



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

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Iau, 17 Ionawr 2008
Thursday, 17 January 2008**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar	Plaid Cymru The Party of Wales
Angela Burns	Ceidwadwyr Cymreig Welsh Conservatives
Alun Cairns	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Alun Davies	Llafur Labour
Irene James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Ann Jones	Llafur Labour
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Andrew Davies	Y Gweinidog dros Gyllid a Chyflenwi Gwasanaethau Cyhoeddus The Minister for Finance and Public Service Delivery
Christine Daws	Cyfarwyddwr Cyllid Llywodraeth Cynulliad Cymru Director of Finance, Welsh Assembly Government
Andrew Jeffreys	Pennaeth yr Economi a Thrafnidiaeth; Tîm Gwario yr Amgylchedd, Cynaliadwyedd a Thai Head of Economy and Transport; Environment, Sustainability and Housing Spending Team
Jeff Andrews	Cynghorydd Arbennig Special Adviser

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

John Grimes	Clerc Clerk
Abigail Phillips	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 1.31 p.m.
The meeting began at 1.31 p.m.

Ymddiheuriadau a Dirprwyon
Apologies and Substitutions

[1] **Alun Cairns:** I call the Finance Committee to order. I thank everyone for their attendance today. Irene James will be acting as a substitute later for Lynne Neagle, who is

away on Assembly business.

[2] I wish everyone a happy new year. We look forward to responding to the items on today's agenda, as well as the agenda for the forthcoming year, which is no doubt important in terms of Government scrutiny, and improving, for everyone's sake, the Assembly's performance in terms of how it reacts.

[3] I remind everyone that the usual rules apply in relation to all matters, particularly mobile phones, fire exits and the use of the Welsh and English languages, which are equal.

[4] **Alun Ffred Jones:** Regarding this afternoon's agenda, you will be aware of the difficulties that some of us have in travelling back to north Wales. It would therefore have been better if the third item would have been the first item on the agenda, because we have to be present for that item, in order to ask questions. It could have been constructed so that some of us could have caught the 3.20 p.m. train; I will be getting home some time after 11.00 p.m. tonight, because of the situation with the rain. I would like you to bear that in mind in future.

[5] **Alun Cairns:** On the timings of meetings, we discussed this at our informal meeting before Christmas. Thursday afternoon has posed difficulties for Members who have to travel, particularly to north Wales. As it happens, I am also travelling to Caernarfon straight after this meeting, so I have genuine sympathy with the position.

[6] The question of where the foot and mouth disease report appears on the agenda is almost secondary, as we have two extremely important agenda items—the other item being the scrutiny of the Minister for Finance and Public Service Delivery, which some might argue is more important than the other, and some might argue the other way around. Therefore, I do not want to get into a discussion about where something should be on an agenda because of the timing of a meeting; we need to consider the timings of meetings per se, rather than what should be the first or second items in order to allow Members to get away.

[7] **Ann Jones:** Alun Ffred raises a real point, which needed to be raised; you will find that, Alun, as you are travelling north after this meeting. It is about how we structure the meetings. If we can move agenda items around slightly so that not all Members would have to be here, with other Members taking the lead on certain items, that would assist those of us who have lengthy journeys to undertake. I refer to my colleagues from the west of the country as well, especially during these dark hours when daylight is at a premium. There are those who need to be travelling, and who need to know that they are travelling safely. That is a duty of care on the Assembly, and on the Business Committee when it is structuring committee timetables—there must be a duty of care as regards the health and safety of Assembly Members.

[8] **Alun Cairns:** I will speak to the Business Committee on Tuesday and I will raise the point about the timing of meetings and such issues that it may well need to consider when it schedules our meetings.

1.35 p.m.

Y Gweinidog dros Gyllid a Chyflenwi Gwasanaethau Cyhoeddus The Minister for Finance and Public Service Delivery

[9] **Alun Cairns:** The first substantive item on our agenda includes the Minister for Finance and Public Service Delivery. I am grateful to Andrew Davies and his officials for making themselves available. This will be our first and final scrutiny of the final budget, which, since the draft version, will have been amended, no doubt as a result of our influence in terms of our report and of other considerations that the Minister will have taken into

account.

[10] I would like to hand over to you in a moment, Minister, and I ask you to introduce your officials. Could you broadly explain the changes and add any additional comments to the explanatory note that you provided?

[11] **The Minister for Finance and Public Service Delivery (Andrew Davies):** I am joined, as on previous occasions, by Dr Christine Daws, the director of finance, by Andrew Jeffreys, head of economy and transport in the environment, sustainability and housing spending team, and by my special adviser, Jeff Andrews. I thank the committee for the opportunity to present the budget process—the final budget in this case, which will be debated in Plenary next Tuesday.

[12] There have been some changes to the budget, some of which are the result of transfers between departments or between main expenditure groups, but the significant changes are threefold. First, there has been much discussion and focus on the local government settlement. As a result of extensive discussions with the Minister for Social Justice and Local Government, Dr Brian Gibbons, and discussions that he has had with local authorities, and discussions that he, the First Minister and I have had with the Welsh Local Government Association, we have listened to those in local government who share our agenda for improving the quality and consistency of services across Wales and for ending what I have called ‘the postcode lottery’, where standards, as Members will be aware, vary greatly within and between local authorities. At the same time, my major priority is ensuring better value for the Welsh pound. As a result of listening to those concerns, the final budget allocates extra funding of £4.7 million to local government.

[13] The WLGA made a case for introducing a floor in terms of funding; it suggested 1.5 per cent. On our priorities as a Government, and in terms of equity, we felt—following discussions that I have had with the Minister for local government—that this floor should be at least 2 per cent next year. Clearly, at the same time as working with colleagues in Government, we will be working with local authorities to simplify funding arrangements, which has been a longstanding concern of local government in Wales. We also wish to target areas of underperformance in terms of performance management and developing minimum service standards across services throughout Wales.

[14] The other significant change is an additional £32 million on top of the extra £45 million announced in November to deliver the foundation phase, which includes the reduction of class sizes for three to seven-year-olds. That was previously money that had been allocated on an indicative basis in reserves for future years. Therefore, there will be a transfer from reserves over the next three years to accommodate that additional funding. That delivers on our commitment as a Government and is one of our major commitments in the ‘One Wales’ programme.

[15] I would like to thank Ian Summers, the adviser to this committee, for pointing out an error in the document. A transfer of funding for the Auditor General for Wales of £600,000 had not previously been accommodated. So, as a consequence of the advice from Ian, we have re-laid the budget to accommodate that error, and I would like to thank him, as would my officials, for his assistance with that.

1.40 p.m.

[16] **Alun Cairns:** I am grateful to the Minister. Jenny, do you have a question?

