



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Cyllid The Finance Committee

**Dydd Mercher, 1 Gorffennaf 2015
Wednesday, 1 July 2015**

Cynnwys Contents

[Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions](#)

[Papurau i'w Nodi
Papers to Note](#)

[Craffu ar Gyllideb Atodol Gyntaf Llywodraeth Cymru 2015-2016
Scrutiny of Welsh Government First Supplementary Budget 2015-2016](#)

[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 (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Mike Hedges	Llafur Labour
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
Matt Denham-Jones	Pennaeth Rheoli a Chofnodi Cyllidebau Ariannol, Llywodraeth Cymru Head of Budgetary Control and Reporting, Welsh Government
Jane Hutt	Aelod Cynulliad, Llafur (Gweinidog Cyllid a Busnes y Llywodraeth) Assembly Member, Labour (The Minister for Finance and Government Business)

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

Bethan Davies	Clerc Clerc
Tanwen Summers	Dirprwy Glerc Deputy Clerk
Gareth Thomas	Y Gwasanaeth Ymchwil Research Service
Joanest Varney-Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

*Dechreuodd y cyfarfod am 09:00.
The meeting began at 09:00.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **Jocelyn Davies:** There we are, it's 9.00 a.m. Welcome everybody to a meeting of the Assembly's Finance Committee. Before we go to the first item, can I remind Members that any electronic devices should be put on 'silent'? You don't have to switch them off, but if you'd put them on 'silent' I'd be very grateful. We've had one apology this morning and that is from Alun Ffred Jones.

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

[2] **Jocelyn Davies:** We've got one paper to note, which is the Auditor General for

Wales and the Wales Audit Office's annual report and accounts. Are Members happy to note that? Yes.

09:01

**Craffu ar Gyllideb Atodol Gyntaf Llywodraeth Cymru 2015-2016
Scrutiny of Welsh Government First Supplementary Budget 2015-2016**

[3] **Jocelyn Davies:** We'll move, then, to our first substantive item this morning, which is the scrutiny of the Welsh Government first supplementary budget for 2015-16. Minister, would you like to introduce yourself and your officials for the record and then, if it's okay with you, we'll go straight to questions?

[4] **The Minister for Finance and Government Business (Jane Hutt):** Thank you. Jane Hutt, Minister for Finance and Government Business. On my right, I've got Matt Denham-Jones, who is head of budgetary control and reporting, and Jeff Andrews, specialist policy adviser.

[5] **Jocelyn Davies:** Thank you. Thanks very much. We'll go straight to questions, then. Do you mind putting on the record how the allocations made in this supplementary budget contribute towards meeting your programme for government commitments?

[6] **Jane Hutt:** Well, of course, the supplementary budget is about in-year management, which obviously takes into account how we've responded to pressures and opportunities, in terms of our budget setting for the year and for the delivery of our programme for government. It is an exercise, primarily, of course, in financial management, but I think, in terms of the additional funding that we are allocating, it does fit in very much with our programme for government objectives, particularly relating to health and health services, educational attainment, and also the jobs and growth through the Wales retail rate relief scheme and the business rate scheme, those allocations as well. The allocations we have made, of course, do fit with our programme for government.

[7] **Jocelyn Davies:** Okay, thank you. Are there any areas where you are concerned that the Government will not have sufficient resources to meet the commitment?

[8] **Jane Hutt:** Well, I think the annual report of the programme for government, which, of course, was published recently, does demonstrate and did report that we'd met more than 95 per cent of our key commitments in the programme for government and we're on track to deliver—they're all on track to be delivered, or already have been delivered. So, obviously, that is a reflection on our delivery in terms of the budget and the programme for government. It has been very difficult, though, I have to say, because of the cuts to our budget—particularly stark in terms of the last five years—so, it's against that context that we're trying to ensure that we deliver on our programme for government. There have been difficult choices, as the committee knows. We have to also ensure that we are meeting our integrated strategic impact assessment in terms of delivery of our programme for government. Obviously, there have been difficult choices, but we do expect to deliver through the budget, and, obviously, the supplementary budget is a stock take halfway through the year.

[9] **Jocelyn Davies:** Okay. So, you expect to meet all your commitments, but are you saying that there are things that you would've liked to have done that you won't be doing now, because of cuts that you've experienced, but you expect to deliver on the commitments you've made?

[10] **Jane Hutt:** We do expect to deliver, but it has been difficult. In the setting of the

whole budget, in a sense, for this year, that's where the real challenges came. And, of course, it's not reflected in this supplementary budget, but we have had the cuts in-year—only three weeks ago, another £50 million out of the budget—and we, of course, don't know what the budget next week is going to mean for us in terms of in-year management to deliver our programme for government.

[11] **Jocelyn Davies:** Okay, thank you. Julie, shall we come to your questions?

[12] **Julie Morgan:** Yes, thanks very much. I was going to ask you about the NHS funding. Obviously, there's a very welcome additional allocation of £70 million to address certain areas in the health service. What impact do these allocations aim to have, and how will you assess value for money for the additional treatment that's going to be given?

[13] **Jane Hutt:** Well, I think, as I said in answer to the earlier question, obviously there's a major priority for spend in the Welsh national health service, so the £70 million—. The Minister for Health and Social Services, at the time when we did accept that we would take the full consequential, did issue a written statement, and he set out what he wanted to achieve in terms of the delivery, the outcomes, of the impact of those allocations. I think it was very much in line. Also, there were many views given about how that money should be spent, the £70 million, very much targeted at how we can move care closer to home, keep people out of hospitals, and early discharge. So, the advice that was given to him, and, of course, the ways in which he did respond with his statement—a number of statements, I think—reflect our reform agenda in the NHS. There's £40 million primary care investment, £20 million to integrated care funds, and also, very recently of course, the £10 million for major health conditions like cancer and diabetes.

