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[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

09/12/2015

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Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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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 ynnddi 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
Alun Ffred Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Rathbone	Llafur (yn dirprwyo ar ran Ann Jones) Labour (substitute for Ann Jones)

Eraill yn bresennol
Others in attendance

Jeff Andrews	Cynghorydd Polisi Arbenigol, Llywodraeth Cymru Specialist Policy Adviser, Welsh Government
Margaret Davies	Pennaeth Cyflenwi'r Gyllideb, Llywodraeth Cymru Head of Budget Delivery, 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 Clerc
Martin Jennings	Y Gwasanaeth Ymchwil Research Service
Gerallt Roberts	Dirprwy Glerc Deputy Clerk
Joanest Varney- Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

Dechreuodd y cyfarfod am 9:00.

The meeting began at 9:00.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Jocelyn Davies:** Okay. Welcome everybody to a meeting of the Assembly's Finance Committee. Can I just ask anybody with a mobile device to just check that it's switched to silent? We've had apologies from Ann Jones and we're very pleased that Jenny Rathbone's able to join us again as a substitute.

Papurau i'w Nodi Papers to Note

[2] **Jocelyn Davies:** We've got a couple of papers to note. Are Members happy with those? Yes, you are.

Cyllideb Ddrafft Llywodraeth Cymru 2016–17: Sesiwn Dystiolaeth 1 Welsh Government Draft Budget 2016–17: Evidence Session 1

[3] **Jocelyn Davies:** We'll move to our first substantive item on the agenda, which is the Welsh Government draft budget 2016–17 and this is our evidence session No. 1. I'm delighted that we have the Minister with us. Minister, would you like to introduce yourself and the officials for the record and then we'll go straight to questions, if that's okay?

[4] **The Minister for Finance and Government Business (Jane Hutt):** Thank you very much. Jo Salway, deputy director of strategic budgeting, and Margaret Davies, head of strategic budgeting, and Jeff Andrews, specialist adviser.

[5] **Jocelyn Davies:** Well, welcome. I'll start then, Minister. So, how does the funding available to the Welsh Government for 2016–17 compare with the scenarios that you were preparing for?

[6] **Jane Hutt:** Well, because it was such a late spending review, clearly, it was very difficult to prepare, but we had—. We have been—. In fact, we set up spending review working groups earlier on this year in anticipation of and preparation for the spending review, and they've been working all over the summer. We were, I suppose—. The summer budget: we obviously got a forecast then of what was likely to happen. We were expecting to face budget reductions around a similar sort of scale that we've had in this spending review, and we—. I think another point about the preparation, I suppose—we were using the framework of the Well-being of Future Generations (Wales) Act 2015 as well to help steer us in our preparations. I think what we were doing in our preparations was looking at pressures and needs and then saying, particularly around the protected areas and our priorities as a Government—. But, ultimately, of course, when we did get the spending review announcements on 25 November, and a cut of 4.5 per cent of our revenue budget, then we had to quickly move to translate that into our budgets. The pace of cuts is lessening, compared with what we were expecting, but, as the Institute for Fiscal Studies said, another five years of austerity.

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

[8] **Julie Morgan:** Yes, thank you, Chair. We did have an announcement about the funding floor. Have you had much discussion about the funding floor and how the arrangements were made and how it'll apply?

[9] **Jane Hutt:** Well, as you know, it was very helpful to have a debate, an opposition debate, last week on the spending review and I was very pleased that the amendment that I put forward to seek an inter-governmental agreement on the funding floor was accepted by all of the political parties. I'm sure all Members will have had access to the actual text, if you like, that was in the spending review. The extract for Wales actually specifically focuses on the funding floor and it says that it's

[10] 'introducing a floor in the level of relative funding provided to the Welsh Government at 115% of comparable spending per head in England.'

[11] And we welcomed that. We welcomed that a floor was being announced, we welcomed the 115 per cent of comparable spend per head, but the downside was then the next sentence, which basically said that this was for this Parliament and the funding floor would therefore be reset at the next spending review. So, this is where I had a meeting with the Chief Secretary to the Treasury on Monday—a very constructive meeting—where I said, ‘We now need to move this forward. You made an announcement and we welcome aspects of that announcement, clearly, but this has to be an inter-governmental agreement and it has to be for the long-term’. And he has agreed, and I’ve set out basic tenets of what an agreement could look like and he has agreed that he will consider that and that we’ll meet again in January. So, it’s sort of hot off the press and I’m hoping to—. I have actually briefed finance spokespeople—not yet Nick, unfortunately, it was a bit squeezed in yesterday—

[12] **Nick Ramsay:** Barnett squeezed. [*Laughter.*]

[13] **Jane Hutt:** But we had an intergovernmental agreement in 2012 when we actually secured that recognition of a convergence and it had Welsh Government and Her Majesty’s Government on the agreement and that’s what I said we need. We need to be clear. As I said, we’ve had the Barnett formula for nearly 40 years; it was supposed to be a short-term fix. We can have our funding floor, but I had said that of course it should be—and part of the agreement has to be that it would be—periodically reviewed. But ‘reset’ has a whole different tone in terms of what that will mean. It cannot be for just one Parliament. If we move to income tax varying powers, that’s it; we’ve got them forever. So, we have to have fair funding and the floor is the mechanism. It cannot be something that—and it won’t, actually, anyway—impacts on this next five years, because we’re not going to be in the territory in terms of the floor. So, I mean that’s a bit of an update, really, on my discussions on Monday, following the debate last week.

[14] **Jocelyn Davies:** Nick, you’ve got a supplementary on this before I come back to Julie. Was it on this point?

[15] **Nick Ramsay:** Yes, exactly on this point. I’m just interested in the discussions you had with the Chief Secretary to the Treasury. Do you sense that this one parliamentary stipulation has been an oversight or not properly thought through, or do you think the Treasury have had a role to play here in thinking, ‘Hang on, let’s hang on to the purse strings as long as we can’?

[16] **Jane Hutt:** I think you're quite right in detecting a Treasury force and influence here. It seemed to me that the Chief Secretary—. You know, we had a very constructive discussion. There is an opening for us to move this on to an agreement, but you cannot underestimate Treasury in terms of their reluctance to change what has been for nearly 40 years a Barnett formula, with nobody interfering with it on their terms. So, you know, as far as I'm concerned, what is very, very powerful is the cross-party support from this Assembly to ensure that we do get what will be, as I said to them, a win-win for everyone.

[17] **Jocelyn Davies:** Mike, did you have a supplementary on this?

[18] **Mike Hedges:** Yes. I'm more sanguine than the Minister on this, as the Minister is well aware. I mean, Barnett came in for one year, Goshen never made any variation due to changes in population. Don't you think it's actually a success that we've got them to accept that there needs to be a Barnett floor and have set the Barnett floor? Don't you think that's at least one step forward?

[19] **Jane Hutt:** Yes, and I think I did say—. I mean, I said that in response to Julie Morgan's question. I did say that we acknowledge that it's a step forward and getting within the Holtham range was very important. We were worried it would be below, so we're nearly there. That's the point. But I do think that we should have agreements rather than announcements from the UK Government.