[17] **Jenny Randerson:** First, I thank the Minister for his response to our report. We are grateful for the additional money, though we wish it could have been more. I am sure that we

will look at that in some detail later, and there are a lot of precise questions to be asked. However, I will start simply by saying that, in your response, you have provided some helpful detail in answer to some of our questions, but there were other questions that, at this stage, you felt unable to answer. I refer you to paragraphs 15, 25 and 39; I seek clarification about those paragraphs because although they appear to be quite detailed, in terms of the size of the paragraphs, in practice they do not say anything new. For clarification, is it the case that you are not in a position to give us any further information on the strategic capital investment board and how it will work? Are you in a position to give us any more detail on how you will seek further efficiency savings beyond the old 'Making the Connections' agenda, which is already well established? Are you in a position to provide us with information about community safety, and the commitment in the 'One Wales' document to establishing units in every local authority area? Despite the numerous words on those points, we are not being told anything new. I understand that you may not be in a position to tell us anything more at the moment, and this may well be work in progress.

[18] **Andrew Davies:** Very much so—I would say that it is not a question of being unwilling to share information, but being unable to share information. For example, with the strategic capital investment board, or the investment framework and the approach that the Government is taking, we are still in the process of developing the policy. I have said on numerous occasions, both to this committee and to Plenary, that once those deliberations are complete and the policy is finalised, I will share that information with colleagues. Similarly, with the other items that you identified—efficiency savings and community safety—either I or a Cabinet colleague, depending on the policy area, will respond when that policy detail is available.

[19] **Jenny Randerson:** For the sake of clarity, it might be helpful in future to state that in the document. We all understand that, at this stage, such work on big issues must be work in progress, but you might want to state that in the document for the sake of clarity. If someone from outside this institution read the document, they might think that paragraph 25, for example, outlines a future programme for savings, but in fact it refers to the past.

[20] **Alun Cairns:** Thank you, Jenny. The Minister will obviously have heard your comments.

[21] Minister, if we look at the simple graph that shows the switches between the different main expenditure groups, it would appear that 'Children, Education, Lifelong Learning and Skills' is getting a cut in funding, whereas 'Local Government' is getting a huge increase. I know that it is not as simple as that, but, for clarification, would you make some comments on that before we go into a bit more detail in relation to those points?

[22] **Andrew Davies:** I will ask Andrew Jeffreys to respond.

[23] **Mr Jeffreys:** The draft budget was published in November 2007, a week before the draft local government settlement. That detailed some shifts in what were previously specific grants held in ministerial portfolio departments, particularly in education, which were moving into the revenue support grant in accordance with long-established Assembly Government policy to mainstream funding for local government when appropriate. So, around £25 million of that will shift between the Department for Children, Education, Lifelong Learning and Skills and local government, which was announced as part of the local government settlement. The shift mainly reflects the movement of specific grants into the revenue support grant. The money will still be used to fund education, but it will just be delivered through the revenue support grant.

[24] **Alun Cairns:** Minister, have those changes come about because they were always planned but were made in preparation for presentation the last time around, at the draft budget

stage, or have they come about as a result of questions and pressure from the committee and from the Welsh Local Government Association for a reduction in specific grants and an increase in the revenue support grant, or, as a third proposition, are those special grants such as transport, the foundation phase, and others not policy priorities for the Assembly Government anymore? Can we read anything like that into the changes?

[25] **Andrew Davies:** It is in response to a longstanding agreement with local authorities on streamlining the system. There is an extensive range of grants. In my previous job as Minister for Enterprise, Innovation and Networks, I hope that the thrust of my work was to streamline and simplify the system. So, it has been a longstanding commitment of the Government to do that. These decisions about those elements had been agreed between Assembly Government Ministers, local authorities, and WLGA spokespeople.

[26] On the foundation phase, that money will, effectively, be ring-fenced. It will be paid against expenditure incurred by local education authorities in the recruitment and payment of the additional staff that will be needed to cut class sizes for three to seven-year-olds. In some areas, money will still be ring-fenced, effectively. However, as I said, it has been a longstanding policy to streamline and, where appropriate, to bring ring-fenced grants into the revenue support grant.

[27] **Angela Burns:** Thank you, Minister, for coming in with your team. I have two questions. First, I am still not entirely clear as to where you have found the new money for local government. Secondly, you have just talked about that money being hypothecated, so can you assure us that, with the new money that you have put into the local government settlement, any other new projects that you asked local government to undertake on behalf of the Government will be fully funded? Are there any more coming downstream that we do not know about? If so, where will that funding come from, because I cannot see that in the budget?

[28] **Andrew Davies:** I was asked earlier whether I would confirm my predecessor's policy of additional duties being fully funded by the Assembly Government as a general principle. I have already said that we will certainly do that. On the additional funding, the £4.7 million increase for the next financial year is the uplift for the revenue support grant. Of that, £2.5 million will be found from within the local government and social justice budget. The Minister for Social Justice and Local Government, in discussions with me, has agreed that there will be a reprofiling within his budget of that £2.5 million. There will be an additional call of £2.2 million on the reserves, which, again, I have agreed with the Minister for local government, and will be financed by underspends in his budget. So, that £2.2 million will be paid back by the Minister from underspends in his budget.

[29] **Angela Burns:** Thank you for that response. In your response to our report, I noted that you wrote again that the cost of any new requirements would be fully funded. I totally welcome that. Finally, can you explain the term 'reprofiling' to me, as it is not one that I am familiar with and I would like to understand what that means to the Minister for social justice?

1.50 p.m.

[30] **Andrew Davies:** Each Minister is responsible for the management of his or her budget over the financial year, and, inevitably, there will be changes. For example, some programmes and investments will not take place or need the full expenditure on a particular project or programme, and will be either wholly or in part an underspend—and, in some cases, there will be overspends. By its nature, you cannot be precise about your expenditure at the beginning of the year compared with the end of the year. There are often areas in a budget where it is very likely that programmes will be underspent. In that case, an individual

Minister will make a decision to move that money from one programme area to another—from one budget expenditure line to another, in budgetary terms. Those transfers or reprofiling happen on a regular basis. In fact, some of the changes that I have reported to you, such as MEG-to-MEG transfers, are examples of how decisions throughout a year are made either as a result of underspending or in other areas where a sphere of responsibility is transferred from one Minister to another.

[31] **Ann Jones:** I will press you a little further on the ring-fencing and the additional grants in the revenue support grant from a specific grant, which is hypothecation. Everyone knows that I would far prefer to see local governments' budgets hypothecated, as I do not like this free-fall RSG. If we are to have this free-fall RSG, with the additional £4.7 million, I am disappointed again that most of that will go into a floor, which does not help those councils who will not get any additional money to do something with. Given some of the pressures that local authorities are under, that £4.7 million could have been looked at differently, and I intend to write to the Minister for local government about that. If you say that you want to target areas of underperformance and hone in on getting the best value for the Welsh pound, how can you do that if there is to be an increasing funding fog in the RSG, allowing local authorities to spend on what they like without any hard and fast rules? How does that equate to your desire to see this underperformance targeted?