[14] **Julie Morgan:** Thank you very much. A number of the NHS organisations have not yet got plans agreed for achieving reform across the NHS. Does that give you any concern?

[15] **Jane Hutt:** I understand that the auditor general will be issuing a statement today about this past year. That will be an important stock take from the auditor general. I think, in terms of the plans, the Minister has made it very clear he'd only approve plans that he feels are credible in terms of their response to local and national priorities, and I think the committees have endorsed that approach. I think he made that point very clearly when we were taking the National Health Service Finance (Wales) Act 2014 through, and it has been confirmed as a robust approach by auditors. I think the importance is that it has to be credible, and he is of course now looking—and he did issue a written statement recently—. He's approving the integrated medium-term plans of five organisations.

[16] **Julie Morgan:** Thank you. Three NHS organisations are expected to have overspent in 2014-15. How confident would you be that they would be able to stay within their budget now for this next financial year?

[17] **Jane Hutt:** Well, it is the responsibility of the health Minister to ensure that he does manage his budget within his resources, those resources that he's been allocated. As I said, I think we'll know later on today, I'm sure, in terms of the auditor general's statement on the NHS accounts for 2014-15, and then the health Minister will respond to that with a written statement. He will outline the year-end performance overall once the year-end positions have been signed off. I do think it's important, though, to reflect, and, of course, that's last year's budget; the fact is that today we're scrutinising this supplementary budget, but last year we did put in additional funding of £200 million to the NHS in Wales in response to financial challenges, and then a further £40 million was provided later in the year to meet winter pressures. So, we have been able to put in that extra resource, and that extra resource, and the amount of extra resource, was aligned with the funding challenge that the Nuffield report said we needed to meet in order to enable the health service to be more sustainable in Wales. So, it

is important that we await the health Minister's response, I think, in his written statement to the auditor general's statement, but I do understand that he will be able to confirm that, overall, his budget will break even in 2014-15.

[18] **Julie Morgan:** Thank you.

[19] **Jocelyn Davies:** Peter, did you have a supplementary?

[20] **Peter Black:** This £70 million is quite a substantial sum of money and you've just outlined other huge sums of money going into the health service and also expressed a desire that this would help the health service become more sustainable. What measures, as finance Minister, do you put in place to ensure that this huge amount of resource going into the NHS will actually enable it to become sustainable and that we're not going to just keep bailing it out year after year to actually make sure that it can make ends meet?

[21] **Jane Hutt:** I did make reference to the Nuffield report and, as you know, that report did identify that we needed, overall, to provide the sum of £220 million or £221 million, within a £1 million, to make the health service sustainable in Wales. And, also, that Nuffield report did recognise that there had been changes and a reform agenda that had helped to deliver for Wales. But it's very clear and, obviously, through very close monitoring of the spend of that extra funding in terms of how it's used in this budget—that additional funding—we can see the impact of it and the reform agenda continues. Obviously, that extra £70 million was very important because it did help the Minister particularly to address the issue of moving towards a more primary care-led service—£40 million for primary care. And £20 million was invested in community based services, keeping people in their homes as much as possible. That's part of the £70 million, of course. And then, this most recent announcement about the £10 million for cardiac, diabetes, stroke care and cancer is very much welcomed in terms of those particular conditions and needs in terms of health.

[22] **Peter Black:** But it isn't just about throwing money at the problem, is it? You've mentioned having to restructure the way the health service does things. Aren't you concerned that, at the same time that we're putting more money into the health service, the amount of money going into social services, which is a valuable partner in terms of keeping people out of hospital and keeping costs down, is actually reducing? Despite the extra £10 million you put in, there is still less money going into social services this year and in future years.

[23] **Jane Hutt:** Well, as you say, we did—and this was very much part of budget scrutiny last year and recognising the importance of integrating health and social care—put in an extra £10 million into the revenue support grant for social care for this financial year, and also, demonstrated the benefits of the intermediate care fund, which was only a one-year programme as a result of the budget agreement. The health Minister then decided to put part of the £70 million to carry that forward into this financial year. So, I think one of the important things—as you know, I've given these figures before—is that the spend on health and social care in Wales is 5 per cent higher than in England. So, it does demonstrate, I think, and proves that we have tried to look at social services and social care, particularly in terms of integrating with health, as a priority in the Welsh Government.

[24] **Peter Black:** The intermediate care fund was a one-off, as you said. You put £70 million in last year; it's now £20 million extra this year. How have you determined where that £20 million is going to? Sorry, if I've nicked someone else's question there. How is that £20 million going to sustain what you did with £70 million last year?

[25] **Jane Hutt:** I'm sure all of you who know about, and who followed carefully, as I know you have, Peter, how that money was spent, the intermediate care fund, in your areas, constituencies and regions, will have seen how the outcomes of it were very closely

monitored. It was led in the first year, in the one year, last year, by local government; it's now being allocated to the health service to continue the partnership working with social services and local government, and partners, as well.

09:15

[26] The Minister, as a result of that close monitoring and evaluation, then decided what he could allocate—there were very strong representations, which were clearly supported—and that we should continue with what we could, in terms of the intermediate care fund, even though it was only to be for one year. I think, again, that's where it's been very useful, to help drive integrated health and social care, and, of course, there was a housing element of it, as well, as you know, in terms of capital, which has been very helpful, in terms of housing capital investment.

[27] But I think the delivery plans, across Wales, identified some projects that were, perhaps, more successful than others. The ones that were most successful in linking hospital care and social care were the ones that were deemed to be most appropriate to take forward, the ones that helped improve the resilience of unscheduled care. So, those regional collaborative footprints that actually were used to develop, through the first year, the intermediate care fund, are taking the decisions, with the support of the Minister, as to how they want to spend the £20 million.