[20] **Mike Hedges:** Can I just follow up on that? I think perhaps one of the things we need—and I'm not sure how we get it—is actually a position where we have negotiation with the Treasury, rather than the Treasury telling us. How do we get to that stage?

[21] **Jane Hutt:** Well, I think we have a significant influence. It is about the respect agenda with the devolved administrations. One thing that is a great concern, which I raised, of course, on Monday, is that we haven't had a finance quadrilateral since November 2013. That is the forum for intergovernmental discussion between the finance Ministers from Scotland, Northern Ireland and Wales with the Chief Secretary. And obviously, bilaterally, there are discussions. There are many other aspects in terms of an agreement that we need, which includes the operation of the Holtham floor, and also the fact that we need to progress with looking at the impact

of the offsets to our devolution of taxes, which is still being negotiated between Scotland and the Treasury.

[22] **Jocelyn Davies:** Julie, shall we come back to your questions?

[23] **Julie Morgan:** This was basically an announcement rather than an agreement. What about the income tax? Was that an announcement? Did you have any previous discussions about that?

[24] **Jane Hutt:** I think, in terms of moving towards income tax devolution, the Silk commission had a recommendation that was agreed by all representatives there that we should have a referendum and that we should have intergovernmental agreement. Those are the key words that I kept showing them from Silk et cetera and, indeed, from the St David's Day announcement last year—again, that long-lasting fair funding had to have an intergovernmental agreement. So, of course, the fact that they are going to now remove—that's in the narrative again for the spending review—the requirement for the Assembly to hold a referendum—. It's always been up to them; it's not up to us. It was in the Wales Act 2014. That was an announcement.

[25] **Julie Morgan:** Do we have an idea of timescale on income tax?

[26] **Jane Hutt:** Again, I've said to the Chief Secretary that we cannot move to income tax-varying powers until we are clear that we have an agreement on fair funding, because 80 per cent of our budget will be Barnettised. So, this is where it's critical that we get that agreement about fair funding. That's where we need to have discussions about then how we would move to devolving income tax if there wasn't a referendum. I think this is something where—it's not clear at the moment the process that the UK Government is proposing to decide if and when income tax devolution is coming into force. But that's all back to: we should be negotiating these things and agreeing them, not just having announcements.

[27] **Jocelyn Davies:** Jenny, did you have a question?

[28] **Jenny Rathbone:** I just wanted to pick up on the fact that Scotland has had income tax powers since day one, and they've never used them. So, I just wondered how significant it is that we do or don't have income tax powers, given the difficulties of having a different income tax system than our neighbours just across Offa's Dyke.

[29] **Jane Hutt:** Well, the Wales Act, of course, does enable us to have income tax powers on the same basis as Scotland—not in the first Scotland Act back in 1998 but in the more recent Scotland Act. It is there within legislation. Through consultation, we have arrived at that point.

[30] **Jocelyn Davies:** Okay. Mike, did you have some questions?

[31] **Mike Hedges:** Can I talk about the budget in totality? I'd like to raise questions on three points. If you look at the budget and the headline, basically what we've had, in terms of percentage of the budget spent by the Welsh Government, is a movement from local government to health. Two big spenders: one's gone down and one's gone up. They've got lots of other little bits in there that have moved up and down, but the two big movements in terms of money have been in local government and health. I've got a question on local government and a question on health, then one on housing. The question on local government is: what effect do you expect the cuts to local government to have on discretionary services run by local authorities? And do you expect them to have any effect on social care provision?

[32] **Jane Hutt:** Well, of course, we will hear at 3 o'clock, I think it is—the Minister for Public Services will publish the provisional revenue support grant. So, we're premature a bit in terms of impacts, but we'll wait till this afternoon to see what the RSG provisional impact will be. Obviously, we have been cushioning local government over the last five years, compared with what's happened to local government in England. It's worth just recording again that spending on local government services in England—and it's very important for those discretionary services—decreased by around 9.8 per cent in England in cash terms compared with Wales, where we've actually increased in cash terms by 2.5 per cent.

09:15

[33] Clearly, there have been pressures and reductions in the last two years and this year that we're in, which has been particularly difficult for local government. That's why the work that we've done over the summer in preparing for this budget has sought to protect some of those key services. We had a letter from the leaders, from local government, just before the budget, to say, 'If you put more money into social services'—and that's what we've done, with the extra £21 million, over and above the £10 million that

was in this financial year. They also asked us to protect the intermediate care fund. One of the key points that they've made to us is that they also want to move down the preventative route, looking at the ways in which we're developing this through the Well-being of Future Generations Act. But also, with that focus on prevention and early intervention, programmes that we've been protecting, like Supporting People, are critically important to remove the—. I mean, Supporting People: I think everyone here knows what it does as a preventative force. It is a force that people who intervene in people's lives prevent, then, the pressure that will come onto social services, the health service and a whole range of services. So, Supporting People very much came through our considerations of needs and pressures over the year. We have also given more flexibility to local government in terms of removing some of the hypothecation, although we're still hypothecating Supporting People and Communities First. I would argue that we have worked very hard to support local government in this draft budget, particularly those services in terms of discretionary services that you highlight.

[34] I'm sorry; that was one point. The second point was—

[35] **Jocelyn Davies:** Well, I think we've got a supplementary on something that you've raised then. Was it on this specific point, Chris?

[36] **Christine Chapman:** Yes, I wanted to talk about prevention, but—

[37] **Jocelyn Davies:** And then we'll come back to Mike's other point. Go on then, Chris.

[38] **Christine Chapman:** Okay. Obviously, this is one of the questions that I had, Minister. It is a challenge, really, because obviously we're talking about very long-term planning, but obviously budgets are very short term. When we looked at this last year as a committee, I just wondered whether you felt that things had improved this year in terms of trying to work out, you know, how to address this idea of preventative spending. You know, what sorts of processes have been put in place by your department to try to improve the situation? Can I also ask as well—this is a particular or specific one, really, on Disability Wales, because this, to me, would be quite a key preventative spend allocation? I know there have been some concerns around that as well, about proposals, about cutting Disability Wales. I just wondered whether you could answer those two.

[39] **Jane Hutt:** Well, I think, in terms of the approach to the preventative

agenda—and this very much goes back to the points that I was responding to Mike as well—and I've circulated, for all Members, this sort of easy-to-read draft budget, 'Fairer, Better Wales', showing how we've used the future generations Act, looking to not just the goals but also the kind of five ways of working: involvement, collaboration, integration, prevention, long-term—those key points. At all the meetings that I had on my budget tour, over and over again, people from social care, volunteers, housing and health used all these words. They saw integrating services, engaging, collaborating across sectors, including the third sector, all part of the preventative long-term agenda. I would say that we've used these. Even though we weren't clear about what the settlement was going to be, we've used this approach much more constructively this year because of the guidance from the future generations Act, and also because the Finance Committee has been very clear about prevention and wanting us to have further clarity on how we can support preventative interventions. I think that, with things like Flying Start, clearly that's early intervention and prevention at the earliest time for the most disadvantaged children. I won't go on about Supporting People. I've given that example.