[32] **Andrew Davies:** In any system of governance where you have multiple levels, there are always going to be tensions between the policy priorities of, in our case, the Assembly Government, and local priorities, as determined by a local democratically elected council. Notwithstanding that, we have the 'One Wales' programme to deliver, and we will be judged by the electorate on whether we do that. That is why, for example, the additional money that I have agreed with the Minister for education will go into the foundation phase is effectively ring-fenced and will not be part of the revenue support grant. However, Members will know, as I have said in the Chamber and in committee, that I have been concerned at what I call the 'postcode lottery' in the delivery of public services. It is unacceptable and I think that most people share my view; most people to whom I have spoken since I made my comments have certainly agreed with me on that. That is clearly part of the discussions that we will have with local authorities and the Welsh Local Government Association on the introduction of minimum standards of service delivery and on the significant change in how we performance-manage the delivery of services.

[33] Previously, a large element of the resource going to local authorities through the performance incentive grant was paid almost virtually without exception, regardless of performance. Your own local authority, for example, continued to receive PIG even though the LEA itself, as we know, underperformed significantly. Most people agree that that is unacceptable. Following discussions with the Minister for local government, we will be introducing a new regime of performance management. PIG will be phased out, and we will introduce improvement agreements, working again with local authorities to identify areas of significant underperformance. So, there will be financial incentives for local authorities to perform. While it is agreed that the revenue support grant is to be largely unhypothecated, there will be an agreement with local authorities about a new regime of performance management, which will include a financial incentive scheme.

[34] **Ann Jones:** Is it not easier to give a local education authority—such as Denbighshire, we will come to its LEA—a clear understanding of what you expect it to spend on education this year in attempting to pull itself up to an average, rather than giving it the revenue support grant, which will allow it to decide its own priorities? As you know, Denbighshire spends £18 more per head on culture than any other local authority, and yet its education spend is so low, but then the RSG allows it to do that. Should we not target specific grants at authorities so that we can go back knowing exactly how much we are looking at? It is possible to see whether an authority has increased its performance or bettered its targets only if you know

how much money it was dealing with in the first place. At present, we have a suggestion of what an authority should spend, but the decision is entirely up to the authority, and there is no comeback for making the wrong decision. Surely it would be better to provide a specific grant and say, 'That is the amount of money that we expect you to spend and, for that, we will judge your targets'. I am talking now about Denbighshire local authority, but it is also the case in any other local authority that you are unable to judge a target because you are never comparing apples with apples; you are comparing apples with pears.

[35] **Andrew Davies:** I understand the thrust of your argument. I suppose that it is a debate about how you incentivise or improve service delivery. My other concern is that we should be judged not on how much we spend but on what we get for it in outcomes, achievement and service delivery. My view is that focusing on minimum standards rather than the amount of money invested is a more productive way of improving performance, along with introducing a new performance management regime. A large part of that regime will be around improvement agreements associated with minimum standards, but there will also be a much clearer thrust in the work of the inspection and regulation regime. For example, Estyn inspects and regulates for education, the Care and Social Services Inspectorate Wales will for social services, and Healthcare Inspectorate Wales will for health. We need to align all those processes so that there is common agreement about performance and underperformance, and so that the thrust of everything that we do and all the levers that we have at our disposal, whether for financial inspection or regulation, are all used. From the local government performance data that have been published, we know that there is a real need for local authorities across Wales to improve on delivery. That is agreed by everybody. However, there is a clear need for greater scrutiny and transparency in our performance as a Government and as an Assembly, including our regulation and inspection regimes, and local authorities' own internal scrutiny processes. Greater accountability and transparency is needed in how the whole scrutiny process works.

[36] **Alun Cairns:** I will press you a little further on that point. Is it not the case that the analysis that you are providing is, at worst, inconsistent or, at best, simplistic? You talk about the postcode lottery, and, at the last meeting, you cited examples of the length of time that it takes for someone to be re-housed in one authority as compared with another. On the other hand, you are saying, 'Let us increase the revenue support grant and move away from special grants, because that gives a local authority greater influence in determining its priorities'. Is that not inconsistent? It may well be that the authority that takes longer to re-house people has decided to spend more of its money on social services to prevent bedblocking, for example. You are trying to increase the RSG but then you are saying, 'We are not happy with these particular outputs', although it might not be a priority for them locally.

2.00 p.m.

[37] **Andrew Davies:** One of the problems with specific grants is that, because of the system's complexity, a huge amount of bureaucracy goes into administering the grants and then any regulation or assessment and valuation of the money. That is why moving to a system in which we accept agreed minimum standards for a range of services will allow us to be clear and transparent about what those minimum standards are, and in working with local authorities in terms of monitoring and scrutinising them.

[38] My fundamental point is that it is not how much you spend, but what you spend the money on. However, I refer to the huge variability across a range of indicators for local government. That is everything from disabled facility grant, education qualifications and schools achievements to the state of roads. For example, I believe that 0.5 per cent of Anglesey's main roads are in a poor condition, and it is nearly a third for Ceredigion. That is for two rural authorities—it is not a case of urban or rural. It is the variability that is stark, and my view is that, as a Government, we have every right to expect standards that are universally

high, whereas, at the moment, there is huge variability.

[39] **Alun Cairns:** Please do not interpret my comments as being those of an advocate, because I am not necessarily an advocate, for special grants—I am just trying to tease out potential inconsistencies and simplistic approaches. It may well be the case that Ceredigion is top of the league table in other areas, even though it is at the bottom of the league table for roads. Simplistically comparing one against another when we are not looking at the picture in the round might not be completely fair.

[40] **Andrew Davies:** This will be a much tougher regime. There will be greater transparency and greater accountability at the all-Wales level and at the local level. People will be able to see what is expected in a range of services, for which we as a Government or, just as importantly, local authorities or whoever is providing the service, could be held to account for the spending of public money and the achievement of quality in services locally.

[41] **Joyce Watson:** This follows on nicely, because my question is about accountability. First, keeping to that, I welcome the floor, because it is obvious that this Government did listen to the voice of local government, and I say that as one who is still a member of local government—perhaps I need to declare that.

[42] I am really pleased to hear about the improvement agreements and the bare minimum standard. I looked at those tables, and they have consequences. Whether you are at the bottom or the top in various areas, there are consequences, because people are not delivering the service, despite their having a good budget to do that. I would, therefore, like to focus on the scrutiny aspect of that and where we might help to direct local government with regard to carrying out that fundamental duty to scrutinise. Just as we scrutinise our budget through the Finance Committee, which is extremely important, a similar arrangement does not exist very often in local government. So, if you are going to put more money into an RSG, we need somehow to hold those authorities to account so that we know where that money is being spent.

[43] Did I hear you right? I thought that I heard you say that we, as an Assembly, would set a bare minimum standard in certain areas where we know that the public expect delivery.