[28] I think, also, a part of the £20 million—£2.5 million—is being spent for identifying and rolling out best practice. Clearly, this was extra money, on top of budgets—challenged budgets, but budgets that social services and the health service, health boards, have already got. So, the whole point of this was to try and drive change in terms of partnership management. As you know, certainly in my regional area, in Cardiff and the Vale, it's transformed joint working, and that's one of the most important outcomes of the intermediate care fund.

[29] **Peter Black:** Given that, and given the importance you yourself have given to this, in terms of integrating health and social care, and delivering that agenda better, do you not think, year on year—you know, a one-year-at-a-time approach—is a bit of firefighting, and, actually, you need a more strategic, long-term approach to this fund? And wouldn't that be better reflected in the way you budget?

[30] **Jane Hutt:** Well, of course, we did come to develop the proposals for this fund as part of a budget agreement, and I think, like many of the proposals that have come out of those discussions—and, of course, the intermediate care fund was with the Welsh Liberal Democrats and Plaid Cymru—we came up with a very innovative way in which we could drive change. You know, if we had a growing budget available to us, then I would be absolutely the first in line to be saying we should be putting more money into investing in these areas, but we have a reducing budget, and we fear what's going to—. In terms of the spending review, we are going to be very challenged in terms of the budget settlement for next year, which you will all be part of as well.

[31] **Peter Black:** Thank you.

[32] **Jocelyn Davies:** Okay, Peter? Mike, did you have any other questions on the intermediate care fund?

[33] **Mike Hedges:** We're talking about Nuffield a lot, can I just remind the Minister that Nuffield has shown a 25 per cent reduction in crude hospital productivity, in Wales, which was a third bigger drop than in either Scotland or Northern Ireland, or in the north-east of England? So, Nuffield said lots of things, but the bangs we're getting for our bucks have also

reduced.

[34] But, on the intermediate care fund, a question: was the £20 million decided because there was £20 million, or was it decided that that was the amount of money needed to carry on with the schemes that were working properly, or working best? Will there be a review published—or, if there has been, I apologise for missing it—of what worked and what didn't, in terms of the intermediate care funds?

[35] **Jane Hutt:** Well, we did have the £70 million consequential, and the Minister for Health and Social Services and the Deputy Minister had to decide how they were going to allocate that with the focus on primary and community-based care, and also making sure that we had some funding—the £10 million, of course, which was announced this week—for those particular clinical pathways. Again, it was a question of priorities and having difficult decisions to make with that allocation of funding. But I think the £20 million was based on an assessment of what could be taken forward most effectively in terms of the intermediate care fund. It's monitored very carefully, as I said. There's an evaluation of the impact of the fund being undertaken in each region, with partners, over the coming months, so that will demonstrate the outcomes, and I'm sure the Minister will want to publish that.

[36] I think the other point to say in terms of Nuffield is that, yes, of course, we have to use the independent foundations like Nuffield to identify what our reform agenda has to be—what the challenges have to be. So, we have to take that on board as part of the Nuffield evidence.

[37] **Jocelyn Davies:** I think the point, Minister, that committee are making is that the Nuffield report looked at health in isolation and if Welsh Government commissioned similar reports on every other policy area, I'm sure that Nuffield would come to the conclusion you should put more money into those too. I think that that was the issue that Members were raising: cuts to other budgets might have a knock-on effect on health anyway. It wasn't free money; this was money you had to take—some of it, anyway—from elsewhere.

[38] **Jane Hutt:** Absolutely. Tough choices, and you have to take on board the evidence. I recognise that what we were seeking from Nuffield was some assessment of our financial position and also where we were in terms of the reform stakes, which obviously includes productivity. But the points Members make are absolutely accepted.

[39] **Jocelyn Davies:** Okay. Any other questions on the intermediate care fund? Okay. Ann, shall we come to your questions?

[40] **Ann Jones:** Yes, thanks. I want to start with mental health funding, Minister, if I may. An additional £14.6 million is in there to support mental health services, but I just wanted to know: how will that additional allocation support those services? How will it provide value for money? And how you going to make sure that it is targeted to meet the needs of people across Wales in a consistent manner?

[41] **Jane Hutt:** Well, the importance of adult mental health and also child and adolescent mental health services, of course, is very important, but, in terms of adult mental health, you know that an additional £9 million has been announced for adult mental health and £7.6 million for CAMHS. So, that's £16.6 million of new funding for mental health services in Wales. On adult mental health, of course, there's the important focus on support for dementia services and older people's mental health services, which is crucial to, again, meeting needs and priorities in terms of mental health services, but also there's a recognition of the need to put more money into psychological therapies.

[42] Yesterday, I was at a meeting where Hafal was speaking about the important

priorities for them in terms of pressures and challenges, and they were welcoming the move towards the psychological therapies because they said that helps enable people with mental health needs to progress and recover and those are very important. But we do need to be very clear, and I understand the Minister has already made this very clear to the health boards, that we need to look at this in terms of what the outcomes are—dementia support workers, psychiatric liaison services—and also we've calculated the allocation to the health boards using the standard health board funding formula and adjusting that for age profiles.

[43] **Ann Jones:** Okay, thanks. You mentioned CAMHS there, and I wanted to move on to CAMHS, if I may. The Children, Young People and Education Committee did a first stage inquiry into the CAMHS service, and it was very difficult to get the figures for how much money is spent on CAMHS. I know mental health is ring-fenced, but it appears that that's adult mental health and not children's and adolescents' mental health. So, I just wondered really, again with that additional funding, which is to be welcomed, how we are going to see that that sufficiently addresses the inequality in certain areas between adults and children and young people. If we can't get the figures from health boards, how are we meant to scrutinise whether they are delivering for CAMHS and so on, from the centre, with all goodwill? But then also, as well, based on that is, of course, the fact that primary care for CAMHS is very important, and primary care settings, and yet local authorities are finding it very difficult to support those charities in the third sector, and also the initial treatments and centres are being withdrawn. So, how is it all going to actually make sure that we do get that spend on CAMHS, and it's not put into the ether and never sees the light of day?