[40] The intermediate care fund—again, it's the proof of the outcomes that it's preventative, isn't it—in terms of reducing admissions, facilitating discharge from hospital, enabling people to live independently in their own homes—all of that's part of the preventative agenda? Obviously, there are other issues. You raised the issue about Disability Wales—that isn't, for me as the finance Minister, and I'm aware that there are discussions about this between officials and Ministers and the organisation. One thing I would say on prevention is that I met with the third sector, as I do regularly, a couple of weeks ago, and they've set up a working group to work with us on more understanding of the preventative agenda. So, clearly they're going to be very engaged in all those organisations that are delivering on prevention but maybe also in difficulties in terms of how they're being sustained.

[41] **Jocelyn Davies:** Well, I think that Disability Wales, obviously, would argue that, with your narrative there about preventative spend, they would fall very neatly into that. I know you're saying that it's not a matter for you, but when we come back to see you at the end of our scrutiny with other organisations, no doubt—if Disability Wales finds that they don't fall, you know, if they get a cut—we'll be asking you, and, even though it's not a matter for you, you will be facing that question again. So, you can be forewarned, I suppose, about that, Minister. It's bound to be raised again. Mike, shall we come back to you on your other point?

[42] **Mike Hedges:** On the point, I'll ask it in a slightly different way—on preventative spend: don't you think that swimming pools and leisure centres, which get people active, are a major part of preventative spend? It's something I feel very strongly about, but I'm probably in a minority of one. If all we spend our money on is treating people in hospital we're just going to end up with more people in hospital. I think that this preventative spend on getting people exercising—especially swimming pools, which seem to attract people who would otherwise probably not take part in physical activity—is probably the most important preventative spend we've actually got.

[43] **Jane Hutt:** Absolutely. In one of the budget meetings that we had, there was someone from a leisure centre there, which was actually just being closed by the local authority, and we had a discussion about the role of leisure centres around the table, and everyone said, 'They should be called health centres, not leisure centres'. Obviously, people are choosing to go to leisure centres and swimming pools et cetera, but also they are used for GP referral, for example, for exercise referral. Also, we are still supporting and safeguarding, our free swimming, which actually does help school-age children and older people as well, although perhaps targeting that more effectively. I think, in terms of local government and how they've responded to the financial challenges, that particular leisure centre is now run by a social enterprise. The community campaigned to take it over and now they employ 20–30 people and it is a social enterprise; they've got that through a community asset transfer. So, there are ways and means in which local government can, with our support, safeguard those services.

[44] **Mike Hedges:** Can I move on to health, Chair?

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

[46] **Mike Hedges:** I've got three areas of health that concern me. One is that Dr Keogh said it, Mark Drakeford did again say it to a committee I was at, and I also read it in a paper written by Professor Beddow, Dr Julian Tudor Hart, Dr Richard and Dr Richards, about the amount of expenditure on health that either does harm or does no good. No one believes it's less than 10 per cent, and some people believe it gets up as high as 20 per cent. I've no problems giving extra money to health, but if they're going to spend it on things that are actually going to do people harm, it's probably better not to spend it there. The second one—

[47] **Jocelyn Davies:** Ten per cent of a big number is still a big number.

[48] **Mike Hedges:** The second point on it, on a similar theme, is that we know the crude productivity in hospitals collapsed by about 30 per cent to 40 per cent between 1999–2000 and 2012—that’s from a Nuffield report. There’s a Nuffield report no-one quotes from, as opposed to the Nuffield report everybody quotes from. But it’s there, and I can give you the exact page if you need it, because I look at it fairly regularly. What can be done to improve productivity in hospitals back to what it was? How can we make sure that the money spent is not actually doing harm, or doing no good?

[49] **Jane Hutt:** Well, those are very fair points. You made them yesterday, obviously, and you make them regularly. They’re based on evidence, as you say, Mike. That is for the health service—the almighty machine that drives the health service—through to the health boards to make those changes. I mean, I think one of the important points about the health spend that I announced yesterday is that it was £200 million to support core delivery of the health service for local health boards, but also £30 million investing in services for older people and mental health, which I think probably will come—I mean, obviously, this is for the health Minister to announce, how they’re going to spend that, but I think that very much moves us into the issues in terms of the preventative agenda.

[50] Also, in terms of productivity, I said very much yesterday that this is going to be about more day care treatment in terms of operations, and more interventions in terms of diagnostics. We’re going to put more capital funding into that. I think the fact that the intermediate care fund enables them to have more collaboration with local government is crucial. And, on unnecessary hospital admissions, we know that it is better not to be in hospital, if at all possible, and enabling health also to discharge more speedily.

[51] I think the other point that is very crucial, as you know—and the health Minister is pressing for this very heavily, and it links to Nuffield—is the prudent healthcare agenda. I think, in terms of prudent healthcare, it just shows that, for example, some evidence shows that one in five procedures performed in clinical environments add little value. So, do we need all those blood tests? I mean, it’s not just about harm; it’s about: do we actually need to have all those x-rays?

[52] **Jocelyn Davies:** Mike does make this point on a number of occasions.

Did you have a supplementary on this point, Ffred, and then I'll come back to you, Mike?

[53] **Alun Ffred Jones:** Ar y pwynt yma. Yn eich asesiad effaith integredig strategol, a'r cyflwyniad, ar y pwynt yma o gyllid ychwanegol i iechyd, rydych chi'n dweud mai bwriad hwn ydy blaenoriaethu gofal sylfaenol, er wnaethoch chi ddim cyfeirio at hynny o gwbl rŵan wrth gyfiawnhau'r cynnydd yma o £261 miliwn. Yr hyn rydym ni yn gwybod, wrth gwrs, ydy bod y canran sy'n cael ei wario ar feddygon teulu wedi gostwng yn sylweddol yn ystod y degawd diwethaf. Felly, ai'r bwriad ydy cynyddu'r canran yna, a sut ydych chi'n bwriadu gwneud hynny? Dyna'r cyfiawnhad yn y ddogfen yma, beth bynnag.

Alun Ffred Jones: Yes, on this point. In your integrated strategic assessment, and in the introduction, on this point of additional funding for health, you say that the intention of this is to prioritise primary care, although you didn't refer to that in justifying this increase of £260 million. What we do know, of course, is that the percentage that is spent on GPs has reduced significantly over the last decade. So, is it the intention to increase that percentage, and how do you intend to do that? That's the justification in this document, in any case.

[54] **Jane Hutt:** That's a very helpful question because, clearly, the £200 million is not just for hospitals; it's for hospitals and primary care, and I apologise that I didn't make that very clear. I've mentioned some of the things that you could do better in hospitals, like day care procedures, rather than on an in-patient basis. But, of course, we did put an extra £40 million into primary healthcare as part of our extra investment in healthcare, and the focus on primary care is critical in terms of delivering some of the issues around the Nuffield agenda, which Mike also mentioned. So, very clearly, as to primary care—and that includes more nurse practitioners, and it also means investment in services like paramedics—this is all preventative, as is community intervention as well as access to GP services as a whole. All of us know how, actually, if you say you want to see a nurse, you probably get through the doors much more quickly, or as quickly as seeing a GP. So, clearly, that funding, that £200 million, is for hospitals and primary care.