[44] **Andrew Davies:** Yes. We, as a Government, have been discussing with the WLGA about establishing minimum standards, particularly in key areas that have perhaps seen underperformance. Those discussions will be between the Minister for Social Justice and Local Government and the WLGA to agree what those standards should be and in which areas, and that will then be in the public domain. There will be effective scrutiny of performance in terms of this committee, other committees of the Assembly and local scrutiny, whether that is within the local authority or through the media.

[45] **Joyce Watson:** I welcome all of that, but what worries me is the scrutiny in local government. This may not be the place to raise this, but it is part of a budget process. If we are to trust local government to deliver, as we should, how do we hold it accountable for the scrutiny that it should be doing locally?

[46] **Andrew Davies:** That is a matter for the committee and for other committees of the National Assembly for Wales. I have said on many occasions that accountable and transparent decisions are almost invariably better decisions.

[47] **Alun Cairns:** That issue is beyond this meeting's agenda, but we may consider it at another time. Of the people who have indicated that they wish to speak, does anyone wish to follow this specific thread? Otherwise, it is Jenny's turn to speak on a separate thread. If you want to follow this thread, please do so.

[48] **Jenny Randerson:** I want to follow the thread and then ask my other question. Shall I do them together?

[49] **Alun Cairns:** No, follow the thread in case someone else wants to pick up on it.

[50] **Jenny Randerson:** May I take you back to the PIG grant, Minister? I very much welcome the fact that you are looking at it afresh, and I am interested in whether or not you are looking at a different way entirely of applying it. It always struck me as being nigh on farcical that everyone got it. We need to be able to see why local authorities get this additional financial support and have clear criteria that they must meet in order to get it. Going back to what Ann said, it is a fact that local authorities choose their preferences and priorities in their spending, and some local authorities can get themselves into a terrible mess on some things. The cause is not necessarily a lack of funding. Six or more years ago, my local authority had an appalling social services report that put the authority into special measures. I clearly recall that that report said that the social services department was not underfunded, but the fact was that the succeeding authority had to spend its way out of a mess, and there were financial implications. I expect that the situation will be the same in Denbighshire, in terms of dealing with the education problems there. We need an assurance that the new PIG grant will be clearer and more transparent and that local authorities will know what they are aiming at. I would prefer to see much more in the RSG, with clear standards—put things into the RSG but without ring fencing them. However, I think that the PIG grant will clearly stay, from what you say.

[51] **Andrew Davies:** The PIG grant will be phased out—in its present form, it will not exist. There will be improvement agreements between the Assembly Government and local authorities. I thank you for your contribution, Jenny, which was very helpful, particularly your point that raising standards is not necessarily about increased resources. I will not use the case of Cardiff, but I will use the case of two local authorities, one of which I have referred to already, namely Denbighshire. Denbighshire local education authority had been identified some time previously by Estyn and by other systems of regulation inspection as underperforming.

2.10 p.m.

[52] The situation was similar with my local authority of Swansea in terms of the Care and Social Services Inspectorate Wales and children and family services. These are two statutory services, rather than discretionary services. It had been identified several years ago—I cannot give a precise date, but I think that it was at least two years ago in the case of both local authorities—that there was significant underperformance. In my view, it is a significant failure in the corporate strategic management of those respective local authorities—not just the departments themselves. That underperformance in statutory services had not been picked up by those authorities. Four years ago, Swansea had a good social services department—there was a more systematic problem in social services generally, but in Swansea it was a good department. That underperformance was not picked up by the chief executive and the senior management of those local authorities.

[53] One lesson that I have learned, as I said in my introductory remarks, is that the inspection and regulation regime needs to be much more closely aligned with other financial and inspection levers. For example, Estyn and CSSIW, in terms of the information and intelligence that they provide, become part of the formal process of scrutiny. That, along with funding, the new improvement agreements and the minimum standards, will make the system much more coherent, transparent and robust. We will not have to wait two or three years before a particular service is in special measures or has failed; we will have an early indication of problems, not just locally but at an all-Wales level through the Assembly

Government and the inspection regime. Weaknesses will be identified early, and services, leadership and management can be changed and deficiencies addressed quickly. Therefore, the people on the receiving end, or in receipt of those services—vulnerable children, in this case—will not be disadvantaged. The real scandal is that those at risk are some of the most vulnerable children in society. It is beholden on us, as public servants and as a Government, to ensure that we do not arrive at that position, that we do not wait until the crisis happens and that we address the issues at an early stage.

[54] **Mohammad Asghar:** I know that, in local government, social services take the biggest chunk of the budget. Ethnic minority children are taken away unnecessarily. If a parent hits a child, the child is taken away; there have been many such cases in Newport. It would save local authorities and the Government tens of thousand of pounds if they did not keep children in different boarding places and spend money on keeping them away from their families. The family hits the child to discipline them. In the long run, these children are becoming criminal, and ethnic minorities are bearing the brunt of this. The law is one thing, but reality is another. The social and moral responsibility belongs to us, as parents, so why can you not give councils some hard-line instructions not to take ethnic minority children unnecessarily to children's homes, because their parents want to discipline them in that way.

[55] **Andrew Davies:** I think, Chair, that that is a policy area; therefore, it is more fitting for the respective Minister to deal with that. As Minister for Finance and Public Service Delivery, it is difficult for me to answer, because it is not really within my remit.

[56] **Alun Cairns:** I accept that, certainly in terms of financial priorities, you have an obligation and responsibility to look at being able to fund the sort of things that Oscar mentioned. I accept that.

[57] Jenny Randerson, do you want to ask your second question?

[58] **Jenny Randerson:** I want to take the Minister right back to the first part of what he said about the £4.7 million for local government. You said £2.2 million from reserves, £2.5 million from the social justice portfolio by reprofiling. We understand that that means, because local government gets more, other aspects of the social justice portfolio get less. I assume that you will not know, or you would not be in a position to answer, if I asked you whether you know where in the social justice portfolio that will come from? Perhaps you could confirm whether you can answer that or whether I have to ask the Minister for Social Justice and Local Government. The other important thing that you said was that the £2.2 million from the reserves will be repaid by the Minister from his portfolio. So, actually, the rest of his portfolio has been cut—or rather hit—with a reduction of £4.7 million over the year, not just £2.5 million. Have I understood you correctly?

[59] **Andrew Davies:** No. I would dispute that Dr Gibbons's budget has been cut.

[60] **Jenny Randerson:** I corrected myself; I said that it had been hit, because more money for local government means less money for social justice.

[61] **Andrew Davies:** In terms of the £2.5 million for reprofiling, Dr Gibbons has proposed to me that this should be taken from the community purpose budget expenditure line. It has been agreed with Dr Gibbons that I will transfer £2.2 million from the reserves. He is forecasting that various programmes are unlikely to start this year or are likely to underspend, so, on that basis, he has agreed that the £2.2 million will be paid back into the reserves.

[62] As Members will know, we are carrying quite a low level of reserve; we have gone below the 1 per cent level. We are projecting a reserve of around 0.9 per cent, which is quite a

small figure. That is why I have come to this agreement with Dr Gibbons.