[44] **Jane Hutt:** I think it is very important, in terms of CAMHS investment, that it is representing an 18 per cent increase on the annual CAMHS spend. That's about £42 million a year. I think that that demonstrates the importance and the priority of CAMHS. I do want to also say that your committee inquiry has been very influential in terms of how the money was allocated—the £7.6 million that the Minister for Health and Social Services, of course, announced he was going to make available every year, in his statement in May, to improve mental health services for children and young people. So, it will be targeted at specific areas, which, in terms of assessing and monitoring that spend and the impact of it, should be more transparent.

[45] I think it's important, just to give some details, that this includes £2 million to develop neuro-developmental services, including attention deficit hyperactivity disorder and autistic spectrum disorders. That's where there are a significant amount of CAMHS referrals. There is an issue, a difficulty in terms of the requirements for treatment, as you know from your committee's inquiry, and access to specialist services. There's also £2.7 million for improving CAMHS response to out of hours and at times of crisis. There's the CAMHS service change and development programme, and I've mentioned the psychological therapies in mental health: there's £1 million for expanding access to that. Of course, that is also a very important alternative to medication across mental health. There's £800,000 for improving provision in local primary mental health support services, which you've mentioned. You highlighted that as a key area, as you said, of weakness.

[46] There's £250,000 for expanding provision for those in the criminal justice system. I think there are strides that are being made with the Youth Justice Board for England and Wales to help keep young people out of the criminal justice system. There is £800,000 to address the needs of young people who have an early onset of severe illness, such as psychosis. That's going to really extend across to the most vulnerable, for young people from 14 to 25. So, I think there has been movement, and your inquiry report, of course, has instigated and been very important in that.

[47] The major CAMHS service change and development programme was launched in February of this year. I think, also, we've got to remember the wider CAMHS. I always

remember, going back to the first CAMHS strategy, called, ‘Everybody’s Business’, when I was health Minister, because we’ve got to look at every aspect of prevention: the role of all agencies, not just the health service, but the role of schools as well. That is very important in terms of early years and wellbeing of children and young people. Also, to say, for example, that there are areas in terms of transparency and monitoring spend where, on the preventative front, interventions, such as school counselling services, have now gone into the revenue support grant. So, that’s where the services should be continued, but are within the local government budgets.

[48] **Ann Jones:** That’s the bit that worries me—when it goes into the RSG.

[49] **Jocelyn Davies:** There we are. You’ve lit the touch paper now. I know that Peter wanted to come in, and Christine. Peter.

09:30

[50] **Peter Black:** The number of children and young people in Wales waiting over 14 weeks to access psychiatric services is nearly five times higher, according to latest figures, than two years ago. Given that you’ve put this extra money now into mental health, and particularly into CAMHS, will you be requiring the health Minister to have the same sort of rigorous referral-to-treatment time targets for CAMHS as he does for other NHS services?

[51] **Jane Hutt:** I think this is important feedback from this committee in terms of the importance you see in making transparent and monitoring the spend, in order to be very clear and rigorous about how we can reduce those waiting times.

[52] **Peter Black:** Do you have these discussions with the health Minister? When he says to you, ‘I need this extra money for mental health’, do you say to him, ‘Well, how is this going to improve your targets?’ Does that discussion take place?

[53] **Jane Hutt:** Yes, definitely. But, I mean, obviously, it is up to the health Minister to decide how he’s going to drive up the changes and respond in terms of the additional finance that I’m allocating to him, and, obviously, that is something also that’s for the health Minister to respond to, in terms of that important point.

[54] **Peter Black:** Okay.

[55] **Jocelyn Davies:** I’ll bring Chris in now. I know you mentioned the children and young people’s report, but this is an issue that’s been raised on many, many occasions. You made reference yourself going back to when you, in fact, were health Minister, so it’s been a priority for this Assembly for a very long time. Chris.

[56] **Christine Chapman:** Yes, it’s actually just following on from Peter, really, Minister. I wanted to know about discussions with health and local government, because I am concerned when I do see young people who seem to have been delayed in the system, and, of course, the older some of these children get, then they could end up going into the criminal justice system. So, I’m very concerned that these discussions are transparent. It’s great that there’s more money being made available—I really welcome that—but, obviously, then, we really need to make sure that it gets to the people who really need it, and that local government and health are not delaying this money, because it’s critical for these young people. They can get into serious problems later on if the problem isn’t addressed early on.

[57] **Jane Hutt:** Well, if I could just respond to that, I think I did mention the extra £0.25 million that’s gone into that particular area in terms of provision for those in the criminal justice system, but it is about preventing them going into the criminal justice system. I think

Julie Morgan asked me a question about this last week, because of the role and engagement with the youth justice board in terms of keeping young people out of the criminal justice system. I think this has been, and I'd acknowledge, as the Chair says, this is a key priority that has been brought up, and it is important that it's brought up in the context of the supplementary budget, but it is important, I understand, that we look at how the February announcement, made in terms of CAMHS service change and development, was instigated by the NHS. It was formally launched by the health Minister and included work with NHS, education, youth justice, social services, the third sector. On that programme, I'm certainly monitoring the spend against the programme objectives, but it does include specialist CAMHS. This is the aim and objectives: to deliver a quality framework for specialist CAMHS to achieve consistent outcomes, which is the point that Peter's made; early years and wellbeing of children and young people to consider building early years resilience, back to all the role of Flying Start and education foundation phase; early intervention enhanced support work stream; and also promoting the concept of early intervention much more widely, and the needs of those with neurodevelopmental issues and learning disabilities. So, the programme—and I'm sure the Health and Social Care Committee has looked at this carefully, but it's important again that we check the spend, as Peter said, against those kinds of new programme aims.

