Alun Ffred Jones:** I would like to ask a question or two on bilingual services and the Record of Proceedings. You have started to use the Microsoft translator facility. The Commissioner, Rhodri Glyn Thomas, said that savings of 20% have stemmed from that. How do you intend to reinvest those savings?

[55] **The Presiding Officer:** May I first pay credit to Rhodri Glyn Thomas, because he has really pushed the Commission hard to ensure that every Member is able to work in whichever official language they wish to use? We are making changes, which are very important, and machine translation has been incredibly successful. I will ask Claire to give you more details on any savings that we have made.

[56] **Mrs Clancy:** The point really is that any savings that we make here are going to be reinvested, as we talked about in the Public Accounts Committee last week, in the services that we deliver. Mair Parry-Jones describes it as having ‘an active offer for Members’. So, coming back to Ann Jones’s point, asking Members what they need and then making sure that we deliver a bespoke service that assists you in the way that you want to use Welsh in the proceedings. If we can free up staff time to help with that, we can provide more one-to-one assistance. For example, we can make more interpretation services available to more meetings. Our aim, by the end of this Assembly, is for all committee briefings to be available bilingually. We are also reviewing the provision of training for Members, Members’ staff and our own staff, and we have an additional Welsh trainer so that we can also drive up the use of Welsh. One of the things we can do with that more bespoke assistance, for example, is to offer Members who are Welsh learners and who want to make a contribution in a committee

or in Plenary that one-to-one support to do that, more than we are able to do at the moment.

[57] **Alun Ffred Jones:** Diolch yn fawr. Mae hynny'n galonogol iawn. Byddwn yn derbyn argymhellion yn sgîl yr adolygiad o sut mae'r Comisiwn yn cyflwyno adroddiadau o drafodion yng ngwanwyn 2015. A yw'r gyllideb hon yn rhoi'r hyblygrwydd i chi ymateb i'r argymhellion tebygol?

Alun Ffred Jones: Thank you very much. That is very encouraging. We will be receiving the recommendations of the review of how the Commission reports on Assembly proceedings in spring 2015. Does this budget give you the flexibility to respond to the likely recommendations?

[58] **Mrs Clancy:** Yes, it does. Again, the thrust of the review is to look at ways that we can do the job more efficiently and improve the product at the end, so that the Record of Proceedings is easier to search and more user-friendly for everybody who is using it. So, again, as I mentioned at PAC last week, we are looking at things like the physical logging of the Record of Proceedings and at whether there are other ways that we can improve on that. There are simple things—for example, if Members gave us the notes that they use in Plenary so that we can use those to help with the Record of Proceedings—that would save money that we could then plough back into the services that we are giving to Members. So, some of these things, like the other examples that we heard, are very simple, but they will make a real difference, they will save real money, and they will improve the services.

[59] **Julie Morgan:** I just want to ask whether you have many requests to cover some of the other meetings that take place here in the building: the cross-party groups and other meetings.

[60] **Mrs Clancy:** We do have those requests. As far as I know, we have not turned down any requests because of resources, but if we could have more resource available, then it would be a bit of a positive spiral, I hope, in that Members and staff would seek out those services more often.

[61] **Julie Morgan:** I just wondered to what extent Members were seeking them out for the cross-party groups.

[62] **Mrs Clancy:** It does happen. I do not think that it is necessarily as commonplace as we would like to see it in an organisation that is seeking to be a truly bilingual institution. We would like to encourage it to happen even more.

[63] **Jocelyn Davies:** Nick, did you have a question?

[64] **Nick Ramsay:** Yes, on that issue of notes for the Record of Proceedings. That used to happen, did it not?

[65] **The Presiding Officer:** Oh, yes.

[66] **Nick Ramsay:** I remember, whenever I spoke when I was first elected, they would ask for the notes. So, I do not know. I have no problem with that, but I would not want my doodling to end up in the Record of Proceedings as well.

[67] **Mrs Clancy:** Nor would we. [*Laughter.*]

[68] **Jocelyn Davies:** I think the point there is that the ushers used to come to ask us for the notes, and they no longer ask us, so when we leave, we take the notes with us. I think they have been requested electronically, but many of us just make handwritten notes anyway, so it is not possible to send them through. I think that requesting the ushers to come in to remind us

would be helpful. We would then hand them over, doodles and all, Nick.

[69] **Nick Ramsay:** Some of it is quite artistic.

[70] **Jocelyn Davies:** I am sure. [*Laughter.*]

[71] **The Presiding Officer:** I will raise that at the next Business Committee and I will mention it to business managers, because, if Members do not mind, that would be helpful.

[72] **Jocelyn Davies:** Nick, you have your own questions now, do you not?

[73] **Nick Ramsay:** Yes. They are questions on savings. The Commission's budget includes a saving target of £0.5 million, I think I am right in saying, which is the same as the two previous years. I think that the savings targets were reached in those previous years. What proportion of the targets are recurrent savings rather than vacancy management? Who wants to answer that one? Take your pick.

[74] **The Presiding Officer:** I think that value for money is absolutely core to what we are doing, and we have some very big contracts. We had 19 contracts that were met over the last two years, and we have delivered savings of £500,000, just on those, so we are continually looking where we can get best value for money. I will ask Nicola to give more information on what you are asking.

[75] **Ms Callow:** I can most certainly give you that.

[76] **Nick Ramsay:** Are they new savings or rolled over from before?

[77] **Ms Callow:** They are most certainly new savings. Every time that we set the target for the financial year, we set ourselves as challenging a target as we can, so we are continually pushing for a bigger increase of savings that come from the non-staff cost area. Also, whenever we have made a saving that is delivering recurrent costs, for the new target, we ignore those, because they are already reflected in the changed baseline. So, for the £500,000 target that is again in the 2015-16 budget we are expecting to be able to have new value-for-money initiatives, new contracts and new ways of working to hit this target. We have not, for example, included the rates rebate that we had at the tail end of the 2013-14 financial year, but it is included in the baseline figures—

[78] **Nick Ramsay:** I am sorry; I did not pick up the last bit that you said.

[79] **Ms Callow:** The rates rebate. We had a significant rates rebate, which is impacting in the 2015-16 figures, of circa £200,000. We have not included that in the target of £500,000. We are, of course, including it in our overall performance in value for money over the fourth Assembly. We are quite proud of our record that, so far, we have achieved over £3 million savings in the fourth Assembly.

[80] **Nick Ramsay:** We have been talking about ICT and Microsoft Translator as well. Are they part of the savings or are they additional?

[81] **Ms Callow:** They are not part of the target for this year's budget of £500,000. Specifically, on the ICT, we set out, with the Commission's agreement, to ensure that we changed the cost structure of the ICT service that we provide and release savings to plough back into the service of actively doing more with the same amount of money. So, again, while we will take—

[82] **Nick Ramsay:** Invest to save. It gets everywhere, does it not? [*Laughter.*]

[83] **Ms Callow:** So, we have most certainly included it in the £3 million that we have achieved so far, but in setting the £500,000 target, we have not taken the short cut. We are expecting this to come from—

[84] **Jocelyn Davies:** They are genuine savings. Did I hear you say that they are from non-staff costs? So, if you have a vacancy that you do not fill for six months, that does not count as savings.

[85] **Ms Callow:** We still use vacancy management as one of the factors within that £500,000. Where we are challenging ourselves and pushing ourselves even harder is by driving up the percentage that comes from the non-staff savings.

[86] **Jocelyn Davies:** From non-staff savings; okay. Nick, are you happy? You are.

[87] **Christine Chapman:** We know that leasehold and maintenance costs are a significant proportion of the Assembly budget. What plans do you have to ensure that the best value is achieved with the current estate?

[88] **The Presiding Officer:** I am having my pages turned for me here; thank you very much. Nicola will deal with the detailed questions, but may I say that I am really pleased with the improvements that we have been able to make on the estate during the year? It is a very valuable and significant asset that we need to nurture. There are just a couple of things. On the Tŷ Hywel reception improvements, the difference to the entrance to the rear building is fantastic. We have added two small meeting rooms where Members can meet constituents. Toilet refurbishments have been very well received and, hopefully, we will see a difference in the Senedd heating system in the winter. Also, very importantly—

[89] **Ann Jones:** It is too hot anyway.

[90] **The Presiding Officer:** Okay, we will have a fan for Ann. We have also put signage up outside the Senedd building, because people would not quite know what it was. Now we have a big sign saying what we are, and people are having photographs taken in front of it. That is very important. So, I think that we have done some good stuff, but it would certainly be better if we owned the building. I thought that I made a compelling case in 2013 to the Government as to why we should buy it, but it did not find favour. I think that lack of capital was probably the answer, but, of course, if we did own the building, it would make such a difference.

[91] **Christine Chapman:** Just on that point, before Nicola comes in, do you think that you will be in a stronger position with the devolution of powers under the Wales Bill? Do you think that that will put you in a stronger position to purchase the building?

09:30

[92] **The Presiding Officer:** It is finance. We just need additional capital, and when things are tight it is a bit difficult to say, 'We need to buy this building'. In the long-term, the answer is that we should own it, yes. Nicola, do you want to come in?

[93] **Ms Callow:** Yes, certainly, although I think you have covered it extremely well, thank you, Presiding Officer. [*Laughter.*]

[94] **The Presiding Officer:** Thank you for that. [*Laughter.*]

[95] **Ms Callow:** Specifically, you mentioned whether we are expecting to be able to have

a different approach. From what we understand at the moment, we do not think so, but that is not going to stop us putting forward our plans. As the Presiding Officer mentioned, we made a case in 2013 and we also made a case in 2008. However, if the funds are not available then the funds are not available. It is such a significant part of our budget—upwards of 80%—but it is nothing that we can respond to that quickly, unfortunately, when these opportunities for the property coming on the market happen.

[96] **Christine Chapman:** May I just follow that up as well then? Obviously, the Tŷ Hywel leasehold contract sets out specific requirements in terms of the minimum required maintenance. So, you have to invest each year. How do you ensure that this represents value for money?

[97] **Ms Callow:** We do indeed have to invest in maintenance in the Tŷ Hywel building. It is a full repair and insuring lease, which effectively means that we treat it as though we own it. So, we treat it exactly the same as we would the Senedd. So, we have a range of measures that we use to ensure that we continue to drive value for money. There is the contract tender process for one, so there is a facilities management contract that regularly goes out to tender. The estates and facilities team has worked hard to pull together a 10-year forward maintenance programme, so that we can see the scale of activity that needs to happen and also what can be moved as other opportunities come up. One example is making sure that, when we are planning ICT infrastructure work, we are timing that with other estates work, so that it is all planned together. It helps us to deliver value for money to do things at the same time or planning things so that we avoid—. The most obvious example that I can give you is the laying of a lovely new road and then services coming in after the event and digging up the road. So, we are making sure that we are avoiding those sorts of situations.

[98] **Jocelyn Davies:** Mike, did you want to comment on this point?

[99] **Mike Hedges:** Yes. What percentage of the value of the building do we pay each year in rent?

[100] **Ms Callow:** We pay—. The figures are in the—.

[101] **Mike Hedges:** I know, but I do not know what the value of the building is. I know how much you pay, but I do not know how much the building was sold for last time. So, what percentage of what it was sold for last time do you actually pay in rent?

[102] **Jocelyn Davies:** I think that what Mike is asking is that, in a nutshell, you put the case to us that you put to the Government that it turned down.

[103] **Mike Hedges:** Yes. Over how many years would it be paid for in terms of rent? Say you have your rent and 20 times that was the value of the building, in the twenty-first year, you would get it free.

[104] **Jocelyn Davies:** You have started something now. All the Members want to come in now. Nick will be after Mike.

[105] **The Presiding Officer:** We have a very strong case.

[106] **Ms Callow:** Yes, we do indeed have a strong case. The last business case that we put together showed that, as we approached the teens and 20-year mark, we would see a complete pay-back. When we assessed the business case, we did this over the life of the building. So, you can imagine a 20-year pay-back on a building that has a life in excess of 65 or 85 years—and you could argue indefinite life with the value of the maintenance and the type of work that we do to ensure that the building is kept up to standards.

[107] **Mike Hedges:** So, if we were borrowing from the Public Works Loan Board, we would be paying about 6% or 7% of the value of the building, and you are paying about 5% of the value of the building now. So, it would be a 2% on-cost each year to do it, but in 20 years time it would be paid for.

[108] **Jocelyn Davies:** Do not answer that. [*Laughter.*] Do not answer that. You will only encourage him. Nick, did you want to come in on this point?

[109] **Nick Ramsay:** Yes, but you will be pleased to know that my question is far less complicated than Mike Hedges's question. [*Laughter.*] Forgive my ignorance on this; it is a very basic question: who does own the building?

[110] **The Presiding Officer:** We own this building.

[111] **Nick Ramsay:** I mean Tŷ Hywel.

[112] **The Presiding Officer:** It was sold recently.

[113] **Ms Callow:** It has most certainly been sold recently, but, I am sorry, I cannot recollect the name. However, we can of course provide it for you afterwards.

[114] **Nick Ramsay:** It is not essential, but it would just be interesting to know who owns the building that we are working in.

[115] **Mrs Clancy:** It was an investor.

[116] **Jocelyn Davies:** A pension fund or something, I would expect.

[117] Okay, that bit was a complete distraction. Ann, shall we come to your question?