[63] **Alun Cairns:** Before I bring in Alun Davies to close the session on local government specifically, I wish to ask a question. The committee thought long and hard about calling for a floor, but we felt that it would detract from additional funding being given to local government. We felt that that would give you the option of introducing a floor of 1.5 per cent, 2 per cent, or whatever, without providing additional funding. What incentive is there or what support can you offer to those local authorities that do not fall under the floor of 2 per cent and are in a position whereby they are receiving more than 2 per cent anyway, for whatever reasons—historical reasons perhaps—but which, on a pro-rata basis, would not perhaps get as much as they would have liked? The committee thought long and hard about this, and did not call for the floor simply because we felt that we wanted to call for more funding for local government overall, which would hopefully take us up to the 1.5 per cent or 2 per cent that you have introduced anyway.

[64] **Andrew Davies:** I suppose that it is a judgment call. As I said, Dr Gibbons in particular has been discussing this extensively with local government. There was a proposal by the WLGA that there should be a floor. I think that the judgment was that, in terms of equity, we would increase the funding through the revenue support grant by £4.7 million, which would ensure that no authority would receive an increase of less than 2 per cent. Certainly, the early indications from many local authorities, particularly those that were projecting a relatively small increase through the formula—Powys County Council, for example, has very much welcomed—

[65] **Alun Cairns:** With the greatest respect, if you were getting less than 2 per cent, you are going to be happy, but if you were getting 2.1 per cent before, you are not going to be very happy, are you?

[66] **Andrew Davies:** This is always the problem. Like me, Alun, you have been a Member since the inception of the Assembly. Ever year, because of the formula, some local authorities will have a better settlement than others; that is the very nature of the formula. The funding formula has been agreed with the WLGA, and we have listened, as a Government, to the concerns of local authorities. That is why the proposal has been put forward. Dr Gibbons will be making the announcement next week on the precise detail of the local government settlement.

[67] **Alun Davies:** I was very interested in what you said at the beginning about decision-making in terms of local government funding. You said that you discussed this with Dr Gibbons, the Minister for local government, and with the First Minister. Will you confirm that again?

2.20 p.m.

[68] **Andrew Davies:** Yes, collectively we met the WLGA some time ago, but, of course, there have been discussions in Cabinet, as I am sure that you will be aware. I took the proposals for the final budget to Cabinet on Monday, so all Ministers have taken part in this discussion. It is a part of collective responsibility. Needless to say, we have had representations from all parties, including you, Alun, in this committee and in Plenary. We have also had extensive representations from a whole range of interests, including local authorities and others. I think that we have been a Government that has demonstrated that we are willing to listen to concerns. However, given the quantum of resource that I have at my disposal as the Minister for finance, we have limited room for manoeuvre, but nevertheless I think that we have partially, if not wholly, answered those representations.

[69] **Alun Davies:** Thank you very much. I was interested in that because an e-mail was

passed to me yesterday from Nerys Evans, one of my colleagues in representing the Mid and West Wales region, who said that the Government had taken this decision ‘following pressure by Plaid Cymru Ministers’. Is that how you would characterise the decision-making process, Minister?

[70] **Andrew Davies:** As I said, we have collective responsibility and there have been discussions within Government. I would not like to single out any particular Minister other than the ones that are already formally involved in terms of discussions with local authorities.

[71] **Alun Davies:** So you would regard this e-mail as being quite misleading?

[72] **Andrew Davies:** I would not say that. I said that we have had representations from a range of interests, from Labour, Plaid Cymru, Conservative and Liberal Democrat Members, and individual councillors and local authorities. I am not saying that it is incorrect, but I cannot be responsible for individual AMs, whether they be Plaid Cymru, Labour, Liberal Democrat or Conservative Members.

[73] **Ann Jones:** I wish to take you on to my other little pet project, which is the strategic capital fund. I raised concerns in relation to the draft budget about how the strategic capital fund board would operate. I am grateful for your responses to those queries. I notice that in the annual budget motion you suggest that a large sum, £145 million, would be available from the end-of-year flexibility for the strategic capital fund. How confident are you that that end-of-year flexibility money will be available to you to spend in that way?

[74] **Andrew Davies:** Nothing is certain in life other than death and taxes, but we are pretty confident that the EYF will be available.

[75] **Ann Jones:** That it will be available?

[76] **Andrew Davies:** Yes.

[77] **Ann Jones:** Okay. Do you now have any more thoughts about how you intend the strategic capital fund board to operate across portfolios?

[78] **Andrew Davies:** The Cabinet has discussed the next stage in the development of the capital investment programme or framework and how it will work. As I said in response to an earlier question, obviously I will make this committee and Assembly Members aware once we come forward with much firmer proposals on the framework board and they will be made public.

[79] **Alun Cairns:** Jenny, you wanted to pursue reserves and EYF.

[80] **Jenny Randerson:** I wanted to raise the issue of the reserves, Minister. This is about what you wrote in response to our committee report on the draft budget. For the capital board, you are proposing to take £93 million, as I understand it, of the £316 million reserves that you predict for 2009-10. It is in the table at the bottom of page 4. I have concerns, and this relates to our report on the draft budget. We made it absolutely clear that we regarded clarity as to what constitutes reserves and what constitutes capital funding as important.

[81] You have answered in paragraph 21 how you plan to get the money from the reserves for the capital board. You say that you have set the reserves at 1 per cent for the coming financial year and at 2 per cent and then 3 per cent for the subsequent years. If you are saying that, for 2009-10, £93 million of the reserves of £316 million are for the capital board—I am not going into 2010-11 at this stage—they are not really reserves, because they are allocated. They are not unallocated reserves. Therefore, there are several questions for you to answer.

Are you amending those percentages? Can those percentages safely be amended for the following two years? What procedure do you have or are you proposing for ensuring that that money is available in reserves? The purpose of reserves is to deal with unforeseen circumstances, and you are foreseeing a very clear need for those reserves. Therefore, you are treating reserves in a very different way. Will you now regard those reserves in a different light as a result of having already earmarked some of them for a particular project?

[82] **Andrew Davies:** On a technical point, until the strategic capital investment board or the framework is established and is firm policy, inevitably the figures will remain indicative. If this were an existing policy, the money would already be allocated or there would be an indicative allocation. However, I will ask Chris Daws to answer further.

[83] **Dr Daws:** We separate out capital and revenue, so within the reserves line, and what we have highlighted for this committee, is the money that has not been allocated to specific budget lines for specific MEGs and is therefore available for the strategic capital investment board. As the Minister says, until we have formal proposals for that board, it will sit in the reserves as capital. I remember that, last time, you specifically asked us to separate them and that is what we have tried to do. I have tried to be very transparent in identifying those separate lines so that you can see exactly how much is capital. However, we spend capital and revenue and account for it separately so they are separate reserves. Most of the calls on our reserve in-year are revenue, which is why we try to keep a 1 per cent revenue reserve, accepting that we have 0.9 per cent for next year.