[58] **Jocelyn Davies:** I think you're reaffirming our view that cuts in other areas could impact on the health service when you're mentioning other programmes that are outside health that make a contribution to this particular topic. Nick, did you have a supplementary on this? Then, we will go on to your questions, if you like.

[59] **Nick Ramsay:** Oh, it's my question next anyway. Okay.

[60] Yes, you said several times there, Minister, that you're monitoring spend against the objectives, and we're pleased to hear that and would expect that. What happens if your monitoring shows that you're not getting those objectives? What procedures kick in at that point, to try to get the spending back on an even keel with regard to the outcomes?

[61] **Jane Hutt:** Well, obviously, this has to be a matter of monitoring and evaluation, for which it's important to include external evaluation not just our own assessment of the position. Obviously, there are circumstances and pressures, which lead to difficulties in terms of spend against objectives. Winter pressures often mean that that has a detrimental impact on waiting times, for example. We saw very difficult winter pressures being experienced not just in Wales but across the whole of the UK last winter, which had a very detrimental impact in terms of what one would expect—

[62] **Nick Ramsay:** So, you wouldn't always be swayed by short-term objectives. You may be looking at two or three years.

[63] **Jane Hutt:** Yes, you've got to look at it in sort of medium and long-term planning scenarios. That's why the Minister, of course, has produced his medium-term planning statement quite recently. But I think it is about not just my role in terms of monitoring as finance Minister, but about the Minister for Health and Social Services being with his officials holding the health boards to account in terms of the delivery, and indeed the clinical networks as well, and then accounting for difficulties in terms of making progress. On the other hand, you know, there is progress being made and, often, when progress is being made, it's not mentioned or acknowledged because it's good news, isn't it? So, we can see, for example, month after month, reductions in the delayed transfers of care, which is as a result—back to Peter's point—of us in Wales having taken note of the fact we need to invest in social services as well as in health. If you do that, you start having reductions in delayed transfers of care.

[64] **Jocelyn Davies:** I think Nick's point, really, was if you had a system within your department that allows you to monitor the outcomes that Ministers say they're going to achieve in their departments. Was that your point, really, Nick? Not really whether the opposition parties ought to say, 'Yes, you've done a good job there', but whether you've got systems that allow you to know with confidence—

[65] **Nick Ramsay:** Yes. I think you've put it better than I did. [*Laughter.*]

[66] **Jocelyn Davies:** [*Continues.*]—that the objectives that Ministers say that they will undertake with the money that they get allocated from you are actually done. Are you telling us that you do have a robust system?

[67] **Nick Ramsay:** I'm just interested in the whole concept of monitoring because we talk about it a lot. Obviously, it's essential, but what does it actually mean in practice? If something isn't showing up as working properly, then what is kicking in to rectify it? I think that was my point.

[68] **Jane Hutt:** Well, it has a huge impact on budget setting, obviously, because we're not going to be—. I mean, as finance Minister, I'm also responsible for the oversight of the evaluation programmes across the whole of Welsh Government. For example, just in our spending review planning for later on this year, for budget setting, one of the criteria of the spending reviews is to evaluate the spend and the impact of the spend that we already have in place, because that's going to have a bearing on whether we're going to again invest in that area, or even if we consider whether we disinvest in the area as a result of monitoring and evaluation. So, it's very much a function of the new Welsh treasury, I have to say, but it's a function of finance anyway to monitor outcomes against financial spending priorities.

[69] **Jocelyn Davies:** Yes, Nick?

[70] **Nick Ramsay:** If you're monitoring the health Minister and his spend, and the health Minister says to you, 'Well, actually, there's a problem here with the health boards', would you leave the health boards entirely to the Minister to deal with, or would there be a point where you would actually be monitoring the health boards' spend as well? I'm just trying to work out how the chain works.

[71] **Jane Hutt:** No, the Minister for Health and Social Services is responsible for ensuring that the health boards are delivering.

[72] **Nick Ramsay:** But if he turns to you, then, and says, 'Well, actually, it wasn't my fault; it was the health boards' fault', what do you do?

[73] **Jane Hutt:** I mean, obviously, this is ministerial responsibility and, of course, he then can account for the ways in which he's holding health boards to account for the delivery, as he does, not just transparently and openly here in the Chamber, but in committee. I think also recognising—. I think it goes back to earlier questions about the three-year planning regimes. He will make a statement, and it's for him to make the statement, following the auditor general's statement about last year's spend. The health Minister will then make his statement to acknowledge where health boards have been able to meet the budgetary expectations of the Welsh Government, and, if there are issues, he will then account for it in his response to this statement. But the three-year planning, of course, has helped. It was supported across the Assembly that we should enable our health boards to have the flexibilities in terms of their budgetary arrangements, and so the three-year planning is something that I think is the wider context, but the health Minister is the one who holds them to account.

[74] **Jocelyn Davies:** So, in terms of the development of the Welsh treasury, one of the

functions is regular or constant monitoring of the spend within departments in order that you can be satisfied that the allocations that you make, and this Assembly agrees, deliver the objectives in the way that they were supposed to.

[75] **Jane Hutt:** Well, I would see it as strengthening that role. It's always been a role of finance. I was delighted to introduce Matt Denham-Jones as head of financial control and reporting, which I think, actually—

[76] **Jocelyn Davies:** I've noticed that he's been smiling while we've been having this conversation.

[77] **Jane Hutt:** You may want to comment on that, because it's an all-year-round task, isn't it, for finance, anyway, which I believe, as our responsibilities grow, will be strengthened?