[118] **Ann Jones:** Yes. It is around constitutional change. We are all aware that the Wales Bill is going through in another place and it will give us the devolution of further fiscal powers. The committee recommended that the Commission look at the capacity available to undertake work. I was just wondering whether there was a quick update on that. I know that it is a matter of, 'How long is a piece of string?', but if there is—

[119] **The Presiding Officer:** I think that the piece of string could get shorter. We just do not know; that is the point. I have asked Claire if she would put together a package about what it would actually mean if we had more Members, in terms of the capacity of the building, additional staff, office space and a whole range of things. That report will be coming fairly soon. It is not urgent, but it is important, and when we have it, I will be very interested to see it. However, as you say, it could be long term, but, actually, it could surprise us and be quite short term, because I made very strong representations to the Silk commission that we need more Members. We have had two referenda saying that we have more powers; we do need more Members in the long run.

[120] **Ann Jones:** For the fifth Assembly, it seems that you have your money in, ready to dissolve us and move us on to the election. Do you have any thoughts or views on how the structure for the fifth Assembly will look? How are you planning for that? Are you doing scenarios, based on the fact that 60, or maybe more, of us will come back, and that there will be a complete new intake of Members who might be easier than some of us old fuddy-duddies who continue to keep wanting to come back? How are you doing that in terms of planning and in terms of the fact that legislation is going to be pretty much the way forward?

[121] **Mrs Clancy:** There are some short, medium and longer-term challenges. We have an investment and resources board that has a set approach to capacity management planning and, as the Presiding Officer said, in November we will be taking to the Commission the more extreme end of the spectrum of change that we might be facing and what we would need to do if there was an increase in the number of Members. In the meantime, we have challenges that we are facing now as the legislative programme is growing. At the next management board, we will be looking at whether we are adequately resourced to deal with the legislative programme. Clearly, there can be no question that we must be and that we have to have the right number of people in all of our teams—the research teams, the clerking teams, the interpretation teams—to support Members in doing that job. We are very aware, as the Presiding Officer said, at the moment, with only 60 Members, how stretched Assembly Members are in trying to discharge all of their duties of scrutiny and legislation. So, we will be looking at that. There is quite a chance that we will need to boost resources in those teams—the legal team as well—to make sure that we have the right resources in place to support Members. Of course, the Business Committee also has a role in making sure that the committee structures are appropriate at any point in time to allow Members to do their scrutiny jobs and the business committee looks at that fairly regularly.

[122] **Julie Morgan:** I was going to ask you about staffing. There is a budgeted increase in staffing costs. Could you tell us how the numbers are panning out? How many additional staff do you have? Presumably a lot of them would be in ICT. Could you just cover that?

[123] **The Presiding Officer:** Nicola, do you want to answer that?

[124] **Ms Callow:** Yes, certainly. You are absolutely right: we are seeing an increase in our staff numbers due to the ICT change. That brought five teams into the ICT service, covering infrastructure, applications development, service management, projects and broadcasting. So, that is quite a body of people coming in. So, the team has grown in size from a dozen to over 40 members. Of course, this has been offset by the savings that we have made since we exited from the Atos agreement. So, there is good news in there. The budget for 2015-16 has moved just under £1 million from the position that we were expecting last year, and this is for three reasons. The staffing costs have increased as a result of the employer's contributions to the civil service pension scheme; there have been contractual salary increases that we needed to make in line with terms and conditions; and there have also been other small changes and additional posts that we have appointed to, such as the black minority ethnic co-ordinator, for example, to address some of the diversity issues that we have identified, and the social media manager, again to address some of the issues and to progress the good work that we had started on social media and our wider engagement agenda. We have also made provision for youth engagement on a fixed-term basis, again to drive forward one of the key pieces of our programme.

[125] **Julie Morgan:** I was going to ask about youth engagement in a minute, but in terms of the reducing budgets, how are you going to ensure that people continue to have the living wage, for example?

[126] **The Presiding Officer:** We are committed to that, and the Commission does ensure that the living wage is paid to all staff whether directly employed or employees of our contractors. That is one of our key performance indicators—that will happen. Do you want to answer how we will do it?

[127] **Ms Callow:** Certainly. We will be doing it in the ways that we have practised over the years and we will make sure, for example, that the directors that sit on the investment and resourcing board are all reviewing requests for staffing, making sure that the business case is solid so that it is not just a straightforward replacement of post, but that other opportunities and other avenues have been properly explored to make sure that the work is needed. On that,

we have seen a change in the type of resource that we need. So, over the past eight to nine months, easily, we have seen more requests coming through where they are highlighting a need for a fixed term or a concentrated period of resource, very much to make sure that we can start something new, such as the youth engagement and the social media work, as I have just mentioned, and then see where that takes us, having an opportunity to stop and reflect on what it has delivered and where we can go from there.

[128] **Mrs Clancy:** On the specific question on the living wage, the cost of delivering a living wage is factored into the budget.

[129] **Julie Morgan:** So, you are confident that you will be able to—

[130] **The Presiding Officer:** Absolutely. It is one of the core—. I would just like to point out that we do receive a large number of awards and accreditations because we look after our staff very well. We do have a pay agreement in place until after 2016, so we have stability until after the next election.

[131] **Julie Morgan:** Thank you very much for that. In terms of the youth engagement—and I know that you have done extensive consultation and had a huge response from young people—how are you going to carry that forward within existing budgets?

[132] **The Presiding Officer:** We know how committed you are to this, and so is the Commission. We are committed to getting young people involved in the Assembly and the democratic process. In fact, when I replied to the short debate yesterday, I did lay out what we have done and what we intend to do. We are developing toolkits for schools and for youth organisations, which are available online. We are making the most of our online presence to make sure that our youth website is a hub of information and discussion right across Wales. We are also looking at social media. Specifically on education visits to schools, our performance in 2013 was even stronger than in previous years. We actually had 81 new schools visiting us, and we have, on average, 42 visits a month to schools or to the Assembly. So, really, I am very pleased with what is happening. The education service did carry out a detailed report in 2013-14, which I would be happy to make available if you have not already seen it. However, over a third of our visits are from or to north Wales, so that is really good progress.

09:45

[133] **Julie Morgan:** That is something that this committee has been very interested in in the past in terms of the spread of visits, and we have a map here which shows the visits—it shows a lot of visits in north Wales, as we can see, but it is quite sparse in the middle. I do not know whether that reflects population or—.

[134] **The Presiding Officer:** There are probably more sheep than people in the middle, but we do make sure—. They are all good-quality sheep, though. [*Laughter.*] We try to make sure that those more-difficult-to-get-at people—. There is a grant available to bring schools here, which pays for their travel. We have in the past had schools that have come and been so pleased that they booked immediately for the next year, which we are stopping. The fact that we have had 81 new schools this year is just great.

[135] **Julie Morgan:** So, in order to get the 81 new schools, you had to restrict second visits by schools.

[136] **The Presiding Officer:** No, we are actually extending it and looking at how we can do things in new ways. That is the idea of having new youth workers, and we are looking to have this big national conversation online with people. We are accommodating that within the

existing staffing level.

[137] **Jocelyn Davies:** I know that Ann and Mike want to come in on this.

[138] **Ann Jones:** I have wanted to get my schools to come down here, and I know that Assembly Members make every effort that they can to assist them. How is the subsidised transport scheme panning out? Is that still as lucrative to schools? Well, not 'lucrative', but does that—

[139] **The Presiding Officer:** It covers their costs.

[140] **Ann Jones:** Does that cover their costs?

[141] **Ms Callow:** It is still available to the schools that meet the criteria. In fact, in 2013-14, we saw a 10% increase in its use, and we were able to accommodate that from within the existing budget. So, we are seeing changes but we are able to accommodate them. The education service, following our appearance here last year, had a look at reimbursements to ensure that they were fit for purpose. We have also reviewed how we use the booking system to ensure that we can accommodate all the needs. So, we are making sure that when a school wishes to arrange a visit, if we cannot accommodate exactly what the school wants, we can provide a suitable alternative or delay the visit for another time. So, we are quite confident that we are meeting the expectations.

[142] **Ann Jones:** Is there any possibility that you might look to set up a deal for some schools with train companies, so that there would be an opportunity, if you did not want to hire a coach, to bring a group of schoolchildren on a train? You could do a deal with the train company to provide some sort of group booking through Arriva, where you would give them a percentage back rather than pay for a coach. A lot of schools say that they would much prefer to bring the children on a train rather than on a coach. I have to hold my hands up to these teachers that bring these children from vast distances. Could there be a dual method of travel, rather than just hiring a coach?

[143] **Ms Callow:** I am not aware of there being a dual area.

[144] **Mrs Clancy:** We could look at it. It is a good idea.

[145] **Ann Jones:** Is it something that you could look at? I am not suggesting that it would provide any dividend, but even if you were to say, 'The cost of a coach is x, so we will give you x, but you might decide that you want to try to get tickets from Arriva', or we could ring up and say, 'This party is coming with 40 schoolchildren at a cost of whatever'.

[146] **Ms Callow:** It certainly fits in with our sustainability agenda. I am sure that if there is an advantage in there for us from using that, we would.

[147] **The Presiding Officer:** What we cannot stretch to—which is a shame, really—is accommodation when they come. However, there is very good accommodation across the road, and I know that hotels do good deals. However, on getting here and getting home, we are able to accommodate. I think that it is a very good suggestion, and we will certainly look at that.

[148] **Jocelyn Davies:** Mike, you wanted to come in on this point.

[149] **Mike Hedges:** I have one observation and one financial question. The observation is that I think that the education service is superb, and it is very well liked by the schools that come here from my area. I always find the staff very helpful when I pop in in the middle of

their speeches; they stop and let me interrupt before I go off to a Plenary session so that I do not get told off by the Presiding Officer. *[Laughter.]*

[150] The question is: will the amount of money available for travel continue at exactly the same level as it is now—that is, the subsidy?

[151] **Ms Callow:** The subsidy level is the same. There is a greater call on it, as there has been in 2013-14. We have been able to accommodate that change.

[152] **The Presiding Officer:** In the overall scheme of things, we need to look at every penny. I think that, in the overall scheme of things, we certainly need to keep that addressed.

[153] **Jocelyn Davies:** Nick, shall we finish with your question?

[154] **Nick Ramsay:** Yes. On the issue of sustainability and sustainability targets, are there any sustainability targets that you do not think you are going to meet by 2015?

[155] **The Presiding Officer:** We recently had a professional assessment of our progress on sustainability, which was undertaken last summer by the Carbon Trust. It was a very interesting report. It reported that the Assembly was one of the best public sector organisations that it knows of on sustainability, which is very good. As a result of its expert review, we now have more stretching and revised targets for 2021. We will be incorporating those in our existing targets. We work at it, but it is ongoing. Every time you find one saving, another suggestion comes up. Claire, do you want to add anything to that?

[156] **Mrs Clancy:** I suppose that the two key targets were to achieve a 40% reduction in energy emissions. The latest result on that is 36%. So, we are kind of on course to achieving the 40%, but it is going to be a bit of a stretch by 2015. The other target was a 15% reduction in business travel emissions. We have achieved 13.4%. So, again, it is extremely encouraging. The Carbon Trust was full of praise for the Commission's strategy on this, which has meant that we have been able to deliver far more than most public organisations on progress towards those targets. Those have now been subsumed into a plan through to 2021 to deliver a further 30% reduction on the 2012-13 baseline by 2021. So, that is another big stretch. So, we are going to be there or thereabouts, but before we get to that point, it is all being revised so that we now know what we have to aim for. We have a roadmap that the Carbon Trust and Arup have come up with, which is a combination of good housekeeping, combining refurbishment work that we need to do anyway within the building to deliver sustainability savings. So, there is a value-for-money efficiency point there.

[157] **Nick Ramsay:** I presume that most of these energy savings are related to Tŷ Hywel and the Pierhead building. This building that we are in—the Senedd—is pretty much as good as it can be, I would have thought, is it not?

[158] **Mrs Clancy:** This is certainly a very efficient building, and certainly most of the efficiencies are in Tŷ Hywel, but there are always things that you can look at. However, yes, primarily it is Tŷ Hywel.

[159] **Nick Ramsay:** Finally—and I think that you have actually covered it—are you responsible entirely for setting your sustainability targets? You have mentioned the Carbon Trust, which was obviously complimentary, but is it actually helping you to set your targets when you say, 'This is the target that we are going to have this year'. Is it totally internal, or do you have external validation?

[160] **The Presiding Officer:** It might be complimentary, but it is also challenging. Who is going to answer that one?

[161] **Mrs Clancy:** It was the Carbon Trust that did this thorough expert review and presented to the Commission its recommendation for what those targets should be, and what the elements of the plan should be to deliver it. So, it was a Commission decision, but based on expert advice from the Carbon Trust.

[162] **Nick Ramsay:** Thank you.

[163] **Jocelyn Davies:** Is that report publicly available?

[164] **Mrs Clancy:** We hope so. It was a joint initiative with the Carbon Trust. It paid for half of it as well, which was great. So, there is a slight copyright question over its part, but if we get its permission to share it with you—. I know that Jenny Rathbone asked about it at the Public Accounts Committee last week, because she thought that universities might be interested in it as an exemplar of good practice, so we are going to try to get permission from the Carbon Trust to share it, and then we can let Members have it.

[165] **Nick Ramsay:** I will just go back to the earlier comment about the sign outside. I am pleased to see now that there is finally a sign telling people what this building is. I do not know about other Assembly Members, but when I was walking across, some tourists would stop to ask what the building was, which they would never have done in Westminster. So, I think that that has been a long time coming.

[166] **The Presiding Officer:** Yes. Also, there are little walking signs in Cardiff Bay to get here. We know what it is, but you are quite right; it is very popular. I notice that television companies are doing broadcasts with that behind them now.

[167] **Nick Ramsay:** The sign is made of individual letters, though, is it not? Obviously, you need to make sure that they are all firmly fixed. There is nothing worse than when those individual letters fall off and you end up with half words.