[84] **Jenny Randerson:** Thank you. It is very helpful to have those disaggregated.

[85] **Mr Jeffreys:** When the Minister last appeared before the committee, the committee asked for a table that set out total reserves excluding the resources allocated to the strategic capital investment fund, so the table in response to paragraph 21, the figure of £316 million to which you refer, excludes the £93 million that is available for the strategic capital investment fund. Therefore, the figures below that table for the reserves as a percentage of total spend exclude the funding allocated for the strategic capital investment fund. The 2.1 per cent for 2009-10 excludes the £93 million.

[86] **Jenny Randerson:** So we should add £93 million to the £316 million for 2009-10?

[87] **Mr Jeffreys:** Yes, if you want to get the total including that.

[88] **Jenny Randerson:** Right, I understand that. Are there any capital reserves other than the £93 million that you have allocated for the capital board or is that the total capital reserves? It is the total. Do I infer from that that all capital funding from 2009-10 will go through the strategic board? I am aware that, this year, within the health budget, there are significant capital amounts.

[89] **Andrew Davies:** No. The thinking at the moment is that only the figure that we have already indicated, which is £480 million, will be dealt with by the capital investment board. However, as I said, our assumption is that, as the SCIB process and the disciplined, strategic and unified approach to capital expenditure develop, then, increasingly, the capital element within each Minister's MEG will be brought within the SCIB process. However, at this stage, as I said, it is early days, and we have not finally established the policy yet.

2.30 p.m.

[90] **Jenny Randerson:** That is helpful, thank you.

[91] **Alun Ffred Jones:** What exactly is the non-cash reserve then?

[92] **Mr Jeffrey:** I was afraid that someone might ask that. When the Treasury allocates funds, it distinguishes between near-cash and non-cash. Near-cash is the stuff that you use to pay salaries—real money; non-cash is money that is used to fund the costs of depreciation and the costs of capital. You cannot use non-cash for near-cash items, so it is important to separate those reserves. Therefore, for example, the £18 million that is in the non-cash reserve for 2008-09 could not be used to fund revenue pressures.

[93] **Alun Ffred Jones:** What is it used to fund?

[94] **Mr Jeffrey:** Things such as depreciation and the cost of capital.

[95] **Dr Daws:** An example would be capital charges related to roads.

[96] **Alun Cairns:** Angela has the next questions.

[97] **Angela Burns:** I wanted to talk about the savings. I appreciate the comments that you made in your reply to our report. As I understand it, now that the local government settlement has been improved, you are confident that you are capable of delivering all the objectives of ‘One Wales’ that you want to deliver this year and in the next two years. When you talked to us before, your ability to deliver was related not just to the money that you have, but to the savings that you were going to get. When I read your report initially, it looked as if you were dealing with the £600 million-worth of savings that you were talking about going off to achieve. I am now rather confused, because this looks like double counting. Can you assure me that the £600 million-worth of savings that you are looking for is an additional amount to the savings programme that you had already undertaken, going forward to 2010? That is certainly the impression that I, and many others I believe, have had in the past.

[98] **Andrew Davies:** The £600 million target is the ‘Making the Connections’ efficiency targets that we established as a Government; that will be £600 million by 2010. Therefore, that is our target, and we do not have anything additional.

[99] **Angela Burns:** Right. Forgive me for pressing you on this, and perhaps I am being a tad dense, but I was convinced, from all our previous debates, that this programme was known and established—it is rather like saying that we need money to run Pembrokeshire County Council; we know that we need a base amount. When you talked about the bonfire of inefficiencies and further savings, I had assumed that you were looking for a further bulk of savings, and that you were looking throughout the whole organisation—local government and the Assembly itself—to find those additional savings. However, you are saying that that is not so and that the savings programme is the savings programme that had already been identified a year or two ago and had been part of this programme.

[100] **Andrew Davies:** I would see the £600 million target as a minimum and not as a maximum. My view is that we should always be looking to ensure that the Welsh pound goes as far as it can. Jenny Randerson made a valid point earlier when she said that, in many cases, it is not about the amount of money that is spent—it is about the quality of services delivered, or the efficiency with which the Welsh pound is spent. We know from the huge variability of performance, not just in local government, but in the public sector generally—but I will focus on local government—that there is a robust case to be made not only for improving performance, but for a much more efficient delivery of services. We have been in discussion with the WLGA and individual local authorities about a much more efficient way of delivering services. For example, through the ‘Making the Connections’ fund in my department, we are funding the next phase and developing a business case for shared services among the 10 local authorities in south-east Wales. Those are the shared services of human resources, personnel and training. Rather than that being done by each local authority, and by

pooling resources and sovereignty, there is widespread belief that we can ensure a much more efficient delivery of services. Another area, for example, is waste management. It does not make environmental or financial sense to have each local authority doing its own thing in terms of waste management.

[101] So, we have been in discussions with the WLGA—and my Cabinet colleague, Jane Davidson, has the policy lead in this area—on working with local authorities to address that significant policy issue. She is working with local authorities, individually and collectively, on addressing those concerns. Again, that is a much more efficient way of delivering services. I am sure that that will help us to not only deliver the £600 million as a minimum, but to go beyond that.

[102] **Angela Burns:** May I just clarify what you said to make absolutely sure that I understand? On the ‘One Wales’ policy document and what you would like to deliver, I and many people, including many local authorities, had thought that that was being delivered by the funds that we had received from the Treasury plus the savings. In speaking to local authority members about the fact that they need to make further savings to achieve a bonfire of inefficiencies, they have said in response that the ‘Making the Connections’ programme was in place. Therefore they had assumed, as I had done, that they had to make further savings on top of that. Perhaps we need to clear that area up because there is a degree of confusion surrounding it.

[103] **Andrew Davies:** Perhaps I am seeing that figure as a minimum and local authorities are seeing it as a maximum. My view is that this is something that you do day in, day out and year in, year out. It is not something that you do once, and that is it. You always look to deliver greater efficiency—I think that taxpayers and citizens expect that. I do not know if Chris wants to add something to the detail.

[104] **Dr Daws:** Only that we discussed this the last time around. In order to deliver the outcomes that are expected, I believe that local authorities will need to make greater efficiencies, and that is possible. As the Minister said, we have not changed the policy, but it needs to be a minimum.

[105] **Angela Burns:** I agree with you, Dr Daws, and I just wanted to check that that £600 million-worth of savings was on top of the ‘Making the Connections’ savings, or are they both the same thing?

[106] **Dr Daws:** The £600 million is the restated ‘Making the Connections’ savings. It is the same policy. However, within budgets, I believe that authorities will need to make greater efficiencies in order to deliver the outcomes that we are seeking. That is the discussion that we keep having: is it about inputs or is it about the outcomes? It is the outcomes that are clearly important.