[78] **Mr Denham-Jones:** Yes, clearly, the supplementary budget is usually part of our in-year management. We've got a regular regime of reporting across Welsh Government with embedded finance teams right across the Government in all the main policy areas.

[79] **Jocelyn Davies:** So, they're in other departments, but you line manage those people.

[80] **Mr Denham-Jones:** I wouldn't say line manage.

[81] **Jocelyn Davies:** You say they're embedded; okay.

[82] **Mr Denham-Jones:** Yes, and helping Ministers manage each individual MEG, but certainly as we expand financial powers and our flexibilities, we'll be looking to further strengthen and see how those, with those new responsibilities, we need to strengthen those procedures across the Government. That's part, I think, of what the Minister's referring to as developing the treasury programme.

[83] **Jocelyn Davies:** Okay. I think Nick had a point.

[84] **Nick Ramsay:** What role does the delivery unit have in all of this? Or does it have a role in this aspect of delivery?

[85] **Mr Denham-Jones:** The work that we undertake in terms of finance is linked to the delivery unit work, but it's a separate financial report. Delivery will be looking at the programme for government and other elements of delivery rather than just the financial monitoring.

[86] **Jane Hutt:** And, of course, I bilaterally meet with all Ministers over the year to assess impact, and spend and monitoring, and, in fact, I meet the health Minister every month.

[87] **Jocelyn Davies:** Nick, shall we go on to yours?

[88] **Nick Ramsay:** I actually wanted to ask you about business rates.

[89] **Jane Hutt:** That's good.

[90] **Nick Ramsay:** I got distracted. Clearly, we've got the full devolution of non-domestic rates now, since April, I think it was. Following that, can you update the committee on the work being done to monitor and improve the accuracy of the business rates forecasts?

[91] **Jane Hutt:** Well, there is a forecasting system in place for non-domestic rates. It uses

the latest available information that local authorities supplies. They, obviously, forecast expected revenues, and also there are assumptions about growth and prices. That forecast is supplemented by monitoring information that we receive that covers in-year changes.

[92] **Nick Ramsay:** And will you make details of the forecast available to the committee?

[93] **Jane Hutt:** Well, I think we do need to make sure that we present forecasts to the committee in the most appropriate way. We're considering at the moment how to make it most meaningful for you.

09:45

[94] If you look at the expected level of non-domestic rates finance spending, it will, of course, be included in the draft budget, but it may be subsequently revised for the final budget. I think what we're doing at the moment is work to understand how we can provide the most robust forecasting—of course, that has an impact on policy casting—and making sure that we can manage this so that you can then have the clearest information and we don't have to keep changing the forecast. But it will be that there may be a change between draft and final budgets in terms of forecasts.

[95] **Nick Ramsay:** I was going to ask you about changes. There's been a technical change because of the full devolution of business rates transfer from revenue departmental expenditure limit to annually managed expenditure. There is a reduction from £962 million to £956 million since the final budget. How do you account for that?

[96] **Jane Hutt:** That does pick up on my point that there may be changes between draft and final budgets. So, that sum, the £962 million, does date back to our draft budget, but there was then a small change in the forecast, and this is the point I'm making about forecasting between draft and final budgets. So, we took that opportunity to change it at final budget.

[97] **Nick Ramsay:** The supplementary budget allocates £15 million so that the Wales retail relief scheme matches the one in England that was extended in the autumn statement of 2014. Has there been any impact on the cost to the Welsh Government of replicating this policy now that you have full control over business rates?

[98] **Jane Hutt:** Well, in fact, the Wales retail relief scheme is managed through a system of grant support, so it's separate from the main non-domestic rates pool. So, it's not actually directly affected by the full devolution of business rates. That's an important distinction we have to clarify today.

[99] **Nick Ramsay:** Ah, okay.

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

[101] **Mike Hedges:** Yes. Two points: both are from questions Nick has just raised. The first one is this: isn't there a problem of calculating the amount of rates coming in, a bit like council tax, because there will be new properties being created during the year, so you're generally expected to go north during the year as properties become rateable during the year that you didn't predict were going to be rateable during that time?

[102] **Jane Hutt:** Yes, and I think that goes back to how we account for the forecasting and variations in the forecasting. I think this is one of the issues—. We need to give the committee as accurate a picture as possible and say that this will not be set in stone because, as you say, there will be changes. I think, going back to Nick's point about the Wales retail relief scheme, that is going to be separately managed through a grant scheme, not NDR, but we are

estimating what that will mean in terms of costs relief because we've got to. And, in fact, we think it probably is in line with what we've allocated.

[103] **Mike Hedges:** On the Wales rates relief scheme, have—. I'll just put this question properly: have you asked the Minister how she ensures that actually makes its way to the retailer and that it isn't held by the person who owns the property so it isn't actually boosting the profits of the owners of the building? Some people are renting on rent and rates combined. So, if they get rate relief, how are you ensuring that that gets to—? I think we all want it to get to the small shopkeeper as opposed to the property owner.

[104] **Jane Hutt:** I'm sure that would be an important question to the Minister for Economy, Science and Transport, but I think you will note that she did write to Assembly Members recently to say that over 10,500 businesses benefited from the scheme last year. Drilling that down, as you say, to those who actually need the money at the sharp end is an important question because, also, it is important that this is reaching out to the retail, food and drink sector in Wales. She did increase the relief also to £1,500, so I think it is an important question for the Minister.

[105] **Mike Hedges:** Could you ask it?

[106] **Jane Hutt:** Well, yes, I'm sure I could; it's a very useful question.

[107] **Jocelyn Davies:** Chris, shall we come to your questions?

[108] **Christine Chapman:** Minister, I just want to ask you about the Schools Challenge Cymru programme. The supplementary budget allocates an additional £3.5 million to this. We know that the remaining budget to be identified for this programme was £7.9 million at the time of the final budget, so obviously there is a big gap here. Will it be necessary to make a further allocation at a future budget to ensure that the costs of this programme for this financial year can be met?