[168] **Jocelyn Davies:** I think that that comes under ‘sustainability’. *[Laughter.]*

[169] **The Presiding Officer:** That is an eye for detail, Chair.

[170] **Jocelyn Davies:** Yes. Okay. Thank you. We have run out of questions. Thank you very much for attending and presenting the Commission’s budget today. I think that we have had a very positive session, and, as normal, you have been very open and honest with us, which is great. We will send you a transcript; if you would check that for factual accuracy, we would be grateful. I think that we will take a short break now. We will resume at 10.30 a.m.

09:55

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o’r
Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[171] **Jocelyn Davies:** We will go into private session to consider the evidence that we have received this morning. I move that

the committee resolves to exclude the public from the meeting in accordance with Standing Order No. 17.42(vi).

[172] Are all Members content with that? Thank you very much.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 09:55.
The public part of the meeting ended at 09:55.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 10:26.
The committee reconvened in public at 10:26.*

[173] **Jocelyn Davies:** Welcome back to this meeting of the Finance Committee. Before we move to the next item on the agenda, I should say that we have a slight problem with the headsets. If you are using them for amplification, you will need to use channel 2. The translation is still on channel 1.

10:27

Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2015-16: Sesiwn Dystiolaeth 1 Welsh Government Draft Budget 2015-16: Evidence Session 1

[174] **Jocelyn Davies:** We are delighted that we have the Minister with us today. Minister, would you like to introduce yourself and your officials for the record? Then I understand that you have an opening statement and then we will go into questions.

[175] **The Minister for Finance and Government Business (Jane Hutt):** Thank you very much indeed, Chair, and thank you for the opportunity to say a few words. To introduce the team, they are Jo Salway, the deputy director of strategic budgeting, Matt Denham-Jones, head of budgetary control and reporting, and Jeff Andrews, specialist policy adviser.

[176] Obviously, I do not want to repeat what I said in the Chamber on Tuesday, but I thought that I would mention a few things, following on particularly from the very helpful pre-budget scrutiny session in which I gave evidence in July. At that meeting, I reported that I was meeting front-line staff from across all our public services in Wales, including the third sector. I published the end-of-budget-tour report last week—we have copies here for committee members. I also met not just front-line staff but users of services during those visits. What was very impressive was the kind of focus that they had on prevention and early intervention, which is very much in accord with the themes of the budget process, which are reflected in my budget narrative. There were also many good examples of good practice, and you will be aware of some of those through the invest-to-save fund, for example, and they are highlighted in the report.

[177] I want to focus on this point about prevention, and I hope that you will notice that, in the draft budget, every Minister has had to focus on prevention. Also there is the strategic integrated impact assessment. I know that you have had this since Tuesday, but it is very important in terms of focusing on the ways in which we have had to assess the impact of our decisions. I hope that you will see that it does show a balance of resources towards prevention and early intervention.

[178] Also, I just want to say that we are driving ahead our commitment to demonstrating how allocations link to objectives of spend—you will see in the narrative of the budget on page 30 a chart showing how we have allocated and aligned our resources to four outcome themes that have shaped our budget allocations—and, importantly, as we have worked on this together, on how we can demonstrate improved links to outcomes. So, I have highlighted budget outcomes in the draft budget with evidence of why and how we have prioritised

spending in the context of a reduced budget. There are examples and case studies in the narrative to illustrate that, on pages 32 and 33.

10:30

[179] I am looking forward to the debate next week on the best practice budget processes inquiry, because we do have that shared objective, I believe, in taking this forward and responding to it. In terms of transparency, I also want to draw your attention to the annexes in the budget narrative. I am sure that some points from those will come up during the scrutiny, but it is responding directly to other committees' requests for greater transparency, which we want to deliver.

[180] Finally, in terms of the context, we must remember that the context of setting our current plans relates entirely to all of our funding coming from the UK Government. We can allocate only the resources that we have been given and our budget will be 10% lower next year in real terms than it was in 2010-11. Of course, that means tough decisions, but I have highlighted in the strategic integrated impact assessment some of the negative impacts and our focus on how we manage this in terms of the difficult decisions that we make. However, obviously, it is clear that we all need to understand the full range of impacts as a result of that reduction in our budget. I hope that this approach, in terms of underpinning our spending plans, will be helpful in terms of scrutiny.

[181] **Jocelyn Davies:** Thank you. Minister, in relation to the indicative allocations published last year, how do the overall budget allocations compare to those? Are there any significant changes?

[182] **Jane Hutt:** Well, I think there have been—. In terms of the uplift in health, that is a significant change, and, clearly, that has come as a result of my clear commitment, responding to the Minister for Health and Social Services, that we would look at the impact of the Nuffield Trust independent report, which was published earlier this year. That was not only when he made that statement and he said that he would be discussing this with me over the coming weeks in terms of informing budgetary decisions, but also in terms of the supplementary budget, when I think, in July, I also made it very clear that we would have to look at the impact of the Nuffield report in terms of health and social services. If you look at the indicative plans, you can see the difference in terms of health and social services on page 83 of the narrative. I do not think that it is any surprise to the committee that that is a major change, and, of course, that has meant that that has had an impact on the whole budget in the context of a reducing budget, not a growing budget, where one might then have made decisions about where you put that growth. That has had a major impact, I think, in terms of the indicative budget that you passed last year.

[183] **Jocelyn Davies:** Ffred, did you want to come in on indicative budgets?

[184] **Alun Ffred Jones:** Iawn. Diolch yn fawr. O safbwynt, er enghraifft, y llinell ar Gefnogi Pobl, pan ydych yn dangos gwahaniaethau, rydych yn eu dangos nhw rhwng yr *indicative* a'r ffigurau go iawn. Er enghraifft, gyda Chefnogi Pobl, rydych yn dangos gostyngiad o £5 miliwn, ond, mewn gwirionedd, mae'r gostyngiad yn £10 miliwn rhwng gwariant cyllideb eleni a gwariant y flwyddyn nesaf. Onid ydych yn meddwl y byddai'n well petaech yn dangos y gwahaniaethau hynny rhwng cyllidebau go **Alun Ffred Jones:** All right. Thank you very much. In terms of, for example, the line on Supporting People, when you show differences, you are showing them between the indicative and the real figures. For example, with Supporting People, you show a reduction of £5 million, but, in reality, the reduction is £10 million between the budget expenditure this year and next year. Do you not think that it would be better if you showed those differences between real budgets rather than these indicative figures

iawn yn hytrach na'r ffigurau *indicative* hyn sy'n gamarweiniol, a dweud y gwir, achos yn yr achos hwnnw, mae'r toriad ddwywaith yr hyn sy'n cael ei awgrymu yn y gyllideb? that are misleading, really, because in that case, the reduction is twice what is being suggested in the budget?

[185] **Jane Hutt:** As I said, it has been a challenge in terms of a reallocation. It is a reallocation budget as a result of that uplift to health. It has meant that Ministers and I have had to look at every budget line in terms of the impacts on those budgets.

[186] In terms of the indicative spend, I appreciate the point that you make between indicative and real spend and allocations. We have had to look at every budget line very carefully and link it, of course, with our programme for government. We can go through—and I am sure that you all want to go through—some of the reductions and other Ministers will have to answer to committees and to the Assembly in terms of the difficult choices that we have had to make.

[187] What we have also tried to do is see where our priorities are, not just in terms of health and social services, but in terms of tackling poverty and our commitment to the 1% increase to schools over and above the overall departmental expenditure limit, I hope that you will see that that is usefully laid out in a transparent way in annex E. We have also had to look at ways in which we could, for example, protect social services by putting in that extra £10 million. So, in terms of budget reductions, you mentioned Supporting People and I probably responded to this on Tuesday. There has been a cushioning in Supporting People as a result of the protection that was given through our budget agreement for this year, which of course was with Plaid Cymru and the Welsh Liberal Democrats. As a result of that protection, it has cushioned the impact of the reductions for 2015-16. I think that that is something that the Minister, clearly, and those who are working closely, particularly in the national advisory board, to see how that cushioning relates to how the funding can be realigned in terms of Supporting People.

[188] **Alun Ffred Jones:** Roeddwn i'n gwneud pwynt mwy cyffredinol bod defnyddio'r ffigurau *indicative* yn rhoi camargraff o'r toriad neu'r cynnydd a all fod mewn cyllidebau. Yn yr achos hwn, sef Cefnogi Pobl, nid £5 miliwn yw'r toriad, ond £10 miliwn. Yn y cyd-destun hwnnw, rydych chi wedi dweud yn eich datganiad mai bwriad y gyllideb hon yw *prevention ac early intervention*. Wel, onid ydy'r llinell Cefnogi Pobl yr union beth hynny, sef cefnogi pobl fregus yn eu cartrefi a'u stopio nhw rhag mynd ar ofyn i'r gwasanaeth iechyd? Felly, sut ydych chi'n cyfiawnhau'r torri hwnnw? **Alun Ffred Jones:** The point I was making was a more general point that using the indicative figures was misleading with regard to the reduction or the increase that there could be in budgets. In this case, namely Supporting People, the reduction is not £5 million, but £10 million. In that context, you have said in your statement that the intention of this budget is prevention and early intervention. Well, is the Supporting People line not exactly that, namely supporting vulnerable people in their homes and preventing them from using the health service? So, how do you justify that reduction?

[189] **Jane Hutt:** I think, if you look at the budget line in terms of Supporting People, it is a £5.9 million reduction—

[190] **Alun Ffred Jones:** Well, it is £10 million from this actual—

[191] **Jane Hutt:** Well, 4.5% is £5.9 million. Again, we can go into detail; I am sure that this detail will be considered in other committee—

[192] **Alun Ffred Jones:** No, it is £10 million.

[193] **Jocelyn Davies:** Minister, I think the point that Alun Ffred is making is that that is if you use the indicative budget, but if you use the actual allocation or the actual budget, it is a £10 million reduction.

[194] **Jane Hutt:** I think, in terms of the way we approach our budgets, we are approaching them in terms of looking at what was approved by the Assembly last December in terms of the budget. We only had an indicative budget for this year. So, in terms of preparation for 2015-16, which was always going to have unknown quantities in terms of the impact of consequential and further cuts, clearly, we had to reflect the draft budget against the indicative programme. I think that that is a reasonable way to approach the budget. That is the way we work.

[195] **Alun Ffred Jones:** All I am doing is making a general point—and I am going to stop here—that people out there, bodies that have to deliver services, have a budget and they work to that budget. Next year, they will have another budget and the difference between those budgets is what they have to deal with. Indicative budgets are almost neither here nor there. Although they probably work to them in preparation, they have to deal with reality, and the reality in this case is that there is a £10 million drop, is there not?

[196] **Jane Hutt:** I mean, what else do you work on, Chair? I have to say that there is a 10% real-terms cut in our budget for next year and a reallocation. Clearly, the challenge for this budget has been for us to reallocate and reprioritise because of the need to ensure that we have the funding to meet the Nuffield Trust challenge. So, yes, in terms of the changes to the indicative budget and the budget, there are major changes, but I would have to say that, in terms of prevention, which I have said is the key theme in this budget, across the board in every ministerial portfolio we have a clear indication of how we have sought to look and how I have stressed with them that they have to look at the preventative measures they could take. For example, in terms of the communities and tackling poverty portfolio, the fact that we are putting in £2.2 million to support advice services, which is a key measure in terms of tackling poverty, is clearly preventative investment. We know that that is the key to supporting people, particularly the most vulnerable people.

[197] Also, on the £76.9 million in Flying Start, we have protected Flying Start. We have made decisions to protect budget lines like Flying Start because of the evidence of the preventative nature and the fact that it leads to better outcomes and long-term outcomes for children. We have also had to make difficult decisions in terms of other emerging priorities. One example is the Schools Challenge programme, which I found funding for this year particularly targeting schools that really did need that extra support and intervention. We found another £12.1 million in the education budget for next year. I could go on. For example, we have protected the gender-based violence, domestic abuse and sexual violence line and provided additional funding to credit unions. Throughout the narrative, you will see ways in which we have sought to invest preventatively. You identified Supporting People. We can work with those who are delivering on that programme and, as I said, this year's protection of Supporting People will help to cushion it next year.

[198] **Jocelyn Davies:** Peter, did you want coming on this particular point?

[199] **Peter Black:** Yes, if I may. Minister, you have stressed that, as part of this general approach, you are reprioritising the budget, which I understand, and putting the emphasis on preventive spend as part of that reprioritisation. Yet, in terms of Supporting People, the study in Carmarthenshire demonstrated that, for every £1 spent on Supporting People, you had £2.30-worth of savings. So, it is not just an investment, it is a preventative spend in itself and yet that particular budget is being cut. So, how does that fit into the general message of the budget, which is that you are concentrating on preventative spend?

[200] **Jane Hutt:** Well, you have chosen to highlight Supporting People as a very important programme and I know that there will be further scrutiny of the decisions that have been made in this draft budget. I do not want to repeat again the points that I have made. You can look at the strategic integrated impact assessment in terms of the difficulties we have had in terms of programmes and where we have had to make reductions. However, it is a programme, as colleagues and Members know, where there have been important changes in terms of realigning funding and where there has been protection this year. We have a national advisory board working with the Government in terms of Supporting People. However, it is a question of whether you would want to then say—. Where would you like us to make these cuts?

10:45

[201] Of course, again, it is for you to consider what you think about that £11.3 million for homelessness or maintaining our funding for concessionary fares and free prescriptions or maintaining our additional investment of £62 million in fuel poverty and energy efficiency programmes. We have decided that these are priorities in terms of a preventative investment, but we believe that Supporting People is a very important programme. We will work with those who deliver it to ensure that they can continue because, clearly, it has a preventative impact.