09:30

[55] **Jocelyn Davies:** Nick, did you have a supplementary on this point?

[56] **Nick Ramsay:** Yes, although the Minister partially answered it with her last point. I'm just interested to know, with this £200 million, how much direction you and the health Minister and Welsh Government are actually going to give to the local health boards on where it should go. I understand you're saying it's not just hospitals—that it's primary care—but how much direction are you going to give to where that funding goes? Is the danger or the pitfall here that we're going to see a lot of this money absorbed in filling gaps that were there before and there won't be, really, a strategic investment of that money within the health service?

[57] **Jane Hutt:** There have to be outcomes as a result of this extra funding. It does go back to that challenging report from Nuffield about the impact of austerity and what we have to face up to. They have to produce service delivery plans—the health boards—and that fits in with the three-year integrated planning arrangements. I think there's clear evidence from Nuffield, which relates to the fact that we've got an older population and that pressures are going to be considerable. I think it does go back to the fact that this is about health and social care as well, and the budget has very strongly steered us towards looking, as Mark Drakeford would say, at health in the round. It's health and social care, particularly for the older population, where we need to intervene. But the Minister for health will determine the distribution of that £200 million. Don't forget there's an extra £30 million for services for older people in mental health, and, on top of that, intermediate care is rising to £50 million, and that's going to go via health boards to health and social care—lots of joint appointments, lots of intermediary arrangements for intermediate care.

[58] **Jocelyn Davies:** Ffred, did you have a supplementary on this, and then we'll come back to Mike?

[59] **Alun Ffred Jones:** Mae'n ddrwg gen i, mi ddylwn i fod wedi dyfynnu'r frawddeg sydd yn y ddogfen yma—3.5 ydy o. Rydych yn dweud **Alun Ffred Jones:** I'm sorry, I should have quoted the sentence that is in this document—it's 3.5. You say

[60] 'roedd ein penderfyniad i gynyddu cyllid iechyd yn adlewyrchu'r flaenoriaeth i fuddsoddi mewn meysydd ataliol yn hytrach na gofal aciwt, gofal sylfaenol yn hytrach nag eilaidd...a gwell integreiddio rhwng 'our decision to increase funding to health reflected identified priorities in investing in areas such as prevention rather than acute care, primary rather than secondary...and better integration between health and

iechyd a gofal cymdeithasol'. social care'.

[61] Felly, yn ôl eich diffiniad chi, So, according to your definition, this mae'r arian yma'n benodol, felly, ar money is specifically for areas gyfer meysydd y tu allan i ysbytai, yn outside hospitals, according to this ôl y ddogfen yma, ond nid dyna a document, but that's not what you ddywedoch chi pan gyflwynoch chi'r said when you presented your cyfiawnhad dros y cynnydd. Felly, a justification for the increase. So, has ydy hwn wedi newid? this situation changed?

[62] **Jane Hutt:** I think you're referring to the strategic integrated impact assessment. This is particularly focusing on equalities issues and priorities for health and social care. We're increasing funding to health, clearly, by £200 million, and we are trying to move that funding in a way that can move into prevention and intervention at the primary level. It's not an either/or here, in terms of reading that sentence.

[63] 'Through our integrated approach and subsequent allocation to Social Care and increases to the Intermediate Care Fund, older people and mental health services we have recognised the role of carers'.

[64] This is a specific aspect of the focus of this funding. But, clearly, we need this money to run our health service, don't we? We need it to reshape and reform the health service in terms of more focus on primary care, less intervention, as Mike has said, in terms of harm; speeding up prudent healthcare to make sure we're not doing things we don't need to do—and I mentioned the one in five procedures that we perhaps don't need to do. So, it does need a radical change, and that, of course, needs to involve the health profession at every level.

[65] **Jocelyn Davies:** Mike, shall we come back to you? Have you got other points—

[66] **Mike Hedges:** I have a last question on health. I'm glad the Minister has talked about primary care, because GPs keep on telling us, either by e-mail or letters—everything—that the percentage of the money being spent on primary care within the health budget has dropped by about a third of the amount they used to have. I can't remember what the amount was, but I think it's something like from 10 per cent to 7 per cent, or somewhere around those sorts of levels. And hospitals have done very well in terms of additional funding. Whether they've done well in terms of additional and

improved outcomes is a matter of opinion, because we actually haven't seen any data on that. Will the Minister be able to provide to us at the end of the budget process, or will somebody be able to provide us at the end of the budget process, just how much or what the proportion of that additional money has gone into primary care, and what proportion of it has gone into hospitals?

[67] **Jocelyn Davies:** You're not expected to know; you could write to us with that.

[68] **Jane Hutt:** Yes, absolutely.

[69] **Mike Hedges:** I did say 'at some stage'.

[70] **Jocelyn Davies:** Unless you do know; you may know. If not, perhaps you'll send us a note.

[71] **Jane Hutt:** Yes, absolutely; I'm very happy to do that.

[72] **Jocelyn Davies:** Obviously, this is something we want to pursue. Did you have some other questions, Mike?

[73] **Mike Hedges:** I've got only one question on housing. We've passed two housing Bills in the last couple of years, both of which I've been very enthusiastic about, but one of the things we know from the last two housing Bills we've produced is that it's going to generate, or we think it's going to generate, a lot of queries and need for support. Yet, the housing advice budget line has been cut. I've no problem with cutting housing advice at some stage; I'm not convinced that this is the right time to cut housing advice when we've just brought in two Bills that will generate, we think, quite a lot of need for housing advice.

[74] **Jane Hutt:** Yes. I'm not sure what that line, what the impact of that in terms of allocations, in terms of housing advice—. Clearly, we have a budget where we've got to make cuts, so this has been about priorities. And I think if we are going to, for example—and you will see this this afternoon—cushion the impact of cuts on local government, who themselves provide housing advice—obviously, the third sector also provides housing advice, but much of it is funded by the local authorities as well—we need to make sure that—. And, of course, in the impact assessment we would have looked at those areas as well. But I think people will be very glad to hear—. In fact, there was

very strong support yesterday from Community Housing Cymru about the draft budget, because they saw the fact that we were still investing in social housing, which, of course, they're not investing in in England anymore; we're not selling off our housing association properties; we've got our new legislation; and also we've progressed with help to buy, which, of course, the house builders and new house buyers will be pleased about.

[75] **Jocelyn Davies:** Perhaps this is something that could be raised with the housing Minister. We don't expect you to have forensic knowledge of every budget line in every department, Minister, but I think the point is that we passed legislation and this may—. Jenny, you wanted to come in on this, so did Peter following Jenny.

[76] **Jenny Rathbone:** On housing, as we're on housing, I wondered, Minister, if you could tell us what impact you think the Chancellor's announcement to cap public sector housing benefit may have on both Supporting People and the overall availability of housing. Housing advice is one thing; actually putting people up in decent homes is another.