[107] **Alun Cairns:** I would like to press this a little further. Forgive me for labouring them, but there are a couple of key points here. ‘Making the Connections’, which was published in the last Assembly, identified the need for efficiency savings of £600 million. There is no doubt that the committee was under the impression that you were calling for additional savings—we are currently looking for the verbatim report and if we cannot find that now, we will send you a copy of what was said—which resulted in paragraph 25 of our report on the draft budget clearly stating that,

[108] ‘The Minister told the Finance Committee that the Government considered that there is even greater scope for more efficiencies, and would be working with colleagues’.

[109] Part of our comment, not criticism, was that we were unclear about the level of

efficiencies we could expect. The key question on this comes back to the 'One Wales' document and the fact that you have been questioned on whether things stack up financially in terms of the sources of funding from the Treasury and from efficiencies. If we are saying that the £600 million-worth of efficiencies can deliver it, then that is fine, and if that is your judgment. However, if, on the other hand, £600 million-worth of efficiency savings, Treasury funding and additional efficiencies will deliver it, then that is a separate issue. Can you clarify which it is?

2.40 p.m.

[110] **Jenny Randerson:** May I just point out that the WLGA said that local government had made around twice the level of efficiencies last year that the Assembly Government had asked for, and that, despite exceeding your targets, local authorities were still being placed in this exceptionally difficult position this year? So, in other words, efficiencies are being made well in excess of your target. In view of the fact that the WLGA has quantified it, have you taken that into account in what you say?

[111] **Andrew Davies:** I welcome public bodies delivering services more effectively and making the Welsh pound go as far as possible. We are always looking for greater efficiency, particularly as we are faced with a much tighter financial settlement, amounting to a 1.8 per cent increase over the next three years as opposed to an average of 5.5 per cent. In terms of the budget process, and negotiations with Ministers and the allocations that I gave them, we needed to ensure that we were not only achieving the efficiency savings outlined in 'Making the Connections', but, given the tightness of the settlement—and I have referred to the tightness of the reserves, for example—ensuring that we were able to secure as much headroom as possible in delivering our programme. So, yes, in terms of MEG and financial allocations, we took that into account, but, as for the totality of the target for efficiency savings, the £600 million from 'Making the Connections' is still the minimum target that we have set.

[112] **Alun Cairns:** We accept that it is the minimum, and there is obviously a need to exceed that, especially in relation to efficiencies, if we are to achieve best value. However, our report was quite clear that we had not yet seen the evidence on whether 'One Wales' was deliverable given the resources available, and the key reason that we had not seen the evidence was because we had not had detailed costings. The other part of the equation was that it was funded partly by the Treasury and partly by efficiency savings. Are you now telling us that if you achieve the minimum level of £600 million, 'One Wales' then stacks up, and that is all that you need to achieve in order to deliver the document's commitments?

[113] **Dr Daws:** I need to answer this, I think. We provided allocations to organisations where we thought we needed to put in additional investment specifically to deliver 'One Wales' commitments. We have done that. However, looking at the outcomes based on services, and having spoken to our colleagues across the different MEGs, we believe that we can deliver, but some savings will be required in order to do that. The £600 million is the minimum figure.

[114] **Alun Cairns:** So, can 'One Wales' be achieved if savings of £600 million are made? That is what I am getting at.

[115] **Dr Daws:** No, because—

[116] **Alun Cairns:** So, it is not a minimum. If the Minister—

[117] **Dr Daws:** You will ask us to give a figure for how much we need in efficiency savings if we are to deliver 'One Wales', but we have not calculated it in that way. Different

organisations in different sectors will have to deliver different levels depending on their circumstances—not because of our funding, but because of their circumstances. It goes back a bit to the discussion we had about RSG—it is unhypothecated. We do not say, ‘You must spend x on this and y on that’, because these are autonomous bodies. However, we have set a minimum target, and we have carried that over from the previous Government.

[118] **Alun Cairns:** Minister, I will ask Dr Daws through you: what we have just heard is that even if we achieve the ‘Making the Connections’ savings of £600 million, then ‘One Wales’ is still not necessarily deliverable, because it requires efficiency savings in addition to that £600 million. If that is the case, then this amounts to rhetoric about a bonfire of inefficiencies, and so on—

[119] **Alun Ffred Jones:** Chair, I think that this is getting out of hand. If you want to make a political point, you have plenty of opportunity to do that in the debate in the Chamber. It is almost like asking how many angels you can place on a pin head. *[Interruption.]*

[120] **Andrew Davies:** It is fair to say that—*[Interruption.]*

[121] **Alun Cairns:** Hold on—there is only one committee Chair. Paragraph 25 of our report clearly states that there is confusion around efficiencies. The committee had the impression that there were efficiencies in addition to the £600 million in the Minister’s statement. We have just heard that the target is £600 million. That is purely out of the last Assembly’s budget, so we are not even seeking further efficiencies. What we are hearing is that the commitments in ‘One Wales’ will be delivered with just the £600 million or, as Dr Daws just said, it will not be.

[122] **Andrew Davies:** I think that there is a fundamental misunderstanding of how government works. This Government has a programme for government, called ‘One Wales’. That is not over and above other Government expenditure; that is our Government expenditure. That is a fundamental misunderstanding. Members and journalists keep asking whether it is affordable, because it seems that it is somehow additional to Government expenditure in a range of areas; it is not. That is the programme for government for the next three and a half years. The money that we get from the Treasury will be there to deliver ‘One Wales’. It is true that there will be efficiency savings, but, as I said earlier, there will be reprioritisation and decisions will be made by the Cabinet collectively and Ministers individually about their own budgets in delivering ‘One Wales’. We have always been very clear about that. Alun Ffred hinted that there is a misunderstanding that, somehow, the ‘One Wales’ priorities are over and above Government priorities when they are not; those are the Government’s priorities. So, as I said in my response on page 5 to the question raised in paragraph 25, £600 million is a minimum.

[123] ‘More needs to be done to improve efficiency and release the resources needed to sustain the pace of improvement in public services and allow investment in new priorities.’

[124] That is my point. It is not the amount of money you spend; it is what you get for it. That is the point that Joyce Watson was talking about when she mentioned the quality of service. There are legitimate questions to be asked of local authorities and other public bodies about the resources needed to deliver a certain minimum standard of service. I suspect that local authorities will vary quite considerably in the amount that they spend in achieving a minimum standard. As I said in response to Angela Burns, that needs to be looked at, and I think that it is accepted by local authorities when they explore areas such as shared services, whether with regard to back-office functions or those such as waste.

[125] **Alun Cairns:** We are interested in efficiencies on the back of the ‘One Wales’ commitments. I accept that ‘One Wales’ is the programme of this Government, but we want

to find out how that programme will be financed. Do you need efficiency savings in addition to the £600 million to deliver it? If not, and so if it is the Government programme, as a committee, we need to establish which services could be cut in order to provide, for example, free laptops.