[202] **Jocelyn Davies:** Ffred, did you want to come back in on this?

[203] **Alun Ffred Jones:** I just have a brief question on Supporting People. Will the cuts involved in that programme be delivered equally across Wales or will some areas see larger cuts?

[204] **Jane Hutt:** I think that that is a question of detail that you would have to explore with the Minister.

[205] **Jocelyn Davies:** We will ask the subject committee to explore that with the Minister. Julie, shall we move on to your question on Barnett?

[206] **Julie Morgan:** Yes. I was going to ask a question on Barnett. I will start off with a general question. I do not know whether you can tell us what you think generally about the future of the Barnett formula and how things stand at the moment in view of the Scottish referendum and what so many politicians have said about the Barnett formula. Do you have anything that you could share with the committee?

[207] **Jane Hutt:** In terms of the Barnett formula, we have always been very clear that it is ripe for reform. There was Gerry Holtham's report leading to the Silk commission and particularly the Silk commission's report part 1. Gerry Holtham gave us a way forward in terms of being able to address the convergence that we have now experienced in terms of our budget and the impact of consequentials allocated as a result of the Barnett formula. We have got a mechanism and we also have an agreement with the UK Government that, when convergence starts again with public spending growth, there would be a mechanism—the two Governments would agree to a mechanism. The First Minister has made it very clear that underfunding and fair funding for Wales must be addressed alongside, of course, what is now being addressed for Scotland in terms of the situation post referendum. Everyone is aware of what the vow to Scotland said. It was signed by the Prime Minister and the leader of the opposition and the Deputy Prime Minister. It said that the Barnett framework is going to stay. However, in that same statement, it said that, across the four nations, there should be equitable distribution of resources. It seems to me that that contradicts the fact that the Barnett formula is here to stay. This is very important for us in terms of the impact of consequentials

and securing our fair funding, and it is very relevant to the point that is made about our future allocations from UK Government consequentials. It is something that I continue to negotiate and liaise on with particularly the Chief Secretary to the Treasury with regard to the impact of this.

[208] **Julie Morgan:** But there are no further developments to report at this stage, then.

[209] **Jane Hutt:** I think that Wales is making its voice heard, and I think that it is very important that it is a cross-party voice. I believe that that is coming through. It is coming through certainly as result of debate and responses to statements over the past few weeks, particularly since the Scottish referendum. However, also, I think that we have been united as a National Assembly with the Welsh Government in saying that we need to secure fair funding. There has been an immediate call for a funding floor to halt convergence. It is something that has been clearly expressed, is on the agenda and has been made clear by the First Minister. So, it is now a matter of getting the response from the UK Government to that call. However, it is always very helpful if the committee also joins me and the First Minister on this point.

[210] **Julie Morgan:** To go on to the specifics, the indicative figure was £130.6 million. However, the actual figure for Barnett consequentials was £92.8 million. What is the difference between those?

[211] **Jane Hutt:** This is something that, again, we have laid out in terms of the annex, which is very helpful in identifying the way that the Barnett formula—. Sorry, it is page 97, in annex C. If you look at that, you will see that it lays it out. The only thing to make a point about is that you will note at the bottom of the page that it does exclude all consequentials in relation to business rates, which were not included in the revised budgetary control total. So, I think that that would account for the difference between the figures.

[212] **Jocelyn Davies:** I wonder whether I could ask you about the council tax reduction scheme. The current funding for that is £222 million. Will you be continuing the funding at that level or will there be an increase for inflation and, obviously, there will be council tax rises?

[213] **Jane Hutt:** As far as the council tax benefit scheme is concerned, obviously, we have maintained it. We have made tough decisions, because it is a tough decision in terms of how we can fund that. In terms of just maintaining it, for the protections, it is important that we have delivered that. If you look at the review that we took of longer term arrangements this year, you will see that we have agreed to continue to maintain entitlements for all eligible applicants and to continue with the existing funding arrangements for a further two years, protecting vulnerable and low-income households against reductions in entitlements for a total of four years. That is despite, again—and I hope that you would recognise this, as a committee—a shortfall in the funding transferred by the UK Government.

[214] **Jocelyn Davies:** Is it going to be maintained at the £222 million level or is there an increase for inflation and council tax rises? Obviously, this is the bit that makes up the gap. What I am asking is whether that gap is going to be bigger and, if so, will it be each local authority that will have to make up that difference? It is just to have some clarity on that.

[215] **Jane Hutt:** We are maintaining the £222 million.

[216] **Jocelyn Davies:** So, there is nothing for inflation or council tax rises. So, the difference will have to be made up by the individual local authority.

[217] **Jane Hutt:** In fact, that is how it has been handled in the past year, as you know.

[218] **Jocelyn Davies:** In relation to the non-domestic rates, obviously, from now on, this figure will be dependent on what is actually collected within Wales. Have you done anything to assess the impact on the level and the volatility of income for local government?

[219] **Jane Hutt:** At the moment, I am negotiating with the Treasury on the transfer, because, of course, we are now, as you say, into a period where we manage and have to bear the risk in terms of our responsibilities and the impact that that could have on local government. So, we clearly welcome the complete devolution of non-domestic rates. It is going to happen in April, and I hope to be able to report back to the Assembly very shortly the outcomes of my negotiations, which will take on board your points.

[220] **Jocelyn Davies:** Do you know when to expect an outcome?

[221] **Jane Hutt:** It is imminent. As far as the negotiations and clarification of the transfer are concerned, I would anticipate that it will be within the next few weeks.

[222] **Jocelyn Davies:** Okay, so the consequential from the autumn statement in 2013 related to non-domestic rates, then, and that is included in the draft budget allocation for this year.

[223] **Jane Hutt:** Jo, do you want to clarify that?

[224] **Ms Salway:** No, that is part of the negotiations, because at the point at which the consequential came through, the old system applied. So, that was left with the UK Government, and part of the negotiation is about working out how things go forward, and how the technical detail works—about managing the system, but also how to readjust decisions that have been taken.

[225] **Jocelyn Davies:** So, the originally quoted consequential was something like £37.8 million. Can you tell us how much you ended up with, compared with that figure? Do you not know?

[226] **Jane Hutt:** I think that it would be helpful if I could come back to you when we have concluded on the non-domestic rates negotiations, because it is part of our negotiating position. Interestingly, Scotland is still negotiating on the devolution of its NDR as well, so it is a very pertinent and topical point at the moment. I am happy to give the committee a note if I can give you any more clarification, without undermining our negotiations.

[227] **Jocelyn Davies:** We certainly would not want to do that. I will move on, then, to the budget carry-forward from previous financial years, and the budget exchange system. There was a request from us for clarification on how this is working out, especially in relation to the departmental expenditure limit cap. Are you any clearer on this now? Is this a matter that has been finalised?

[228] **Jane Hutt:** Yes. To confirm the cap, it is 0.6% of the resource DEL and 1.5% of the capital DEL, but I did negotiate some more flexibility to carry forward up to 20% of financial transactions funding that was available in 2013-14. The Chief Secretary to the Treasury also agreed to review the 2013-14 budget exchange cap if there was any breaching as a result, for example, of the extra funding that we might have to put into the flooding budget this year. Hopefully, the second supplementary budget for 2013-14 transparently said that we intended to carry forward £51 million of the fiscal resource DEL, £6 million of the traditional capital DEL and £1 million of financial transactions funding. We have got underspends, which are outlined in our annual accounts. I provided the final outturn report to this committee earlier on in the summer. You will see that there is a total of £64 million revenue and £16 million

capital that will be carried forward into the current financial year.

[229] I think that it is important also to see that the adjustments to the baseline reflect the final amount carried forward, and that will be made later in the year through the UK supplementary estimate process.

[230] **Jocelyn Davies:** Julie, shall we go on to your questions on the Wales Bill?

[231] **Julie Morgan:** Yes. This is on the preparation for tax powers and what preparation is being made to ensure that we are able to manage to do that efficiently. Just looking at the figures, the two taxes that are to be devolved are likely to generate less than £200 million, which is less than 1% of the overall budget, but the mechanism is going to have to be set up to deal with that. How can we ensure that the actual mechanism is not too expensive to have the benefit from it?

[232] **Jane Hutt:** We are talking about 2018—

[233] **Julie Morgan:** I know, but the preparations are beginning now.

[234] **Jane Hutt:** Yes, absolutely. Just to confirm again, for people to know—because I think that a lot of people do not know, so it is good for the record to confirm—that it is 2018 when the taps will be switched off in London and it will come through to us in Wales. So, clearly, the preparations are under way, and the fact that I announced the consultation last week on our tax collection and management facilities and that we are setting up a Welsh revenue authority are also indicative of our preparation. We also have a Welsh treasury implementation programme. With the Wales Bill and the command paper that accompanied it, we are clearly preparing for the new responsibilities as the Wales Bill goes through Parliament. It means that we will be consulting on stamp duty land tax, for example. We will be consulting in the spring. Although we are going to get our legislation through on tax collection and management before our Assembly elections, we will not get the legislation for the reform of stamp duty land tax until after our elections. However, we have already started paving the way in terms of preparation for the reform of stamp duty land tax, and we will have full, open consultation on that in the spring of next year.

11:00

[235] It is important to recognise that, yes, actually, this week, the figures rose slightly for stamp duty land tax for Wales, in terms of the income. We are getting expert advice on stamp duty land tax. We are looking at the new Scottish Bill reform, which has now gone through, although they have not yet actually announced the impact of that financially in terms of the reforms that they are taking through. However, clearly, every £1 of income that we do not take from the stamp duty land tax, whatever reform we have, will be £1 off our budget, off our DEL. It is going to be very important, politically, in terms of the decisions that parties make, and it will be in manifestos, I am sure. It is very important that, next year, we have a full, rational, open consultation on the impacts of our taking on responsibility for UK stamp duty land tax, and what kind of reforms we could have, and what that would mean fiscally.

[236] **Julie Morgan:** What about establishing a Welsh treasury? Is there anything in this budget for 2015-16 for that?

[237] **Jane Hutt:** Just in terms of capability within the Welsh Government, there is the Welsh treasury implementation plan, as I mentioned, and we now have a head of the Welsh treasury implementation unit programme, Andrew Jeffreys, and we are working flat out, full steam ahead, in terms of getting the treasury functions set up and resilient. I also have a tax advisory group, which I know I have mentioned more than once, and I have shared with you

the membership. We will be meeting shortly, in the next few weeks. We have a tax forum, and we have representation not only from across the business, third and public sectors on these groups, but also from tax experts whom we have recruited from legal and financial backgrounds. You know, I am hoping, again, that we can discuss with the committee more our progress in terms of treasury preparations—and that, of course, is quite separate from the Welsh revenue authority that we are setting up, which is going to be responsible for tax collection and management.

[238] I have to say that we have also learned a lot from what has happened in Scotland, because this is really reflecting the Scotland Act 2012. I am working very closely at ministerial level. In fact, a team from the Scottish Executive came down to meet our Welsh treasury officials only a few weeks ago, and I met with them as well. We are working hard to make sure that Wales is robust, resilient and ready.

[239] **Jocelyn Davies:** Did you want to come in on this point, Nick?

[240] **Nick Ramsay:** Yes, just on the issue of stamp duty. Are you at all anxious about the process of devolving stamp duty? We took evidence last week from the Office for Budget Responsibility, and its representatives were talking about the difficulties of forecasting stamp duty. You said that, this year, there is a slight increase, but, potentially, if the forecast was a little bit out and that stamp duty revenue did not come in, there could be a sizeable gap in your budget. Over the UK, that can be evened out, but it cannot be evened out as easily within Wales. So, how are you dealing with that?

[241] **Jane Hutt:** Clearly, this is why we are getting the expertise in to advise us on that and to pave the way for a full consultation on this in the spring. I think that it may be something that the committee might want to consider. I would be very happy to share some of the early advice that we are getting on stamp duty land tax, in terms of options and opportunities, but there will be a full consultation on this in the spring. I think that I have expressed openly and publicly the fact that everyone wants to reform stamp duty land tax, not just us, because of the slab nature of the tax, but there are pitfalls all the way along, fiscally, obviously, and we really do need to give ourselves time to get this right.

[242] **Jocelyn Davies:** Did you want to come in on this point, Mike?

[243] **Mike Hedges:** Yes, on this point. It is a cyclical tax. Does the Minister agree that one of the big decisions will be at what level it is set when it gets devolved? Is it on the current level, on a mean level over a period of time, or on its lowest level? Although it is not a lot of money, it is a cyclical tax and that can vary by a couple of hundred million pounds between its lowest and highest points. Is it £200 million, lowest to highest? It is somewhere in the region of £180 million to £200 million. That is the first point. Secondly, I have a simple view on taxation: it is there to raise money for public services. If you alter it and are going to get the same money, for everyone who pays less someone else is going to pay more.

[244] **Jane Hutt:** I think that that is a very fair point.

[245] **Jocelyn Davies:** It is a point rather than a question, Minister.

[246] **Mike Hedges:** Minister, would you agree? [*Laughter.*]

[247] **Jocelyn Davies:** Do you agree with him or not?

[248] **Jane Hutt:** You have seen my statement of principles for a fair tax system for Wales. You will see also that, last week, I announced that we would have a taxpayers' charter. I think that we have to look at the issues from last week, which are out to consultation now, about

how we collect and ensure that we do collect the taxation that we are due and owed in order to pay for public services.