[77] **Jane Hutt:** That's something that came up in the debate we had last week, and I think we had an amendment on that. But we are very concerned about it. We are looking at the impact. It is a matter, again, that the Minister for Communities and Tackling Poverty is leading on. But I'm certainly happy to come back to explain how we are approaching this. This is the sort of thing where we need financial quadrilaterals. I want to meet the Chief Secretary to the Treasury with all the other finance Ministers to talk not just about those changes, but also about the apprenticeship levy, which is impacting on all of us with no negotiation. It does go back to the fact that these are going to have negative impacts, and we need to know what it means for us, particularly as we're protecting Supporting People.

[78] **Jenny Rathbone:** Thank you very much. The second point I had was that the £26 million extra to extend help to buy is very welcome, but I wondered how we're going to drive that forward because there was something on the radio this morning about self-build and how easy it is these days, with computing technology, to enable people to do this much more easily than if they were builders, because otherwise that £26 million could just get gobbled up by the mass house builders who we know demand 25 per cent return on any investment.

[79] **Jane Hutt:** I think that is, again, a matter for the housing Minister, but

I'll certainly take that back as a good point.

[80] **Jocelyn Davies:** Peter, did you have something on this?

[81] **Peter Black:** I'll ask both my housing questions if that's okay, Chair.

[82] **Jocelyn Davies:** Yes, go on then.

[83] **Peter Black:** Just following on from that point, I think, in the strategic integrated impact assessment there's a specific reference, of course, to the welfare changes and one of the reasons why you've protected Supporting People is included in that. But, at the same time, you are cutting, I think, as Mike has just alluded to, £524,000 from homelessness prevention, which seems to undermine what you've done on Supporting People. Do you have any more detail on what that particular cut relates to or is that a question I've got to ask Lesley Griffiths when committee—

[84] **Jane Hutt:** Just in terms of the resource reductions, in fact, I think in the homelessness prevention action there aren't any cuts to the budget; it's a non-recurrent transfer in 2015-16. So, there are points like this where we now need to clarify. It's not a cut; it's a transfer.

[85] **Peter Black:** Where's it transferred to?

[86] **Jane Hutt:** I mean, I should've picked this up, really, in response to Mike Hedges' point. So, would it be helpful if I just put that in a note unless Margaret wants to say anything?

[87] **Ms Davies:** No, we can clarify where that money is. It's definitely a non-recurrent transfer in 2015-16.

[88] **Peter Black:** So, it's money that was transferred in last year that is no longer there this year; is that what you're saying?

[89] **Ms Davies:** I think we need to clarify that and the Minister can provide a note on that.

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

[91] **Jocelyn Davies:** Lovely, thank you.

[92] **Peter Black:** The other question I have is on housing capital. We've already referred to the £26.3 million for help to buy. You've got, above that line, 'Increasing supply and choice of affordable housing' and a £21.7 million increase there, which is an allocation to priority areas. Is that a specific allocation for a specific project or is that just a general increase in housing capital for social housing?

[93] **Jane Hutt:** Yes, it is a general increase.

[94] **Peter Black:** Okay, thank you.

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

[96] **Alun Ffred Jones:** lawn. Rwy'n Alun Ffred Jones: Right. I apologise if ymddiheuro os ydy rhai o'r some of these questions are too cwestiynau yn rhy fanwl. A gaf i detailed. May I just start with some of ddechrau efo'r rhai cyffredinol? the general questions? You said, in Roeddech yn cyfeirio, wrth ateb i your response to somebody earlier, rywun yn gynt, fod *proof of the* that proof of the outcomes is *outcomes* yn bwysig. A gaf i jest sôn important. Can we just talk about am Gymunedau yn Gyntaf i Communities First to begin with? You ddechrau? Rydych yn dweud bod y say that this programme makes an rhaglen hon yn gwneud cyfraniad important contribution to ensure pwysig i sicrhau gwelliannau yn y 10 improvements in 10 per cent of the y cant o gymunedau mwyaf most underprivileged communities in difreintiedig Cymru. A oes yna Wales. Is there any evidence that unrhyw dystiolaeth bod y cymunedau those communities that have hynny sydd wedi cael y gefnogaeth received this support during the last yma yn ystod y 10, 12 mlynedd 10, 12 years have moved out of that diwethaf wedi symud allan o'r category because of the interventions categori hwnnw oherwydd yr that have taken place over the years? ymyraethau sydd wedi digwydd dros Or is that a question that is too—? y blynyddoedd? Neu a ydy hwnnw'n I've asked the question before to gwestiwn rhy—? Rwyf wedi gofyn y Lesley Griffiths, but I haven't received cwestiwn o'r blaen i Lesley Griffiths, a response yet—that is, in terms of ond nid wyf wedi gallu cael ateb the proof that the programme is eto—hynny ydy, o safbwynt y prawf working. fod y rhaglen yn gweithio.

[97] **Jane Hutt:** This is where, of course, everything, all our programmes are closely monitored and evaluated across the whole of Wales. There are

different lead bodies for Communities First: some are local authorities, some are other organisations and there has been a change. And, I'm sure if you questioned the Minister for Communities and Tackling Poverty, she will have accounted for the changes that we've made to focus Communities First more directly on various policy interventions, particularly in relation to access to training and jobs, which has made an impact. So, there have been developments in Communities First as a result of that analysis. I can't answer your specific question about whether those communities themselves have substantively come out of poverty alignment. We could look at the index for multiple deprivation as far as that's concerned, but it's obviously crucial that this substantial investment actually is making a positive impact.

09:45

[98] **Alun Ffred Jones:** Chwilio am y dystiolaeth honno oeddwn i, a dweud y gwir, ond rwy'n derbyn ei fod o'n rhy benodol i'r sesiwn y bore yma.

Alun Ffred Jones: I was looking for that evidence really, but I accept that perhaps it's too specific for this morning's session.

[99] A gaf i ofyn am faes arall sydd yn flaenoriaeth i'r Llywodraeth o dan Ddeddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015? Mae cyfeiriad, wrth gwrs, at anfantais economaidd gymdeithasol, hawliau plant a'r Gymraeg. Mae'r llinell sydd ar gyfer y Gymraeg yn gweld gostyngiad o 20 y cant yn y gwariant. Beth ydy'r esboniad am hynny?

May I ask about another area that is a priority for the Government under the Well-being of Future Generations (Wales) Act 2015? There is a reference, of course, to socioeconomic disadvantage, children's rights and the Welsh language. The line for the Welsh language will see a reduction of 20 per cent in expenditure. What is the explanation for that?

[100] **Jane Hutt:** I think, just in terms of that specific budget line, we need to perhaps have a look at it. So, the overall reduction to the Welsh-language budget as a whole would be limited to 5.9 per cent. Reduction in this action is a combination of reprioritising funds within the overall Welsh-language budget. That's in terms of language acquisition for the nought to four-year-olds and that's going to be about prioritising activity that promotes the use of Welsh in the community, and reducing or stopping activity that has the lowest impact on the use of Welsh. So, I suppose, as a whole, it will be 5.9 per cent, but it is about making changes that, to go back to your point about outcomes, consider the best way in which we can prioritise activity.