[126] **Andrew Davies:** Again, there is a misunderstanding that efficiency savings mean cuts in service; they do not. Efficiency savings can mean providing a better service at a lower cost. In the private sector, you would not talk about delivering services more efficiently as a cut, because you are delivering a better product with greater efficiency. That is how manufacturing works, for example. You become far more efficient. That is how productivity works: you become far more efficient at delivering a particular product. It is the same in the public sector as it is in manufacturing. That is the point that Jenny Randerson was making. She made reference to social services in Cardiff and said clearly that it was not about a shortage of money, far from it, but about the quality of service. We will continue with that. My view is that there is far greater scope for delivering better quality services at a lower cost, but it does not mean a cut in services.

[127] **Alun Cairns:** Alun Davies indicated that he would like to ask a question.

[128] **Alun Davies:** The Minister has answered the points that I was going to raise.

[129] **Alun Cairns:** Okay, but I am still confused on this point. When I asked whether the £600 million efficiency savings would allow you to deliver 'One Wales', Dr Daws said that it would not. Is that right or not?

[130] **Andrew Davies:** I said that we have set a minimum of £600 million. My own belief is that there is much greater capacity and potential for efficiency savings, and I see that figure as an absolute minimum.

[131] **Alun Cairns:** We will move on.

2.50 p.m.

[132] **Joyce Watson:** My question follows on a bit more sensibly and clearly, I think; I hope so, anyway. We are talking about efficiency savings and where one budget would clearly have an impact on overall delivery. If the result of the Grogan judgment and the money that is now being put into the health budget as a consequence might be to free up substantial money in the social services budget, that is clearly where that burden would have lain before.

[133] **Andrew Davies:** It is certainly my understanding that it will, because, as Members will know, continuing care was considered as part of the Grogan judgment, and it was decided that the burden of expenditure or responsibility for that service would lie with the health service and not local authorities. So, my clear understanding is that the funding for social services will now fall on the local health boards, when previously a local authority's social services department had to pay for the care. Therefore, we have not taken back that money from social service departments. I know that social care is an issue for local government. In fact, it was one of the five priorities identified by the WLGA in its mini manifesto in the summer. The point that others and I have been making to local authorities, individually and collectively, is that a significant additional resource is going to local health boards to address continuing care, but local social services departments will not have to foot the bill for that. My understanding is that we have not taken money back from local authorities for that.

[134] A general point to make is that it is not about the amount of money that is spent, because there is joint sovereignty over the responsibility for delivering continuing care, and I

am agnostic as to where it lies. My view is that we need to work collectively. Local health boards, the health service generally, and social service departments need to address this issue. I know that my colleague, the Minister for local government, Dr Brian Gibbons, is looking at this very actively, including the whole area of pooled and shared budgets. I know that that happens in Scotland and England, and I know that he has been looking very closely at what lessons we can learn. My mantra is, 'Higher quality public services'.

[135] **Ann Jones:** I wish to ask you about the youth justice service. In your explanatory note, which accompanied the final budget, you indicated a transfer of funding from the youth justice service budget to the health and social services budget. A total of £5.4 million is being transferred from the youth justice budget, but only £4.8 million is going into the health and social services budget. What have you done with the remaining £600,000?

[136] **Andrew Davies:** I will ask Andrew to deal with that question.

[137] **Mr Jeffreys:** There are two elements to the transfer: the revenue element, which is the £4.8 million; and the capital element, which is the £600,000. They are shown separately in the health budget. The full £5.4 million has been transferred across.

[138] **Ann Jones:** Has it? Would it not have been helpful to put that in as a footnote for those of us who do not understand that we have to go looking across several pages for bits and bobs and then add them all up? I have only a GCSE in maths, and that was not very good. So, you have not taken £600,000 out yet, then.

[139] **Mr Jeffreys:** No.

[140] **Ann Jones:** Okay, thank you.

[141] **Andrew Davies:** On a technical point, I have said on quite a few occasions that I want to work with the committee to establish a protocol on how we scrutinise the budget process. We can take on board issues such as the one that Ann just raised on presenting figures. So, hopefully, we can make the process even more transparent.

[142] **Ann Jones:** As long as you do not make me re-take my GCSE in maths. [*Laughter.*]

[143] **Alun Cairns:** Thank you, Minister; that is helpful, and I accept that. I have not received any indications of any more questions from Members. This item is scheduled to end in six minutes, but I do not want to use them all to discuss this issue. Minister, I wish to return to the issue of the reserves. In the meeting of 8 November, Alun Davies said,

[144] 'On the greater scope that you referred to, Minister, I assume that you mean greater than the 1 per cent that is already being planned for. Would you like to give us the monetary value of that greater scope?'

[145] Your response was, 'Not at this stage'. Can I assume that there will not be anything at any stage, or will we be having a figure in addition to the 1 per cent, which is the £600 million?

[146] **Andrew Davies:** I thought that I heard you say 'reserves', but did you mean efficiency savings?

[147] **Alun Cairns:** I meant efficiencies, sorry.

[148] **Andrew Davies:** Will you repeat that question, because I was still trying to grapple with reserves?

[149] **Alun Cairns:** On the greater scope that you referred to, Minister, I assume that you mean greater than the 1 per cent that had already been planned for—reserves—so would you like to give us the monetary value of that greater scope?

[150] **Dr Daws:** You said ‘reserves’ again.

[151] **Alun Cairns:** Sorry, I meant efficiencies. The question was would you like to give us the monetary value of that greater scope, and your response was ‘Not at this stage’.

[152] **Andrew Davies:** No, because I am not in a position to add to it, but I will report to the Finance Committee and there will be opportunities in ministerial questions to explore this area. As I said, I regard that £600 million as a minimum. I have discussed with colleagues and other public sector providers how we can build on that £600 million.

[153] **Alun Cairns:** I thank the Minister, officials and committee members for their contributions, questions and responses. I think that it is the first occasion we have finished an item on time. I am extremely grateful for the robust questioning and the responses that we have received. Are there any closing comments that you want to make, other than the ongoing work that we will have of clarifying the protocol and working together in ensuring best value?

[154] **Andrew Davies:** I thank the committee and you personally, Chair, for the way in which you have handled the scrutiny process. We have all learned many lessons from the process, and I look forward to establishing the protocol with you.

[155] **Alun Cairns:** Thank you very much. We are very grateful.

2.57 p.m.

Cynnig Trefniadol Procedural Motion

[156] **Alun Cairns:** The third item, but the second substantive item, on the agenda relates to the consideration of the Finance Committee’s report on the financial implications of the foot and mouth disease in Wales. This has been scheduled as an item for discussion in private, but, in order to do so, I need a Member to propose a procedural motion.

[157] **Alun Davies:** I propose that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[158] **Alun Cairns:** Is everyone content with that? I see that there are no objections. I ask that the cameras and recording equipment be switched off so that we can consider the draft report. I now declare the public meeting closed.

*Daeth rhan gyhoeddus y cyfarfod i ben am 2.58 p.m.
The public part of the meeting ended at 2.58 p.m.*