[249] I think that your first question and point is critical. Again, this is an issue that is now being addressed in Scotland as well, as the taxes will switch off from London to Scotland before us. We will certainly be going for the best fit in terms of the level. We are talking about 2018, but the principle has to be agreed now. The sort of thing that we are setting up—it is in the Wales Bill command paper—is this new joint Exchequer committee. Again, that reflects what is happening in Scotland and it will include me, the Chief Secretary to the Treasury, the Secretary of State for Wales and the Financial Secretary to the Treasury. Our first meeting is to be held on 20 October in Cardiff. These are precisely the sorts of issues that we will be addressing through the Exchequer committee.

[250] **Jocelyn Davies:** I am sure that we could offer you an expert speaker, should you be short of them. [*Laughter.*] Julie, did you have any more questions?

[251] **Julie Morgan:** I was going to go on to ask about Williams. I do not know whether you—. Shall we go on to that now?

[252] **Jocelyn Davies:** Yes.

[253] **Julie Morgan:** I want to ask about preparation for the Williams reforms. If any councils do follow the merger route, what is in the budget to help them to do that?

[254] **Jane Hutt:** Clearly, there is the Welsh Government commitment to Williams, but it is also at a time when we have severe financial pressures. At the moment, as you know, as a result of the call for voluntary mergers and the prospectus that has gone out, authorities are asked to come forward with proposals by the end of November, I think. Also, they have been asked to come forward with proposals that minimise costs and maximise the early realisation of benefits. So, it has always been a question of cost benefit in terms of merging and seeking that cost benefit. You need to go back to the Williams commission report, as you will have done, in terms of costs of mergers. We have to put this into the context of the fact that local government spends over £8 billion a year, and that this reform has to realise cost benefits. That is, obviously, partly why we are moving forward on this. I think that it is something that, working very closely with the Minister for Public Services, we will be able to assess, and various financial assessments have been done in terms of costs over the past few months. As you will have seen from the prospectus, I have also raised the opportunities through invest-to-save. Local government has not taken as much advantage of invest-to-save as we feel that it could have done. I think that there is an appetite and there are some good examples in terms of invest-to-save.

[255] Also, there are other specific initiatives, like the local government borrowing initiative, which actually emerged from local government, and has been hugely successful. It is us helping, in assisting with the borrowing for highways improvements. We are also looking at ways in which we can support local authorities in terms of collaborative procurement. So, in terms of costs over and above that, and over and above the fact that one of the recommendations is, for example, to move to a shared services model, which again is going to realise efficiencies and savings, it is early days to say how much the costs would be. However, that is something that we will have to look at.

[256] **Julie Morgan:** Is there any indication yet how many local authorities are likely to merge?

[257] **Jane Hutt:** That really is for the Minister for Public Services to respond to—it is his responsibility—but of course, it is by the end of November that proposals have to come

forward.

[258] **Jocelyn Davies:** Mike, did you want to come in on this?

[259] **Mike Hedges:** I have a question on Williams. Do you accept the assertion in Williams that there will be no additional ICT costs and no additional relocation costs following merger?

[260] **Jane Hutt:** These issues clearly have to be considered very carefully, in terms of merger and prospects. That is something that is being looked at very carefully by the Minister, and I am engaged as and when.

[261] **Jocelyn Davies:** Peter, did you want to come in on this?

[262] **Peter Black:** I understand that, on a lot of the detail, we will have to talk to the Minister for Public Services, but what allocation has been put into the budget to meet any costs of any voluntary mergers?

[263] **Jane Hutt:** I have mentioned the kinds of ways in which we can assist local government already—

[264] **Peter Black:** Yes, but they have still been promised money.

[265] **Jane Hutt:** Invest-to-save, particularly, is one example, as well as the capital allocations that we are making. In fact, many of the announcements in the draft budget do help local government in many ways, in terms of the impact of investment in regional collaboration in different parts of their delivery of public services. However, this is something that we will obviously have to look at in-year, particularly in terms of voluntary mergers, because that is now what we are looking towards—in-year costs. That is, clearly, something that I will be discussing with the Minister.

[266] **Peter Black:** So, there is no specific allocation in the budget for the money that the Minister has promised to local government if they voluntarily merge.

[267] **Jane Hutt:** There is no specific—. In terms of the local government settlement, that is going to be announced on Wednesday, and you will see that we have worked hard to, again, ameliorate the impacts of budget cuts on local government.

[268] **Jocelyn Davies:** What level of reserve are you carrying should you need to have a discussion if a lot of local authorities come forward and need more mergers supported centrally? Or will this come from the Minister's allocation contained in this budget?

[269] **Jane Hutt:** The 1%, as always, for our reserve. The 1% is there and it is a very important facility in terms of emerging pressures during the year.

[270] **Jocelyn Davies:** However, you would expect the Minister to find it from within the allocation that is shown in this budget.

[271] **Jane Hutt:** I think that it is important to look at what the prospectus says; I do not have it here with me. It is important to look at the prospectus and what it says about the funding of mergers. I will say that we are committed—and I know that the Minister would say this—to looking at the scope and nature of costs with local authorities during the preparation of their proposals and we will consider how this can be resourced.

[272] **Jocelyn Davies:** I see.

[273] **Jane Hutt:** We cannot be definitive yet.

[274] **Jocelyn Davies:** Okay. I was just wondering whether the Minister can come to you and have a discussion or whether the other local authorities that are not merging will have to pay for it, but we will have to wait and see.

[275] Julie, did you—

11:15

[276] **Julie Morgan:** That is fine.

[277] **Jocelyn Davies:** Okay. Before we move on to asking you about the airport, you mentioned preventative spend earlier and gave a number of examples and you said that all Ministers now have to demonstrate measures within their portfolios that are preventative spends. What process did you go through with those departments, so that that was possible?

[278] **Jane Hutt:** In terms of preventative spend, it is also useful to look at the integrated impact assessment, because, to a certain extent—. We have also been very much guided by the budget advisory group on equality that has worked with me and the Minister for Communities and Tackling Poverty to overview the portfolio spend and the priorities, to look at it in terms of our priorities and programme for government, but also at the impact of reductions. To give you an example, in terms of health and social services and integration, on the key decisions, namely NHS additional funding of £225 million, once we had made the decision that we were going to meet the Nuffield funding, that had an impact on the whole budget. It is obviously beneficial for the Minister for Health and Social Services' budget. It is also about looking at what emerges through those key decisions, such as mental health maintaining, because we know the importance of prevention in terms of keeping the spend on mental health. That is preventative investment. We know that. Public health and prevention is increased by £1.5 million.

[279] I think, also, it is evidence. It is based on evaluations and evidence about the impact of preventative spend. I will give one example. We decided that we needed to look at social services as well as the NHS—spend on the health service—because we know that health and social care integration is vital. We know that, if you put all of the money into the health service and you leave social services and social care exposed—. We knew that the integrated health and social care approach was making a difference, so that is why we put money into social services. So, it is a mixture of evaluation of what works in terms of prevention, and we have a whole range of research and evaluation—. It is also about recognising and targeting what makes a difference in terms of a preventative investment. Each Minister had to make those decisions with our guidance.

[280] Just to give you an example—I mentioned a few earlier on—if you maintain funding for concessionary fares, it does help tackle poverty, it does provide free bus travel for a range of groups that are more likely to experience poverty, it does include people over 60 and it does include disabled people and their carers and seriously injured war veterans. Of course, it is actually our bus services that are crucial if we are going to have concessionary fares. Also, putting more money in—the £4.6 million for the bus support grant—is a preventative decision about preventative investment.

[281] When I had my budget tour, the people in leisure centres who came to the meetings said, 'We think leisure centres should be called 'health centres', not 'leisure centres'. We think that we actually keep people healthy and out of the health service. We do exercise referral from GPs, but we want people off the street in here.' Free swimming is one example.

However, £28.5 million into the sports and physical programmes is one way, and we have a capital loan scheme for sport and leisure facilities just announced in the capital programme. That is through financial transactions. So, it had to be a mixture of evidence, research, policy priorities in terms of tackling poverty and our commitment to prevention across the board in every portfolio.

[282] **Jocelyn Davies:** We have a number of Members who have asked to come in on this. Peter is first, then Fred and then Chris.

[283] **Peter Black:** I have a general point and a specific question. In terms of the impact assessment document, it is very good in terms of where you put money and what the impact of that is, but it is very vague in terms of what the impact of the money you have cut is—particularly with issues like Supporting People, but also other issues as well. So, I think the document has only limited value. However, in terms of the specific question, Minister, how will the £10 million that you put in for social services be paid to local government? Is that going to be a specific grant? Is it part of the revenue support grant, or is there another mechanism that will be used and what formula will be used to distribute it?

[284] **Jane Hutt:** It will go into the revenue support grant, as we have done previously. If you recall, we had an allocation for social services, which stopped in this financial year; that was done in the same way. It is not ring-fenced, but we will monitor very carefully how that £10 million is spent.

[285] **Peter Black:** So, you have an agreement with local government that is very similar to the 1%, whereby it will spend it in that way.

[286] **Jane Hutt:** That is the expectation. I announced it as £10 million to social services for local government; it is not just topping up the RSG. We used to call it, in former times, something like ‘soft earmarking’. It is not ring-fenced—you know that local government wants as little as possible to be ring-fenced, although we are ring-fencing our pupil deprivation grant and there are still other ring-fenced grant areas—but it will be monitored very carefully. Local government said that it wanted more money for social services. It would have been no good just to add it in. It would not be in the RSG if we were not making a specific decision to put money into social services, and it is something where your scrutiny is very important, because it is about ensuring that we see that spend. We will, as we did with the £34 million, and we do with the 1%, be scrutinising local government spend on social services.

[287] **Peter Black:** So, trying to be helpful in terms of scrutinising this, are you therefore distributing that £10 million according to the RSG formula, or are you taking elements of the RSG formula for that distribution?

[288] **Jane Hutt:** I believe that we will be allocating it as it was allocated before in relation to the social services indicative figures. That is what I think we did. So, obviously, local authorities will be getting it according to their demographic social—

[289] **Peter Black:** So, it is not in the general pot in terms of the distribution.

[290] **Jane Hutt:** No, it is a proper allocation. May I also, perhaps, write to the committee to confirm?

[291] **Jocelyn Davies:** Yes.

[292] **Peter Black:** Will it be highlighted separately in the RSG settlement?

[293] **Jane Hutt:** I think so, yes, but I do not know. It is next week, of course, that we will have the settlement.

[294] **Jocelyn Davies:** I think, ‘Will we be able to tell how much each local authority has had?’, is what you are asking. Once you have done your calculations, Minister, perhaps you would send us the outcome.

[295] Ffred, do you want to come in on this point?

[296] **Alun Ffred Jones:** Yes, on local government. You talk a lot about extra spend in various areas, but the cut to local government is £190 million. That will have direct results. If you are protecting in any shape or form social services and education, everything else will see cuts of up to 15%, possibly more. Do you agree that this will impact upon leisure centres, libraries and bus services—the very preventative services that you referred to earlier? If not, where do you expect local authorities to make savings?

[297] **Jane Hutt:** Perhaps I could just say, Alun Ffred—again, this goes back to the tables—that it is £154 million, not £190 million, which I think is what you said, in terms of the RSG.

[298] **Alun Ffred Jones:** I will not dispute that.

[299] **Jane Hutt:** Clearly, you are going to—

[300] **Jocelyn Davies:** It is a lot of money. You did say what the percentage was earlier, Minister.

[301] **Jane Hutt:** If you look at the action table, the funding support for local government difference is £154 million. I know that you are looking at the total resource at the bottom, but in terms of funding support for local government—

[302] **Alun Ffred Jones:** Let us accept £150 million, and answer the question, which is: how do you expect them to make the savings without affecting the very services that you have mentioned that are preventative in nature, such as bus services? Giving free bus travel in much of my rural area will be of very limited use when the bus services are not there. If you do not believe me, go to Llanberis and ask them.

[303] **Jane Hutt:** In answering your question in terms of the £154 million, which I think—. Local government was, in fact, expecting it to be worse than that in terms of reductions. We have protected local government over the past three and a half to four years of our settlements with local government. We have protected it, in contrast to the cuts in England, which have been draconian, and we are doing everything that we can to work with local government in terms of supporting public services, as you said, Alun Ffred. I did mention just now some of the spend that we are protecting, but also, on a preventative level, there is additional funding of £4.6 million for the bus support grant, because, clearly, that has been a huge pressure point over the past year, not just in your constituency, but across Wales. That is why the Minister has put more money into that area.

[304] **Alun Ffred Jones:** There is a cut. I am merely asking a simple question. There is a cut of £154 million in direct support. Given the protection given to certain areas, how do you expect the services that I mentioned—leisure, libraries, bus services—to be affected or do you think that they can escape the effects of this cut?

[305] **Jocelyn Davies:** Before you answer that, Minister, Peter and Chris have points on this.

[306] **Peter Black:** It is just a quick query, Minister. You said that it is £154 million, which is the difference between the supplementary budget and the draft budget, yet, previously, you were comparing the draft budget with the indicative budget in terms of Supporting People. Does that mean that the cut in Supporting People is £10 million, then?

[307] **Jane Hutt:** I have given you the figures on Supporting People. I gave you the indicative to the—

[308] **Peter Black:** But you are using the supplementary budget here—

[309] **Jane Hutt:** I do not think that you will have heard me at any point in time dispute the £10 million. I have not even commented on the £10 million point. I think if—

[310] **Jocelyn Davies:** Thanks for putting that correct on the record. Chris has a point on leisure centres.