[109] **Jane Hutt:** We have allocated, as you said, £3.5 million in this supplementary budget to Schools Challenge Cymru. That's on top of the £12.1 million that we did allocate in the draft budget for 2015-16. I think also the funding for this scheme does include £3 million capital funding that the Minister has identified; he's got that from within his own portfolio. But it is a very important question in terms of asking, 'Is this going to meet the needs of the whole Schools Challenge Cymru programme?', and he is now looking at the school development plans. They are going to be monitored, I understand, as all the programmes are, to consider whether they are adequate and fit for purpose, and then what the budgetary implications are. So, I can't answer today—I can't indicate levels of funding for any particular school, of course. But the Minister was very pleased that we were able to allocate this £3.5 million on top of the £12.1 million, and we move into the second half of this financial year to consider how this is now being delivered in terms of those plans.

[110] **Christine Chapman:** So, obviously, at this moment you haven't got any concerns particularly about this, in your discussions with the Minister.

[111] **Jane Hutt:** I'm very supportive of this as a priority, and we've made difficult decisions in terms of it—well, the Minister for education has, within his MEG portfolio as to where the policy priorities are, and Schools Challenge Cymru is unquestionably a priority, not just for the education Minister but for the Welsh Government. I think the delivery—I'm sure that there have been reports on this at committee level—of Schools Challenge Cymru is already making a huge impact and change, and some of you may know this in your own constituencies. So, it is a major priority.

[112] **Jocelyn Davies:** Okay. Peter.

[113] **Peter Black:** Thank you, Chair. Minister, can you provide details of how future budget draft documentation will continue to improve the information highlighting the cost of implementing legislation that we pass here?

[114] **Jane Hutt:** This is a very important area, and I think you did recognise that we provided more information in terms of draft budgets on costs of legislation, and I think, in joint scrutiny of that, it was recognised by the Finance Committee that it was an important aspect of draft budget documentation. We've got to provide clarity on costs. As Finance Minister, I have to be very clear in terms of assessing costs of legislation before we move forward with it from a policy perspective, and it's a central part of the policy development process. I think one of the useful things is that the Constitutional and Legislative Affairs Committee have looked at these issues in terms of regulatory impact assessments, and I think the Auditor General for Wales's recommendations are useful.

[115] **Peter Black:** Do you actually scrutinise regulatory impact assessments as a finance department?

[116] **Jane Hutt:** Yes, it's absolutely clear that—

[117] **Peter Black:** Do you give them the seventh degree?

[118] **Jane Hutt:** Of course, we've got quite a lot of experience now as a result of this first term of—

[119] **Peter Black:** You don't just rely on the legislation branch and the ministers to actually produce their own, but you actually have them up in front of you and ask, 'Can you justify these costs?'

[120] **Jane Hutt:** The deputy director is shaking her head from the sidelines. It's an absolutely clear part of the financial control and reporting.

[121] **Mr Denham-Jones:** It's part of the regime and, as part of reviewing the legislation as it comes forward, we review the costs and those impact assessments.

[122] **Peter Black:** Okay. I want specifically—

[123] **Jocelyn Davies:** Just before you go on, how much leeway do individual Ministers have in moving money around within their own budgets once you've allocated it?

[124] **Jane Hutt:** In general, in terms of their main expenditure groups and virements within, we do have some controls in terms of virements. Do you want to just identify the avenue?

[125] **Mr Denham-Jones:** Yes, sure. As the Minister outlined, we do maintain some controls—well, a degree of control—in-year that help us monitor and operate the regime of reporting that we discussed. Ministers have got leeway to allocate or re-allocate within their own portfolios. Obviously, we're monitoring to check that their financial pressures are being addressed through those and that they're still keeping their budgets in line with the priorities for the Government as well. There is a degree of leeway, but we and the central finance teams will monitor those changes as they go through.

[126] **Jocelyn Davies:** You monitor it and there is reporting, but they have discretion to move money around within their own departmental budget. Would they need your permission

for that, Minister, in terms of, say, for example—as Peter mentioned about legislation—they wanted to allocate more money to something?

[127] **Jane Hutt:** I think you need to look at the draft legislation and the regulatory impact assessments separately in that sense. They have to be robust, they have to identify costs, and we have to be very clear about where those costs are going to be met, and we say ‘within the MEG’. And, obviously, every submission comes my way.

[128] **Jocelyn Davies:** I know you said ‘within the MEG’, but that’s why I’m asking: can they move money from one area to another within their MEG? Because we haven’t always been convinced that the costings are accurate, or even clear.

[129] **Jane Hutt:** Well, I think this is an area of work, and I think the Constitutional and Legislative Affairs Committee’s work is very helpful. It’s certainly helpful for us in Government. You can be assured that, in terms of building the capability of the finance department and the whole of Welsh Government in its legislative powers, we’ve had to make sure that these are rigorously scrutinised, these costs, in terms of draft legislation.

[130] **Peter Black:** So, if this committee or a subject committee says, ‘We’re not convinced by these costings’, will you get them back in and say, ‘Well, justify them to me’?

[131] **Jane Hutt:** Well, I’d certainly want to—. Well, you can ask those questions of me anyway, but I’d certainly would want—if this is something where there are clear questions and you’ve got evidence so that you think, ‘This is not appropriately assessed and budgeted’, then I would want to deal with it.

[132] **Peter Black:** I’m enjoying this insight into the workings of Government. [*Laughter.*] Can I just ask the Minister another question? I want to move on to—

[133] **Jocelyn Davies:** Carry on; it was just that we know that Ministers can move money within their own departmental budget to cover costs of legislation.

[134] **Peter Black:** But also that the finance department has some control.