[101] **Alun Ffred Jones:** A allwch chi ddanfon nodyn achos yn y gyllideb ddrafft, mae'r llinell sy'n dweud, 'yr iaith Gymraeg' yn gweld gostyngiad o 20 y cant? Felly, os ydych eisiau dangos i mi ei fod yn dod yn ôl yn rhywle arall, diolch yn fawr; buaswn i'n ddiolchgar iawn.

Alun Ffred Jones: Can you send a note because in the draft budget, the line that mentions the Welsh language sees a reduction of 20 per cent? So, if you want to show me that it's coming back in another place, thank you very much; I'd be very grateful.

[102] **Jane Hutt:** I will.

[103] **Alun Ffred Jones:** Diolch yn fawr. I sôn am ddau beth penodol arall: mae treftadaeth a'r celfyddydau'n gweld toriadau sylweddol. Yn benodol, mae'r grant cyfalaf i amgueddfeydd wedi'i dorri 50 y cant. A fydd hynny'n cael unrhyw effaith ar y datblygiadau yn Sain Ffagan sydd yn mynd rhagddynt ar hyn o bryd?

Alun Ffred Jones: Thank you. To mention two other specific matters: heritage and the arts are seeing significant cuts. Specifically, the capital grant for museums has been cut 50 per cent. Will that have any impact on the developments at St Fagans, which are currently under way?

[104] **Jane Hutt:** Again, that's very specific for me to respond to that. I think the good thing about St Fagans—. And I seem to remember being there with you on the occasion when you were Minister, when we had that huge lottery grant that was announced, which has meant that they've brought in huge extra resources in terms of the heritage lottery to St Fagans. But I think that the Deputy Minister for Culture, Sport and Tourism is very engaged with those bodies in heritage, which, I have to say again, were expecting a much bigger cut. We have been able to protect even some of those non-protected areas. But would it be okay if I sent you a note on this to clarify about St Fagans?

[105] **Alun Ffred Jones:** Ydy. Rwy'n meddwl ei fod yn ddatblygiad pwysig iawn, iawn ac er eu bod nhw'n denu arian i mewn o lefydd eraill, maen nhw angen yr arian craidd yna hefyd i fatsio fo.

Alun Ffred Jones: Yes. I think that's a very important development, and even though they're attracting money from other areas, they need that core funding as well to match it.

[106] Yn olaf, addysg uwch sydd yn gweld y toriad mawr yma o 30 y cant. Nid oeddwn cweit yn deall yr esboniad a gynigiwyd ddoe bod yr arian yma'n cael ei drosglwyddo i gynnal myfyrwyr. Hynny ydy, a yw hwn i wneud â'r cymhorthdal i fyfyrwyr? A oes rhagor o fyfyrwyr, neu beth sy'n digwydd? Neu, a yw'n mynd yn benodol at rai myfyrwyr sy'n cael eu targedu gyda chymorth arbennig? Byddai ychydig bach o esboniad ar hynny'n help. Diolch.

Finally, higher education is seeing this large reduction of 30 per cent. I didn't quite understand the explanation that was offered yesterday that this money is being transferred to support students. Is this in relation to these grants for students? Are there any more students, or what is happening? Or, is it going specifically to some students who are targeted with special support? An explanation on that would be helpful. Thank you.

[107] **Jane Hutt:** Thank you. This is where the detailed scrutiny is important today. So, I'm very pleased to clarify that the Higher Education Funding Council for Wales's budget is not being cut by £41 million, but there's a planned movement of responsibility for the payment of tuition fee grants to the Student Loans Company. So, £21 million is being moved between budget lines. There is no change to the impact on students. No change. It'll be used for the same reasons. It's in line with expected numbers and in terms of the original estimated costs. Twenty million pounds is being cut from the HEFCW budget, but the overall income to the HE sector and private and public services is £1.3 billion. So, that's a fraction of their overall budget. So, I hope that clarifies.

[108] **Alun Ffred Jones:** So, the £20 million that is cut is—. How high is that from this budget line? It doesn't matter where they get the rest of the money from, I mean in terms of the support from the Government. What is that £20 million—?

[109] **Jane Hutt:** Fifteen per cent.

[110] **Alun Ffred Jones:** What?

[111] **Jane Hutt:** Fifteen per cent of the HEFCW budget.

[112] **Alun Ffred Jones:** Fifteen. Okay.

[113] **Jocelyn Davies:** Mike, did you have a supplementary on this point?

[114] **Mike Hedges:** Just a general point: I think for the benefit of us scrutinising it and other people understanding it, it really would be helpful, if money has been moved between headings and different departments, that it's actually shown, with a note alongside it. So, for example, you'd say, '£22 million reduced here', and then '£22 million transferred'. It would make our understanding of it a lot better and I think it would probably make it more understandable to anybody else who's trying to look at it as well. Because, when you just see the crude numbers, then it does tend to give an incorrect picture. It's probably of benefit to you as Minister as well as to us, so would it be possible that you could suggest that to the civil servants, who will definitely be here next year—as opposed to those of us who may not be—? [*Laughter.*] Well, none of us can guarantee we'll be here next year anyway, so—.

[115] **Jocelyn Davies:** So, there you are, Jo, we know you're coming back next year, and Margaret and Jeff.

[116] **Mike Hedges:** Would it be possible for them to perhaps make that suggestion—hopefully to you, as Minister, but, if there is any change, that that suggestion is put in so people make it more understandable?

[117] **Jocelyn Davies:** I think the answer will be 'yes' to that.

[118] **Jane Hutt:** We'll do what we can.

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

[120] **Peter Black:** On this point, and on a few other points as well.

[121] **Jocelyn Davies:** Yes, okay.

[122] **Peter Black:** On this particular one, can I just be clear? What you're saying is universities will be getting £20 million less next year. That's what it boils down to.

[123] **Jane Hutt:** Well, HEFCW, yes. And £20 million out of a £1.3 billion budget.

[124] **Alun Ffred Jones:** HEFCW's budget is not £1.3 billion, is it?

[125] **Jane Hutt:** No, the whole HE sector is £1.3 billion; £20 million cut from

HEFCW—

[126] **Peter Black:** But you actually give them—

[127] **Jane Hutt:** You asked me about universities.

[128] **Peter Black:** You actually give HEFCW just under £130 million.

[129] **Jane Hutt:** Sorry?

[130] **Peter Black:** You actually give HEFCW just under £130 million in this budget.

[131] **Jane Hutt:** Yes, I've said it's a 15 per cent reduction.

[132] **Peter Black:** And that £20 million is being cut from universities. And is there a particular—? Is that just a general cut, or is there a specific reason for that cut, or is it really just about trying to make savings?

[133] **Jane Hutt:** Well, you know, we've had to make savings. We've explained the £21 million is a transfer. I did make the point yesterday, when asked this question. Again, we've had to make savings. If you were in this position you would have had to make savings.