[311] **Christine Chapman:** Yes. Minister, obviously nobody underestimates the difficulty of your task. It is almost impossible, is it not? However, I just wanted to pursue the very good point made—I totally agree with you about leisure centres being seen as health centres. I totally agree with you on that, but, obviously, we know that education and social services spend is going to be protected. Do you think that there will be a problem in poorer areas if leisure centres close, which we know is happening? People will be disproportionately affected in poorer areas, because, unlike in more affluent areas, people will not be able to afford to go to private gyms, et cetera. So, I just wondered how that squares with the programme for government's priorities on mitigating poverty and programmes for poverty.

[312] **Jane Hutt:** I think that goes to the heart of the Welsh Government's policies to tackle poverty, support the most vulnerable and to focus and target our resources. That is why we have catchment areas for Flying Start, which targets the poorest and most vulnerable children across the whole of Wales, why we also have Communities First, and why, increasingly, we are focusing our resources on Communities First areas, the poorest communities. Of course—and we have not yet mentioned it today, quite understandably—that is the way that European funding is going to be focused as well in terms of structural funds. In the next round, which we hope will be approved very shortly, we will have to spend 20% of our structural funds on tackling poverty. The whole steer of our spend is on targeting the most disadvantaged and that is also why, through public procurement, we have our community benefits scheme.

[313] So, I think that it is a very fair point, and it is a point that I am sure you will want to address to other Ministers. In terms of preventative spend, we have £28.5 million for investment in the delivery of sports and physical programmes and that is about improving physical activity across Wales. We need to make sure that this is targeted and focused on those who most need public provision. However, that would also, obviously, include some of the capital allocation that we are making in terms of sport and leisure facilities.

11:30

[314] Just in terms of going back to the overall point, however, about the reduction for local government, clearly, next week, the Minister is going to be announcing the settlement, and he will clarify then what the RSG is. He will clarify again the position of the social services £10 million spend, and he will also clarify our protection for schools and the 1% above the DEL. I would also have to say—Peter Black has not mentioned it—that we are putting in an extra £44 million, which is £47.8 million with the extension of the pupil deprivation grant to the under-fives, into schools in our local authorities. On the spend that we are putting into our programmes, in all your constituencies, you will know that our local authorities, in terms of

the investment in Flying Start, are proud of that investment, as it helps them to deliver good public services, as, indeed, does our investment in the twenty-first century schools building programme. We are helping local government in many ways, aside and apart from the RSG, and it is very important that that is acknowledged. Well, obviously, I want to promote that point, but it is very important that we recognise the money that is going in. There is £62 million for the social housing grant; this is critical for local authorities, which have a key responsibility for housing and homelessness. We are putting money into Gypsy and Traveller sites. We could have slashed all of this. We could have slashed it all, could we not? In England, it has been slashed—there is a 9.5% cut in England, in terms of local government, and our reduction is less than half that.

[315] **Peter Black:** Can you just clarify something? Are we comparing the draft budget with the supplementary budget, or with the indicative plans?

[316] **Jane Hutt:** It depends—whichever way you want to compare it.

[317] **Peter Black:** Well, I am asking you. You have done it two different ways.

[318] **Jane Hutt:** I am giving you figures for what we are putting into local government. I think that that is the—

[319] **Peter Black:** You have done it both ways so far. I am just wondering which is your preferred comparator.

[320] **Jocelyn Davies:** Well, we know which is preferred. I tell you what: shall we leave that where it is? I think we have given that a pretty good airing. Nick, for something completely different, shall we talk about Cardiff Airport?

[321] **Nick Ramsay:** Yes. I am going to give the Minister a rest and move on to the completely non-controversial issue of Cardiff Airport. *[Laughter.]* Minister, the 2014-15 budget detailed the £10 million loan to Cardiff Airport. Can you explain the repayment options in place for that £10 million loan? I know that comes from financial transactions—I think.

[322] **Jane Hutt:** Right. I did actually respond to a question—I am not sure whether it was from you—on Tuesday about this. You will have seen quite clearly that we are putting in £3 million in our draft budget for financial transactions funding to support the potential £13 million Cardiff Airport route development package, but that is a repayable investment, and it is important in terms of enabling it to increase its commercial potential. However, we have to be absolutely clear that Cardiff Airport is operated on a commercial basis. We have been completely clear that we would not subsidise the airport. We do not provide any ongoing revenue support to Cardiff Airport. It is a commercial activity business, Cardiff Airport, that we, and I am sure you, Nick, want to succeed, so we are assisting it in terms of capital loans—repayable, of course.

[323] **Nick Ramsay:** Yes, I always want things that have been invested in by the Government to succeed. I did not ask you about the airport last week, but I did ask the First Minister about the revenue issues, and you have just said again that there is no revenue support. Are you saying categorically that, of the rail and air services revenue provision that is in the economy, science and transport portfolio, none of it is allocated to revenue issues for the airport?

[324] **Jane Hutt:** None of it.

[325] **Nick Ramsay:** That is pretty clear.

[326] **Jocelyn Davies:** Moving to the budget process, Peter, shall we come to your questions?

[327] **Peter Black:** Yes. Thank you. Minister, in a recent publication, the WLGA drew attention to the increase in grant funding in terms of the hypothecation of specific grants. It estimates that the cost of grants management is up to 10% of the value of the grant. Have you done any work on trying to reduce this cost, and thus reduce the cost to local government?

[328] **Jane Hutt:** We were talking about the social services budget and whether it was ring-fenced or not. This is an issue that the Minister for Public Services and, formerly, the Minister for Local Government and Government Business have been working on, because we have sought where possible to reduce the amount of ring-fencing for our grant-specific programmes. It has reduced. Another committee will have to ask the Minister for Public Services what the changes are. We are encouraging the rolling in of specific grants to the revenue support grant and we are reducing bureaucracy through single integrated planning. We are ensuring that new responsibilities on local authorities are properly funded, including those on the legislative programme. I hope that you welcome the annex on the financing of our legislative programme in the budget narrative. It seeks to assist them in terms of streamlining and simplifying finance.

[329] **Peter Black:** Given the reality that you are always going to have some level of direct grant, because that is how you tend to roll out new initiatives, are you going to review how they can be best managed to reduce the cost to local government, for example, by making sure that they are not below a specific level of expenditure, so that it is proportionate, or rolling these grants together to reduce costs? What sort of work is being done on that?

[330] **Jane Hutt:** This has been driven by the Ministers responsible for local government. It has to be driven across the whole Welsh Government, as you will appreciate, so all Ministers have been set the task to ensure that anything that can go into the RSG—. I think that it would be helpful—and I can certainly provide it for the committee—to show how much is going in, but it really is a matter for the Minister for Public Services, in this year, to inform you of the direct grants going into the RSG.

[331] There is also an issue about making sure that this links to our priorities as a Welsh Government in terms of delivery. We need to ensure that we have adequate and transparent feedback on what is happening to the RSG, now that it is in the RSG, and on how it is being passported and what the understanding is. If you passport it into the RSG, there will be an allocation across the whole of Wales to local government, based on different population sizes and social and economic indicators. We want to know that some of those programmes are continuing to be delivered. It is a controversial—. It is a partnership approach.

[332] **Jocelyn Davies:** Ann, did you want to come in on this point?

[333] **Ann Jones:** On this bit, when we were looking at this before, the previous Minister for local government commissioned a review of funding flexibilities along with local government; I think that it was around this issue of putting more into the RSG. You know that I will state again, just to keep it quite clear, that I think that we should hypothecate every penny within local authorities so that we can be totally transparent and make them be accountable to people who want them to be accountable and who want to look at what they are doing. So, that is on the record and out of the way.

[334] How confident are you that the Minister has looked at that review of funding flexibility, and that you and other Ministers are confident that rolling specific grants into the RSG, whatever you want to call it—‘soft earmarking’ or whatever—will actually provide

what that specific grant was doing? How are you going to evaluate it, because it will always be almost 12 months behind, which is sometimes too late to pick up on a local authority that has diverted money elsewhere?

[335] **Jane Hutt:** It is about an ongoing process, as you will appreciate, Ann, because we are very concerned that when it is passported in and the ring-fencing is lifted that the outcomes that we seek from this programme or this spend continue to be delivered. Quite often, scrutiny comes as a result of Assembly Members asking questions throughout the year, not just to me or a Minister, but to their local authority, which is very important.

[336] **Ann Jones:** I have a file.

[337] **Jane Hutt:** I will give you one example: recently I have been looking at the funding for free school breakfasts, which has gone into the RSG. I have been identifying not just how that has been allocated, but also whether new breakfast schemes have been set up since it went into the RSG. I am happy to say that they have been, because there has been a demand for them. There has been a call for them from people who know that this was a Welsh Government scheme that is now in the RSG. I think that it is a very valid and important point. As Peter has said, local government wants it all in the RSG. They want control of it all.

[338] **Ann Jones:** Perish the thought.

[339] **Jane Hutt:** We want to make sure—and I think that Members often want to make sure—that programmes that they believe do deliver are still delivering. Some of these programmes, of course, are still subject to evaluation, which we would want to continue to scrutinise, but it is about the partnership and it is about us securing the information, which is ongoing information, about those programmes and the impact of them.

[340] **Jocelyn Davies:** Nick, did you want to come in on this point?

[341] **Nick Ramsay:** Yes. There are three certainties in life, are there not? Death, taxes and Ann Jones's continuing support for the hypothecation of local government grants. [*Laughter.*]

[342] **Ann Jones:** Absolutely.

[343] **Nick Ramsay:** Nothing changes in the times that I have been on this committee. Just listening to what the Minister said, you sounded a little bit reluctant about putting things into the RSG. Have you considered taking things back from the RSG? It almost seems to be one-way. Have you thought about passporting it the other way?

[344] **Ann Jones:** It is all right; Peter is having a heart attack.

[345] **Nick Ramsay:** I just wondered whether you had considered that because you seem less than positive about that passporting process.

[346] **Jane Hutt:** I think that this is about partnership with local government. It has to be a respectful relationship in terms of how we manage this. Ministers have not been happy for things to go into the RSG unless they feel that they have a commitment to that programme being delivered. On the other hand, there are historical arrangements that need to be changed and challenged. I think that it is a matter now of making sure that those programmes are not sidelined and that the money is not spent on other things. This will come through as the result of the performance management of local authorities. One of the things that Williams was very firm and clear about—and perhaps it has not been discussed enough—was improving the performance management of local authorities and making sure that they can also deliver and be open about the outcomes. Of course, that is partly done through inspection regimes. I

cannot see us being in a position to do that; unless an authority was going on a one-off position in terms of special measures, there would be difficulties in terms of programmes. I cannot see us turning this backwards in terms of re-ring-fencing schemes. Perhaps you could ask the Minister for Public Services that point because it is really his responsibility.

[347] **Jocelyn Davies:** Peter, did you have any more questions?

[348] **Peter Black:** No, thank you.

[349] **Jocelyn Davies:** Ann, shall we move on to yours?

[350] **Ann Jones:** Yes, thanks. It is around some sort of forward financial planning, I think, in a way. Have you any indication when the next UK spending round or review is likely to take place, and what are you expecting the timescales to be on that?

[351] **Jane Hutt:** It will not be until after the Westminster elections next year. If you recall, in 2010 we did not get the new spending review plans until December. In fact, I seem to remember that this had a huge impact. Was it November, perhaps? I am told that it was October. Sorry. It was 20 October. Thank you, Jo. However, that was extremely difficult. If you think about it, we are here today, a week early with the draft budget. We will not know what 2016-17 is going to be at the earliest, may we say?

11:45

[352] If you will also recall, in 2010, we had an emergency budget in June, in which we declined to make any of the cuts that were requested of us in capital and revenue. We took it out of our reserves, and we will wait to see what happens after next year's elections, but we pretty much know that it is going to be tough news. The IFS has already done its analysis of where we are going to be: cash flat at the best, probably, and much more challenging than that, if some of the announcements made this week in a political forum mean anything, with a lot of cuts. This year's autumn statement is going to be on 3 December, which is important for us, because that will have a bearing on our budget for next year. We will have to look at the impact of that, positive or negative, but is that the day after we have our final budget debate?

[353] **Ann Jones:** So, does the draft budget provide indicative figures for future years?

[354] **Jane Hutt:** No, we have nothing. We have no indicative figures. I think that the only thing that I have to say is that we have secured a budget agreement for two years, so we have some commitments there.

[355] **Ann Jones:** So, on what basis is the Welsh Government conducting its medium and long-term financial planning, given that we have only two years of this Assembly left? How are you planning for the medium and long term?

[356] **Jane Hutt:** We are planning based on just forecasts, and you will be aware of the forecasts that have been made by the Institute for Fiscal Studies, which at some levels take us to a 20% cut. If you look at page 5 of the budget narrative, you will see a graph that shows it all going down that way in 2017-18 and 2018-19.

[357] **Ann Jones:** Perhaps we did not want to look at that, then. [*Laughter.*]

[358] **Jane Hutt:** In fact, it lays out the trajectory of public spending forecasts. That is the overall public expenditure envelope that is forecast. Julie Morgan made the point earlier on about the fact that we are also moving into a time when we will have tax revenues, so this is a whole new way of working in terms of the medium and long term, and we can do it only on

the basis of what we know and what is forecast.

[359] **Jocelyn Davies:** Mike, before we move on, did you want to come in on that point?

[360] **Mike Hedges:** I will come in at the very end.

[361] **Jocelyn Davies:** Okay.

[362] **Ann Jones:** Just one last one, then. You or the Minister for local government provided indicative figures to local government based on the three-year planning. When the Government re-prioritised its spend, which it did, in my view, quite rightly, there was then a squeal from local government that it had been planning on indicative figures. So, it had not really understood ‘indicative figures’. If the intention is for that to be done for the next so many years, how are we going to ensure that the word ‘indicative’ is fully understood in terms of councils and councillors being able to set their own plans?