[135] **Jane Hutt:** Absolutely. Also, I get independent advice from Ministers, and I get independent advice from my officials on the costings of legislative proposals. So, I think it is going to be—. I think that annex of the budget narrative, hopefully, does provide you with a point in terms of the draft budget to challenge me more directly about that legislation.

[136] **Peter Black:** I’ve just got a specific example, and I just wanted to check its status. In May, the Minister for Communities and Tackling Poverty announced additional transitional funding of £700,000 for local authorities to implement the homelessness section of the Housing (Wales) Act 2014. What I’m trying to work out is: is that additional funding in the supplementary budget?

[137] **Jane Hutt:** Well, that £4.9 million was allocated into the homelessness prevention budget, and, of course, those costs were, as you said, a publicly stated commitment to the £4.9 million set out in the Housing (Wales) Bill—it was in the Bill and the Act. They’ve been identified within the department, and they do form part of the supplementary budget.

10.00

[138] **Peter Black:** So, that £4.9 million is in this budget, in the supplementary budget, or is it in the previous budget?

[139] **Jane Hutt:** Yes.

[140] **Peter Black:** It's in here. So, that money's there.

[141] **Jane Hutt:** Yes.

[142] **Peter Black:** Okay, Minister. Thank you.

[143] **Jocelyn Davies:** Okay. Mike, shall we finish with your questions?

[144] **Mike Hedges:** Yes. The £50 million reduction—and you said that this was made in June—is not in this supplementary budget. I can understand why, because you don't know what's going to happen next month. I've two questions, really. One is: should we be dealing with the supplementary budget at different times? That is, should we be trying to align up our dealing with the supplementary budget in line with you having changes from Westminster? Because, at the moment, we're dealing with a supplementary budget that may or may not have plus or minus a couple of £100 million, depending on what happens next month.

[145] **Mr Andrews:** Next week.

[146] **Mike Hedges:** Sorry. We are in in July; I've been saying 'next month' for some time now. It will be happening next week. So, you've got that.

[147] The other question is: what effect do these unannounced changes have on your ability to plan? Do you have to put more money into reserves awaiting it, or will you be looking to claw back money from spending departments?

[148] **Jane Hutt:** Well, on your first question, the supplementary budget timetable, I think, is pretty much—. We have to stick to it, don't we, in terms of—. I mean, you could have another supplementary budget. I don't know whether—. Since I've been finance Minister, I don't think we've ever got to that point because of unexpected changes.

[149] **Mr Denham-Jones:** No; not recently.

[150] **Jane Hutt:** But I think it does—. You know, in a sense, we have to close the books for this supplementary budget in—well, in March?

[151] **Mr Denham-Jones:** Well, a little later than that.

[152] **Jane Hutt:** A little bit later.

[153] **Mr Denham-Jones:** Yes.

[154] **Jane Hutt:** But it's sort of within—. We have to do it quite early on in order to get to table it. I think we tabled it on 23 May. So, no, it wasn't March; it was April. But we certainly couldn't go beyond—. This supplementary budget, I think, is at the right time. The difficulty is we don't know what UK Government's going to do and when they're going to announce changes. We had no idea that three weeks ago they were going to announce, within a Queen's Speech, a £50 million cut to our budget. Obviously, we're used to having an autumn statement, which is a mini budget, and we're used to having a March budget. We have to manage those changes, negative and positive, hopefully—consequential—that come through those events. But the Queen's Speech cuts were totally unforeseen, and we don't know what's going to happen next week. So, I don't know whether we could really change our supplementary budget to accommodate changes. We're never going to be—. We're not informed of that by UK Government. Our dependence on UK Government—our block grant;

that's our budget—is total in terms of what they decide or decide not to do. So, I don't think there's any other way, unless Matt wants to comment on this, that we could change the timelines of our supplementary budget.

[155] I certainly am not in a position to decide how we're going to manage this £50 million. I'm considering it very carefully, because we also want to see what's going to happen next week and what may come forward from that. We have to look at this in terms of the full impact on our budget. Cutting our budget in-year hinders our ability to forward plan. Even though we have got some flexibility on times and the timing of those reductions, it's another blow to the Welsh budget, basically.

[156] **Jocelyn Davies:** Matt, did you have anything to add to that?

[157] **Mr Denham-Jones:** Just on the timings: I was going to just add that the overall timing of the budget process and how it can link in, or not, with Westminster sort of timetables, is one of the things we've been looking at following the recent inquiry this committee's done on best budget practice. So, clearly, there are some obvious benefits in doing that, but what you want to do is strike a balance and get some—not be dictated the timetable that works in Wales by that in Westminster.

[158] **Jane Hutt:** But also you do have to report to Treasury, don't you, at some point? When do you have to report on in-year?

[159] **Mr Denham-Jones:** Well, there's a system of Treasury reporting very similar to our own here, where we give monthly reports, but, yes, there's also—

[160] **Jocelyn Davies:** It's very nice to be assisted by the Minister asking questions of officials, as well as the committee. [*Laughter.*]

[161] **Mr Denham-Jones:** It's always welcome.

[162] **Jocelyn Davies:** Okay. Any other questions? Mike, are you happy with that?

[163] **Mike Hedges:** I'm happy. Yes.

[164] **Jocelyn Davies:** Lovely. Thank you, Minister. You've got through that supplementary budget with us. As normal, we will send you a transcript. If you could check that to make sure it's accurate, we'll then be able to publish it. Thanks very much.

[165] **Jane Hutt:** Thank you.

10.05

**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**

Cynnig:

bod y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog 17.42(vi).

Motion:

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

*Cynigiwyd y cynnig.
Motion moved.*

[166] **Jocelyn Davies:** I'll now move the motion under 17.42 that we go into private session. Everybody content with that? Yes.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:05.
The public part of the meeting ended at 10:05.*