[134] **Peter Black:** No, I just wanted to clarify—

[135] **Jane Hutt:** I think the point I made was also—and I'll make it now—that we want to see higher education in the round. So, if you look at another budget head alongside that one, you'll see post-16 student support. It's not just about money to—. This isn't just about money to universities, it's also—. Post-16 support is how we are supporting progression into further education, apprenticeships—and, indeed, student support, all the Assembly learning grants, all of the tuition fee grants, all comes under—. And that all helps universities.

[136] **Peter Black:** I understand.

[137] **Jane Hutt:** So, I think you need—. I mean, that's the point, in a sense, that Mike made: that the detail doesn't tell the story, does it? That's what scrutiny is about. But, if we can do anything to improve it, we will do.

[138] **Peter Black:** Can I just briefly come back to this housing point? Because you were just talking about the £524,000 being a non-recurrent allocation. Under table 7.3 on the budget paper, page 48, you've actually listed non-recurrent transfers to and from reserves and you've only put £4.9 million, which seems to be—. Is it part of that?

[139] **Jocelyn Davies:** Margaret.

[140] **Ms Davies:** It isn't, but I think it's a transfer that's happened within the actual MEG. I don't know; we'd need to confirm that with—

[141] **Peter Black:** These tables are quite confusing if you don't actually cover everything in the explanatory thing there. The only other question I had, Chair, is in relation, again, to the budget paper. On page 34, table 4.1, you've put, I think, £221 million in revenue reserves and you've got just under £294 million in capital reserves. Is that equivalent to what you had at this stage last year in those reserves?

[142] **Jane Hutt:** I think it's slightly higher than last year. We can do a note on that.

[143] **Peter Black:** What sort of level of reserves do you think is a safe level of reserves to maintain—?

[144] **Jane Hutt:** Well, an absolute minimum is 1 per cent, obviously, but we have to be very cautious about this. I'll do a note about the reserves if that would be helpful.

[145] **Peter Black:** Okay, thanks.

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

[147] **Nick Ramsay:** A couple, yes.

[148] **Jocelyn Davies:** Lovely.

[149] **Nick Ramsay:** Thanks, Chair. Yesterday, Minister, we had your announcement—well, we had the debate—on the general principles of setting up the Welsh revenue authority. What costs are included in the draft budget to set up and staff the WRA?

[150] **Jane Hutt:** That is something which—. As you know—I think I've responded to quite a few questions about this—we're still working through the likely costs. We're working very closely with HMRC, who, of course, at the moment, are our preferred providers, and also Natural Resources Wales, looking at issues like staffing, ICT infrastructure. So, those discussions are ongoing. I have written to the Finance Committee about this in terms of assuring you that we are developing clearer costs around value for money particularly, and we'll provide an update every six months on the costings and the setting up of the Welsh revenue authority.

[151] **Nick Ramsay:** So, just to be clear, as things stand at the moment, there isn't a specific amount of money set aside in this budget for the initial costs of the WRA?

[152] **Jane Hutt:** I think, in one of my letters to the Finance Committee, I have said that they remain appropriate to the comparisons we've made with the Scottish costs, the Revenue Scotland costs—£5.5 million to set up and £3.8 million in annual revenue costs—but HMRC has provided a cost estimate for set-up costs for 2016–17 and 2018–19 of £2.5 million to £2.97 million and annual running costs thereafter of £840,000 to £1 million. But, you know, I'm giving you these figures as still estimates in negotiation in terms of clarifying what we would get for that, but, certainly, those are the latest figures.

[153] **Nick Ramsay:** I've asked you about this a number of times before, because it does seem to me now that the 2018 tax devolution date is getting closer and we still seem to be pretty vague on the costs of the—the Minister's smiling at me—admin involved with that. I think it is something that we do need to look at quite urgently.

[154] **Jane Hutt:** Yes. I've said I'd update. I think these latest figures that I've given you probably are new for the Finance Committee in terms of that HMRC cost estimate, but I think you've got to recognise that this is, as well, about making sure we've got value for money and that the Welsh revenue authority as well, which, of course, is closer to home for us—that the costings are robust, but also that they can deliver in terms of all the other responsibilities that they've got.

[155] **Nick Ramsay:** You've mentioned value for money twice now. What are you doing to ensure that that value for money is being achieved for the taxpayer? Just looking at some of the figures, in terms of central services and

administration costs, can you give us the increase in that figure in this budget and the explanation for it?

[156] **Jane Hutt:** Yes, the value for money is crucial in terms of, particularly—. Well, it's vital anyway, but, with reducing budgets, we have strengthened and tightened up on evaluating and monitoring the delivery of our services in terms of value for money. I think, also, you can see that not just within the narrative of the budget but also in the strategic integrated impact assessment. The funding, of course, within the CSA—the bulk of that funding is the invest-to-save, which, of course, sits in the central services and administration MEG.

[157] **Nick Ramsay:** Okay.

[158] **Jocelyn Davies:** Do Members have any other questions? Yes, Jenny.

[159] **Jenny Rathbone:** I just wanted to ask you about the capital budget. Obviously, in your narrative on the budget, you put a lot of emphasis on the importance of decent transport networks to enable people to get to jobs and the importance of infrastructure for the impact on the environment and energy.

10:00

[160] So, the Hendy statement on the delays in the electrification of our railway networks was slipped out on the same day as the Chancellor's autumn statement, which tells you just how bad news it was. What, in this budget for 2016–17, is there for—? What proportion of the capital allocated to the transport budget is to, if you like, fast-forward the other things that we need to do to implement the metro? We know that the electrification as far as Swansea is being delayed until a date as yet undefined, and that the electrification as far as Cardiff is only going to happen by 2019. What are the things we can be doing, working alongside that, to ensure that everything is ready to go on the metro when that does happen? So, things like the compulsory purchase of land that's going to be required over which the metro will need to go.

[161] **Jane Hutt:** Well, those are very helpful questions about focusing on our capital allocations, because we have set out in the draft budget our plans for allocating over £230 million of new capital investment. That will include transport schemes, but it also includes housing, schools and flood defences

as well. I think I mentioned only one capital transport road scheme in north Wales yesterday in my statement, but I think that what we have done at this stage—and we've got to remember we've had two weeks, basically, to move the whole thing from the spending review announcements into a draft budget. So, what we have done is allocated the £150 million capital, as I said yesterday, to departments to improve their base. I think, just in terms of the core capital investments, we've got £20 million to deliver for transport—proactive highway maintenance. We've got £21.4 million in terms of the national transport finance plan. You know what the national transport plan is delivering. I mentioned the northern gateway highway yesterday. But the opportunities that we've got will become clearer in terms of how that £150 million will be used by departments. I think, in terms of the way forward with our capital programme, we're steering everything that we can through the Wales infrastructure investment plan, and that, of course, has got a pipeline and we will be able to see how we can use that pipeline to ensure that the extra funding can help to deliver on that, but we haven't made any announcements on that yet.

[162] **Jenny Rathbone:** Okay. There's some mention in the draft budget detail about income from windfarms, and I just wondered what proposals you had for developing windfarms in order to enable us to accrue the income—a very important aspect in my view.

[163] **Jane Hutt:** Well, that would be a very detailed question, I think, for the Minister.