[363] **Jane Hutt:** ‘Indicative’ is indicative, is it not? [*Laughter.*]

[364] **Ann Jones:** Absolutely. I know that, you know that, but some councillors and councils do not.

[365] **Jane Hutt:** The public sector and our partners know what ‘indicative’—. They do not know and we do not know what the Government in Westminster is going to say. Since the budget, we have had a UK Government budget that, although we had some positive consequentials, took money out. We were just looking at the impact on the Welsh budget. For example, this year, we have had money taken out because of the £70 million that we have to find for public sector pensions, although money was put in in the end, in terms of our positive consequentials. So, we do not know what is going to come in the autumn statement. Our partners know this, but, at the end of the day, if you get an independent report, like the Nuffield Trust report, which says that if you want the health service in Wales to be affordable, you are going to have to put in £200 million this year and £225 million next year, and if you also accompany it with reform and reshaping of the health service, a responsible Government, which I believe we are, has to do something. That is why we have had to reprioritise the funding. Indicative figures will always be there, when we are also beholden to a Government in Westminster in terms of our block grant.

[366] **Ann Jones:** Okay, thank you. That is on the record now.

[367] **Jocelyn Davies:** Mike, did you want to come in?

[368] **Mike Hedges:** Yes. This leads on from that. The Minister for Public Services again said last night that local authorities knew that there were reductions coming and they should have prepared for these reductions. The Welsh Government also knew that these reductions were coming and the health service also knew that these reductions were coming—I will not ask why health did not prepare for it; it was because it knew that the money would come if it did not—but, what has the Welsh Government done to prepare for these reductions, apart from passing them on to local government?

[369] **Jane Hutt:** The whole draft budget, obviously, is the way in which we have sought to deliver a balanced, fair budget and one that needs proven evidence in terms of public service need and also to address our priorities. I think Christine said that this is the most difficult budget, and I would say that anybody—any Government and any Minister for finance—has had to set. So, clearly, there are losers. I do not like using the words ‘winners’ and ‘losers’, because this is based on tough decisions.

[370] In terms of health and social services, it is very important that we have met a very clearly identified need in terms of the health service, but it has to be accompanied by reform. I am going to be held to account, as the Minister for Health and Social Services will be held to account on this.

[371] However, in terms of local government, again, you need to look through all the spend that is coming its way to support it in terms of capital and the programmes, many of which are ring-fenced, and the extra money that is coming for pupil deprivation grant, Flying Start and the money that is going into Communities First, twenty-first century schools and highways investment; all of these will help local government. If you look over the border at the loss of public services, it is stark. However, some local authorities have also, I have to say, been preparing the way and recognising that there are going to be cuts. Some of them have been looking at ways in which they can manage their services in partnership with the third sector. It is very important that we see that some have been preparing better than others for this budget and are making very tough decisions, and those that are making them in partnership with their local communities and partners are best placed, I think, and I am sure that the Minister for Public Services said that too.

[372] **Mike Hedges:** Do you agree with me that one of the problems with going out with third sector organisations is that you have got to have a contractual arrangement? If you have too many contractual arrangements, you will have a reduction in income. Is it not likely to end up being a problem where you cannot meet all of your contractual arrangements?

[373] **Jane Hutt:** The third sector is part of the partnership, clearly, not just with us and local government, and many third sector groups have moved into commissioning contractual arrangements as opposed to grant aid. The delivery of the services under those contractual arrangements has to be closely monitored. This is the reality of austerity, is it not? This is the reality of a Government in Westminster that is driving austerity to the point where we are losing services locally and nationally. However, as a Government, we are delivering a balanced budget. It is a budget where we have tried to focus, and I believe that we have done so, on the priorities in terms of prevention where we have seen where we need to put the funding in terms of health and social services, but where we have also seen that, where we can invest and where we know that things work—and I know that it is not your job to say, ‘Well done, Minister, for making sure that the Arbed programme is still getting its funding’—we know what transformational effects these programmes can have on communities, even though we are in a position of austerity where we have had to find ways of reducing our budget.

[374] **Jocelyn Davies:** We are coming to prioritisation. Chris, shall we come to your question?

[375] **Christine Chapman:** Thank you. I have two specific points. Earlier in the session, Minister, we talked about evaluating programmes and making sure that those were prioritised. I just wonder, in the programme for government, when you looked at these, were there any programmes that, once they were evaluated, you felt that they were not working at all and you have then decided to stop them? I would be interested to know which ones did not make the grade, and whether you had any examples of that. Secondly, we have been talking about the Government’s priorities for prevention, or preventative work. I was particularly looking at page 67 of the budget document, particularly around Careers Wales. I know that the preamble to that section talks about education changing lives and providing opportunities, but I know that Careers Wales’s indicative budget is £20 million, which will actually be a cut of £10.5 million, which I understand is a reduction of 33%. We know that Careers Wales was streamlined hugely a few years ago to focus on those people most at need and who most needed the services, but according to narratives that I have seen, this could obviously cause a real problem with such a big cut. I just wondered what response you had to this. Obviously,

this could go against the Government's priorities of prevention.

[376] **Jane Hutt:** Thank you for those two questions. The first point is very important in terms of evaluating programmes and whether we are stopping anything as a result. We are certainly learning lessons as a result of evaluation, and it has become a much more important tool as far as I am concerned as Minister for finance. I am hawk-like over these evaluations to see what we are delivering and what the outcomes are in terms of evaluation. Sometimes, it leads to reshaping the programme; for important programmes that we are committed to, it is often a matter of reshaping. However, in terms of budgetary issues and whether it has led to us stopping any programmes, if you look at some of our programmes in terms of spend levels, you will see reductions that have come about in terms of spend levels. That would relate to some of the programmes such as the rural development and bovine TB eradication programmes. Some of the reductions are as a result of spend levels. However, in terms of schemes that have come to an end or have been reduced, we have reduced the community fire safety scheme by £1 million because we have been successful at reducing accidental and deliberate fires. That is a preventative-spend success story. It is not about stopping a programme; it is actually costing us less.

12:00

[377] We have ended the family learning programme. I do not know whether colleagues were aware of this, but the evidence showed that it was not operating effectively. So, we are looking at alternative approaches for family learning support. We have reduced the supporting collaboration and reform budget to local government by £1.1 million, and that decision was based on not proceeding with the Welsh public service performance management IT system. You know—everyone knows—that you have to get IT systems right. We are not there yet. We have reduced the budget on that. We have actually changed approaches to delivery; for example, there is a £5.3 million reduction in the innovation budget for economy, science and transport by increasing the European Union intervention rates and reprofiling EU income to the early years of the programme for flagship projects. There are £0.6 million savings in the Finance Wales budget through renegotiation of administrative arrangements and efficiencies. We are merging some grants within the education standards action to improve the delivery of grant funding. In fact, you will be aware, I am sure, that the new education improvement grant includes the minority ethnic achievement grant and the Gypsy and Traveller children grant; those have been merged. So, those are some examples. We are also making some capital funding investments to help make revenue savings, which I think is important. There is £190,000 capital for national parks to help them make revenue savings of £400,000.

[378] **Jocelyn Davies:** Minister, it seems, as you were reading those things out, that they are justifications for reducing budgets rather than evaluations that have led you to say, 'We are no longer doing this'. I think the point that Chris was making is that, if you have evaluation built into something and it is not delivering, you say, 'We are not doing that anymore'. It seems to me that you are saying, 'Because we were successful with this, we don't need to do—'. They are justifications for reducing budgets rather than for scrapping things that have not worked. Do you want to have a think about it and then maybe send us a note? You might not have a list there of the things that you thought were rubbish. [*Laughter.*]

[379] **Jane Hutt:** I have given you the family learning programme. That has stopped—

[380] **Jocelyn Davies:** Yes, but these are very small things compared with the overall—

[381] **Jane Hutt:** —as a result of evaluation. However, I think that, perhaps, I took a bit of licence, Chair, to say—

[382] **Jocelyn Davies:** No, no, it was—

[383] **Jane Hutt:** There are examples of where—. I think that the community fire safety action is based on evaluating the impact of that investment. That was based on evaluation. However, some of the other examples that I have given are clearly of where we are finding ways of making savings. I hope that the committee would want to know these things, because they are important to see how we found the money—

[384] **Jocelyn Davies:** Minister, I am not suggesting that we do not want to know those things, but Chris's question was about the fact that, if you have routinely built in the evaluation of a programme, you must, from time to time, find that things are not doing what they are supposed to do.

[385] **Jane Hutt:** Chair, may I deal with the Careers Wales issue?

[386] **Jocelyn Davies:** Yes, please.

[387] **Jane Hutt:** This is important in terms of the commitment to offering careers information and advice to young people in particular. This is where European structural funds will be very important. So, we are looking at whether we can use ESF to provide additional or extra services, particularly to certain groups. So, we would want to come back to explain how we will use that. We are working very closely with Careers Wales in terms of how it can use its resources, focusing particularly on those at greatest risk of disengagement. There is also some change to adult services. Careers Wales is also going to continue to support ReAct III and there is a new skills gateway for individuals, which it is taking a role in. The new skills gateway will have to be funded outside of this budget, and that is something that will bring in extra resource. So, I think that the remit letter for next year will focus on these delivery priorities and there is this new prospect for a skills gateway for adults, which will bring in more funding, and that will obviously help to sustain the whole of the Careers Wales service. That is something that we could perhaps give you some more information about. It is just being developed, but the importance of Careers Wales is without doubt.

[388] **Christine Chapman:** May I just come back in?

[389] **Jocelyn Davies:** Of course.

[390] **Christine Chapman:** I think that the point that I was making, Minister, is that I know that Careers Wales has been streamlined a lot over the last few years and so this obviously seems like even more streamlining. It was streamlined last time to focus in on the most disadvantaged people, so my fears at the moment—and I will just say again that this is an extremely difficult time for Welsh Government because of the impact of the UK Government spending—are about how this would square with your preventative work for the poorest communities who most need it. People who are more affluent and who have connections will not suffer because of this. However, it is the poorer communities, poorer young people and adults, who will be most at risk, and I just want to make sure that they are not lost in this process, although it is very, very difficult, I know.

[391] **Jane Hutt:** As I said, the services have to be focused at the most at risk. However, the European social fund is additional funding that is going to come in. Just to say on the skills gateway, for next year, they will be getting another £2.37 million for this new skills gateway for adults. So, I can reassure you that there is perhaps better news for Careers Wales than the budget line on its own. However, it is about those priorities.

[392] **Jocelyn Davies:** Mike, you wanted to come in on the pupil deprivation grant before we move on to Ffred's questions.

[393] **Mike Hedges:** I have two very quick points. One is on the pupil deprivation grant. It is going to be very popular and it is going to create lots of headlines. Are you convinced that it is better than actually making sure that libraries are open later and that library facilities are available? Speaking as someone who knows what it is like to be a child and poor, the ability to visit the library and get access to, in my day, books—nowadays, it is probably access to ICT equipment—meant that I had a great educational opportunity. The pupil deprivation grant is great, it puts extra money into schools—I probably have more schools in my area getting the pupil deprivation grant than anywhere else in Wales, so I am not going to knock it. However, what I will say is that you are spending money on that, but libraries are going to close as a result of this budget—unless you are going to tell me that they are not. I think that we are probably all in agreement on that, and that may well have a greater effect on the life chances of a lot of poor younger children than the pupil deprivation grant will have, especially for those who are aged 15 and 16, who are doing their GCSEs. Whereas my daughter gets access to a computer and an iPad in her own home, these children need to go out to get access and they are not going to be able to do that.

[394] **Jocelyn Davies:** The point, Minister, is that there is an evaluation under way. Have you had interim findings from that evaluation?

[395] **Jane Hutt:** Yes, there is an evaluation of the pupil deprivation grant. Clearly, there has been a lot of uncertainty because, this year, it is £918 per pupil going directly to schools for children who are eligible for free school meals, and next year it is going to be lifted up to just over £1,000. Again, it will go up the following year, and it is coming to the under-fives as well. This is a decision that has been made as a result of a budget agreement. I am happy to say that, as you said, in our schools, there is great welcome for this announcement and where it is going. Also, I know that local authorities are already looking at how they can manage and maintain their library services. Many local authorities are coming up with some very imaginative arrangements and looking at those very points about how we can ensure that libraries are open and accessible, particularly for pupils and children and young people. However, I have to say that this is also a big responsibility on schools themselves. They should make all of their IT equipment and their libraries available to children after school as well as during school. Those are the sorts of points that I am sure you will be discussing with your local authority, as well as scrutinising the Government on.

[396] **Jocelyn Davies:** Did you want to come back on that, Mike?

[397] **Mike Hedges:** No, I just wanted to get that point across.

[398] **Jocelyn Davies:** So, on the re-evaluation, Minister, you have had interim evaluation findings of the pupil deprivation grant, have you? Sorry, when I asked you earlier, were you saying ‘yes’ to me?

[399] **Jane Hutt:** There is an evaluation that is due to be published shortly on the PDG.

[400] **Jocelyn Davies:** But you have seen the result of that, have you?

[401] **Jane Hutt:** I am aware that there is an evaluation. I am not sure whether it has been published yet, but that is obviously something for the Minister for Education and Skills. However, I am very happy to inform the committee. I can go back and find—. I think that it is very important that you also recognise that there is guidance on the pupil deprivation grant for local authorities, and I am sure that you will want to see the results of the evaluation.

[402] **Jocelyn Davies:** Sure. Ffred, shall we come to your questions, then?

[403] **Alun Ffred Jones:** Diolch yn fawr. **Alun Ffred Jones:** Thank you very much.

Rydych wedi blaenoriaethu iechyd. Roedd y gyllideb yma yn ymwneud â 2015-16, ond dewiswyd gennych gyhoeddi £200 miliwn ychwanegol ar gyfer eleni. Pam na gyhoeddwyd yr arian ychwanegol hwnnw yn y gyllideb atodol?

You have prioritised health. This budget was to do with 2015-16, but you chose to announce an additional £200 million for this year. Why was that additional money not announced in the supplementary budget?

[404] **Jane Hutt:** We have two supplementary budgets. We have one for the first part of the year, and we had a supplementary budget in July or June—it was June. That has to account for changes made up to that point of time, in terms of any changes to the budget for this year. The next one will be in February, but the Nuffield report was published in June/July and, in fact, in the supplementary budget debate, I did foresee that there could be implications for this for this year as well as next, and I made that point in my statement on the supplementary budget.

[405] **Alun Ffred Jones:** O ble y daeth y £200 miliwn ychwanegol yna eleni, achos rwy'n cymryd ei fod yn arian a oedd wedi'i glustnodi ar gyfer rhaglenni eraill o fewn y Llywodraeth?

Alun Ffred Jones: Where did that £200 million come from this year, because I presume that that was money that had been earmarked for other programmes within the Government?

[406] **Jane Hutt:** As it was last year, it has been a matter of how we manage this year's budget to meet additional pressures and needs that emerge during the year. Of course, that is why we have a 1% reserve. I will be reporting in the supplementary budget on the exact way in which we have found that £200 million. Obviously, I have sought in-year financial reports from all our colleagues in terms of spend, and also sought some savings. It is a careful application of our reserves, amounts carried forward under budget exchange, and savings realised by departments. That is how we have managed it this year, but I will obviously report fully on it in my supplementary budget.

[407] **Alun Ffred Jones:** Iawn. Pe na baech chi wedi rhoi'r £200 miliwn yma i mewn eleni, beth fyddai'r canlyniadau wedi bod?

Alun Ffred Jones: All right. If you had not put that £200 million in this year, what would the implications have been?

[408] **Jane Hutt:** I think that it goes back to the Nuffield report and what it said in terms of the challenges for the health service. It concluded that the NHS would continue to be affordable in the future if it continues to reform and reshape services, but it said that that kind of sustainable NHS is only within our grasp if we provide this additional investment. We have responded to the Nuffield challenge on that basis. It is going to be a question of providing local health boards with those resources that they need to meet—

[409] **Alun Ffred Jones:** Is this injection of £200 million a result of the health boards not living within their means? Is it linked to achieving specific outcomes, or is it to meet new and additional demands? Taking into account that we are already in October, I presume that setting up new programmes before the end of the financial year is going to be virtually impossible. So, what is this money for?

12:15

[410] **Jane Hutt:** If you look again, and go back to it—and I hope that, in terms of the Nuffield report, there will be more interest in it now than there was at the time—there was a full statement made about the Nuffield report by the Minister. He made it very clear that this is what would be needed in order to ensure that we could have this sustainability. He mentioned three things, if you recall. One was about continuing to deliver on the effective

management of chronic conditions, another was about the ways in which we manage acute care, and the third concerned issues relating to pay restraint, because, of course, pay restraint has had an impact on the management of the finances of the health service. Clearly, the health and social services section of the budget is laid out very clearly that, as evidenced in the Nuffield report, the additional funding announced will enable the NHS to maintain its delivery of high-quality and safe services. It will be allocated to individual local health boards in accordance with their fair share of funding as identified by the Townsend formula, and it will be about them preparing integrated medium-term plans on how it will improve and deliver healthcare to the local populations. Also, in terms of the report, it shows ways in which the health service has made changes, and it also acknowledges the demographic challenges in terms of an ageing population and growth in the number of people with chronic conditions.

[411] **Alun Ffred Jones:** If I just go back to the National Health Service Finance (Wales) Act 2014, the Minister for health said at the time:

[412] ‘We have been keen to avoid the situation in which health boards believe, every year, that there is a sum of money being held centrally, which they will be able to call on to get themselves out of difficulty at the year end.’

[413] He mentioned £200 million, as it happens.

[414] ‘I have said before that I do not like the term ‘bail-out’; it is a pejorative term, but it is a bail-out culture’.

[415] So, the question, I suppose, is this: is this a bail-out this year to the health boards?

[416] **Jane Hutt:** This is not a bail-out. I do urge you to read the Nuffield report. It is very clear. It says that if you invest £200 million and you continue to deliver improvements in terms of managing chronic conditions and managing your acute services, then the NHS can be sustainable. Obviously, I have said it all about increases in population, demographic changes, et cetera.

[417] **Alun Ffred Jones:** So, it was bad planning, then, in the sense that you did not plan for this; otherwise, it would have been in the budget previously, would it not?

[418] **Jane Hutt:** I hope that you would accept, Alun Ffred, that it is useful for a Government to get independent advice on the position of a major public service like the NHS. That is what we sought: independent advice. In fact, Nuffield had done a similar report for the English NHS as well, and we felt that it was responsible for us to engage Nuffield to do that report for us. This is not the Welsh Government, or even the health boards, saying, ‘We need £200 million’. It is an independent report, which identifies where we should be spending and how much we should be spending in terms of making the health service sustainable.

[419] **Alun Ffred Jones:** So, next year, that £200 million remains there, and there is an extra £30 million on top of that. Am I right?

[420] **Jane Hutt:** No. It is £200 million this year, and, obviously, £225 million extra next year.

[421] **Alun Ffred Jones:** Is that £225 million on top of the extra £200 million?

[422] **Jane Hutt:** No.

[423] **Alun Ffred Jones:** No? So, the question is: what will be the uplift next year

compared with the real budget this year, which includes the £200 million?

[424] **Jane Hutt:** Well, of course, we are making sure that the £200 million from this year into next year is reflected. Again, you can look at the tables to see what this means in terms of the budget uplift. In fact, look at the table on page 83, annex B, ‘Year-on-Year Changes’.

[425] **Alun Ffred Jones:** What I am asking is: what will be the real increase next year, taking into account, of course, that there is access to the £1 million—?

[426] **Jane Hutt:** We can do the sums between the supplementary and the new draft budget. It is a 1.3% year-on-year change. It is £74 million.

[427] **Alun Ffred Jones:** Are you confident that the health boards will be able to live within that, according to the National Health Service Finance (Wales) Act 2014, which was put in place in order to stop bail-outs?

[428] **Jane Hutt:** I said, of course, in my statement on Tuesday—and I believe that the Minister for Health and Social Services said in answer to questions yesterday—that the challenge is now, obviously, with the health boards to deliver on this. We are giving them the resources with a clear expectation that they will deliver the reforms and that they will live within their means. We have an independent report that is telling them what those means will need to be if they are to continue to reform and improve their services. However, I think, once again, that it is worth looking at the changes that the health service has made over the past few years in terms of how it is keeping people out of hospital. Once again, that is preventative spend. If you look at the issues around preventative spend—

[429] **Jocelyn Davies:** Minister, we understand the issues and I think that you would accept that this is not the first independent report and this is not the first time that extra money has been made available, but are you confident, with the work that you have been able to do since June, that this money will be spent properly on what it is intended to be spent on and that you will not be repeating those same things to us next year, the year after and the year after that?

[430] **Jane Hutt:** I am confident that the Nuffield report was robust.

[431] **Jocelyn Davies:** We accept, around this table, that it is a very good report from people who are competent to produce such a report, but now you are paying for the recommendations to be implemented. Are you confident that you will not be coming to us next year and the year after saying, ‘Well, actually, it didn’t work out as it should have done’? Are the local health boards clear that they have to do it this time?

[432] **Jane Hutt:** The Minister for Health and Social Services has, I think, made that very clear, as I think he did in answer to questions yesterday. That is my expectation of the Minister: to deliver on this.

[433] **Jocelyn Davies:** I hope so. From what you have told us about the in-year savings from colleagues, all of the Ministers have scraped together to find this money, and you have dipped into reserves, so this is not something that you have found easy to do, especially in the current circumstances. So, I really hope that this will be a success. However, we can no doubt return to it at another time.

[434] **Ffred,** do you have any more questions on health?

[435] **Alun Ffred Jones:** No, that is fine.

[436] **Jocelyn Davies:** We have only a few more minutes and we have a couple more areas

to cover, so Members will have to be very quick. Mike, you have questions on value for money.

[437] **Mike Hedges:** Shall I do both of mine?

[438] **Jocelyn Davies:** Yes, value for money and then invest-to-save, and then we will finish with Nick's questions.

[439] **Mike Hedges:** On value for money, has any independent report ever been wrong? Every time we have an independent report, everybody always believes that they are right.

[440] On value for money, has anybody done any value for money exercises into each individual hospital?

[441] **Jane Hutt:** Independent reports have often been ignored or shelved by Governments.

[442] **Mike Hedges:** However, nobody has ever said that they were wrong.

[443] **Jane Hutt:** We are accepting this independent report and we are implementing it.

[444] In terms of value for money, that is a matter for the Minister for health in terms of individual hospitals, and you should direct that question to him.

[445] **Mike Hedges:** Okay. I will move on to invest-to-save, which I talk about probably far too much. I have two questions. First, are we getting the benefit of people learning from other people's experiences? I have a horrible feeling that something I said 15 years ago, which has now become common parlance, is true: that we are not very good at passing on good practice. The other question is whether it would be possible to produce a table that notes the year that the invest-to-save funding was given, the amount involved, the annual payback and the annual saving. I do not expect you to do that now, but would it be possible to have a note?

[446] **Jane Hutt:** I am very happy to provide that table, and also just to say that the annual report on invest-to-save is being published on 7 October.

[447] **Jocelyn Davies:** We look forward to that. Does it have that information in it? We are pretty sure that when outside organisations make bids to you for invest-to-save, they are very confident that they are going to make savings. We would like to know whether that confidence is justified.

[448] **Peter Black:** Will we have it before you make the statement in Plenary?

[449] **Jane Hutt:** You will certainly have it before the statement. I think that we can get you that table before the annual report.

[450] **Jocelyn Davies:** Okay.

[451] **Jane Hutt:** We will get that for you.

[452] **Mike Hedges:** It needs to go back, not just to this year, but to the very beginning, to get the savings coming through.

[453] **Jane Hutt:** We might have already produced a table like that, but we will update it and get it to the Members.

[454] **Jocelyn Davies:** Thank you. Nick, shall we go to your questions and finish on those?

[455] **Nick Ramsay:** Yes; thanks, Chair. I will be brief. It ties in with Mike Hedges's questions on value for money and the Wales infrastructure investment plan. That now includes over 320 schemes. What arrangements are in place to evaluate and monitor the outcomes of completed schemes to make sure that they are delivering the value for money that Mike Hedges so values?

[456] **Jane Hutt:** What is important is that the starting point with the Wales infrastructure investment plan has to be robust business planning. If it does not get past the threshold of the Treasury five-case better business model, it is not going to get any funding in terms of the capital programme. So, it is critically important in terms of the business planning process that that is accepted. Of course, that then has to be assessed by a panel of experts, in terms of whether the business plan is appropriate. Also, obviously, they are monitored very closely. I have very clear monitoring arrangements, as does the First Minister, for delivery of the investment plans. Value for money has to be a starting point and not something as we go through the spend in terms of the capital programme.

[457] **Nick Ramsay:** What about those projects below £15 million—in other words, smaller capital schemes—which are not included? Are those being monitored as effectively?

[458] **Jane Hutt:** Yes, and, in fact, I know that we have action points following on from previous scrutiny from this committee about our capital spend at a lower level, which we are responding to. Clearly, however, at a lower level, in terms of monitoring spend, that is critical. Now, sometimes, of course, this is an area where you can have underspend in capital programmes, because, if capital projects are not progressing, or there are issues of changing the costings, we have to pull them back and, sometimes, they do not progress. A lot of this is done by our partners anyway, so, when we allocate, for example, our social housing grant, that is for our registered social landlords to deliver and, of course, they have to deliver in terms of their business plan, and the value for money is clear on that.

[459] **Nick Ramsay:** The Wales Audit Office has been pretty critical of certain aspects—not all—of this: robust cost estimates have been lacking, programme costs have been underestimated, and consideration of alternative accommodation costs have not always been included, although it does admit that buildings were delivered to expected quality. What have you done to address the concerns of the Wales Audit Office?

[460] **Jane Hutt:** It is always useful to have the oversight of the Wales Audit Office in these programmes. Clearly, there are lessons learned from that, and we would want to account for changes that we have made.

[461] **Jocelyn Davies:** Right, Minister; that is a marathon two hours that you have spent with us. I have to say that I think you held up very well. I think that some people who would like to be EU Commissioners could learn a lesson or two from you. As normal, we will send you the transcript for checking. It is not going to be a short read this time; it is going to be a long read. If you could check that, we would be very grateful, and then we will be able to publish it.

[462] **Jane Hutt:** Thank you very much, Chair. I will write to you on points where I think that I could give more clarification, if that is helpful. Also, this morning—it is probably out by now—we have a written statement on the capital allocations, because that tends to get a bit lost in an oral statement on a Tuesday. So, there is a full statement and annex on all of the financial transactions and funding allocations, as well as capital programmes, for all of the MEGs. So, that will be for you to look at as well.

[463] **Jocelyn Davies:** Thank you. As you know, we do not have a lot of time to look at the draft budget, so, for the things that you have promised to send us, if that could be done as a matter of urgency, we would be very grateful.

[464] **Jane Hutt:** We will do so. Thank you very much.

12:30

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[465] **Jocelyn Davies:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[466] We are all agreed.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12:30.
The public part of the meeting ended at 12:30.*