[164] **Jenny Rathbone:** Okay. Fine.

[165] **Jocelyn Davies:** Okay. Mike, did you have a supplementary?

[166] **Mike Hedges:** I have a different line of questions. I'm trying to work out the local government settlement and I'm not getting very far with it, so perhaps the Minister can help me. The local government line—is that the rate support grant plus the national non-domestic rates, or just the rate support grant, and the national non-domestic rates come in separately? And is the social services part of local government included in social services or in local government?

[167] **Jane Hutt:** The £21 million I announced is going through the RSG. So, that's direct to local government. Also, the additional funding for schools will be going through the RSG. I think you will have to wait until this afternoon to

hear the provisional settlement. But, in terms of your point about what it's made up of, in terms of NNDR, that's what's included.

[168] **Ms Davies:** It's included in the AME.

[169] **Ms Salway:** There are two lines. So, there's a DEL line, which shows the Welsh Government's contribution to local government. That's the support for local government.

[170] **Mike Hedges:** And that includes social services as well?

[171] **Ms Salway:** That includes social services, and then there's a separate AME line to show the non-domestic rates coming through.

[172] **Mike Hedges:** And a separate MEG line that shows something entirely different. Okay, fine, I'm just trying to work—

[173] **Jane Hutt:** Yes, the MEG line, of course, includes all the other spend of the local government Minister, which includes domestic violence services, community support officers, et cetera.

[174] **Mike Hedges:** Yes, but it doesn't include social services, for example, and some of the anti-poverty stuff that local authorities do.

[175] **Jane Hutt:** Well, a lot of that's through other programmes, isn't it?

[176] **Mike Hedges:** Yes. I was just trying to work out, as we make our way through, what is where.

[177] **Jocelyn Davies:** Do you have another question, Mike?

[178] **Mike Hedges:** No, that's fine.

[179] **Jocelyn Davies:** Fine. Anybody else? Well, I've just got one or two to finish off. You mentioned the future generations Act earlier, can you explain to us how that Act impacts on how the draft budget is structured?

[180] **Jane Hutt:** I think, earlier on, I mentioned the fact that we very helpfully used the future generations Act to develop our methodology and, you know, this is very much about the integration, involvement, collaboration and prevention agenda. They are the five new ways of working, which are

very helpful to us in terms of the way in which we're presenting the budget and preparing the budget, but also focusing on the goals as well—the seven goals that steer the Government priorities.

[181] **Jocelyn Davies:** Okay. Minister, there was something—. I mean, I wonder how we can understand how allocations have changed compared to the latest supplementary budget, because I think this is one of the difficulties that we're having—not being able to make a comparison.

[182] **Jane Hutt:** Well, if you compare the allocations—. It's not actually helpful, necessarily, to compare the allocations in terms of 2016–17. You're talking about the supplementary budget allocations for 2015–16 and 2016–17.

[183] **Jocelyn Davies:** Well, I think you can tell from some of the questions that Members have asked that it's very difficult to make comparisons.

[184] **Jane Hutt:** Well, I think it's—

[185] **Jocelyn Davies:** Is that what you're saying—that we shouldn't even try?

[186] **Jane Hutt:** No, no. I think, maybe, Jo, you need to explain where we are on this.

[187] **Jocelyn Davies:** Jo, I'd be very grateful if you would.

[188] **Ms Salway:** So, what we've done is—and there's a reconciliation at the back of the narrative—we've actually taken out non-recurrent allocations that were included at the supplementary budget, because actually, on the whole, they would skew what you were comparing, because increasingly, we're putting money in against specific projects. On revenue, the majority of the adjustments relate to invest-to-save, where what we've done is fund a specific project for one year and actually, if you include that, you give an artificial inflation to 2015–16. The bigger adjustments are actually on the capital where, because of the approach to allocating in line with Wales infrastructure investment plan priorities, the capital is given for specific projects on a time-limited basis. So, those adjustments have been made to arrive at a baseline for 2016–17. There's a full reconciliation in the document and there's also a set of tables that show the year-on-year changes.

[189] **Peter Black:** [*Inaudible.*]—illustrated by the £524,000—

[190] **Ms Salway:** I think the £524,000 is a different matter and there is a full reconciliation there. I think what we need to do is bring back a note that explains exactly what went on with the £524,000. I'm not confident that that is a baseline adjustment, but that's a point of detail we need to come back on. There is a full reconciliation that specifies exactly what has been taken out. I think it's also important to note that the health allocation made at the supplementary budget stays in the baseline and is included in there, because I think that's the single biggest revenue adjustment that's been made in year.

[191] **Jocelyn Davies:** So, will we be able to track outcomes expected from the allocations? Will we be able to do that, you know, without being a civil servant with considerable experience?

[192] **Jane Hutt:** Well, I think we need to clarify this point, perhaps, in a note to you following up on what Jo has said, just in terms of the way it's being presented. I mean, it is common practice what's been presented, in terms of the way in which we publish budgets, because it is about the baseline for publishing plans for a year where there are no previously-published plans; that's what Treasury does, but I think your point about outcomes is important, to see the change. If we do a note on this, we can refer to—. I mean, annex C provides the full reconciliation in the budget narrative. I think Jo's mentioned capital and revenue—this relates in the main to the funding made available from this invest-to-save rate relief scheme, and non-recurrent allocations to education, but obviously we've mentioned the fact that the health uplift was baselined. So, would it be helpful if we—

[193] **Jocelyn Davies:** Yes. I suppose, Minister, we're in the position that we only saw this yesterday, so it's a lot to take in, just because of the timing there happens to be for this year. Nick, did you want—?

[194] **Nick Ramsay:** Yes, just on this—it's an ongoing quest of this committee, as the Minister will be aware, to try and not just see the shuffling round of the money, but to estimate the outcome and the value we're getting out of it. So anything that you can do in terms of presenting the budget that will show the bang for the buck that we're getting, then that will be helpful.

[195] **Jane Hutt:** Yes. I mean this is a way in which your budget process inquiry has been really important—the Finance Committee's inquiry—and the way that, hopefully, the new future generations Act can dovetail, to a large extent, with your inquiry—. But I think we've got to look at these issues,

because the Act isn't actually in place yet. So we're using it as a tool, but it's not implemented.

[196] **Jocelyn Davies:** As I say, with the timings for this year, we're in a slightly different position.

[197] **Jane Hutt:** We're in the midst of it, aren't we?

[198] **Jocelyn Davies:** And the recess is starting very soon. Minister, I think we've run out of questions. Thank you very much. You're sending us a couple of notes, I think. We'd be very grateful for those. As usual, we'll send you a transcript—if you'd check it over and make sure it's accurate, we'd like to publish it as soon as possible. Thank you.

[199] **Jane Hutt:** Thank you very much.

10:11

**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:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in 17.42(vi).

accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[200] **Jocelyn Davies:** I now move the motion under 17.42 that we go into private session. Is everybody content with that? All right. Thank you.

Derbyniwyd y cynnig.

Motion agreed.

[201] Daeth rhan gyhoeddus y cyfarfod i ben am 10:11.

The public part of the meeting ended at 10:11.