



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

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Iau, 18 Tachwedd 2010
Thursday, 18 November 2010**

Cynnwys
Contents

- 4 Ymddiheuriadau a Dirprwyon
Apologies and Substitutions
- 4 Cyllideb Ddrafft Ombwdsmon Gwasanaethau Cyhoeddus Cymru 2011-12
Public Services Ombudsman for Wales Draft Budget 2011-12
- 13 Cyllideb Ddrafft Llywodraeth Cynulliad Cymru 2011-12—Tystiolaeth gan y
Gweinidog dros Fusnes a'r Gyllideb
Welsh Assembly Government Draft Budget 2011-12—Evidence from the Minister
for Business and Budget
- 31 Cynnig Trefniadol
Procedural Motion

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 pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Lorraine Barrett	Llafur Labour
Angela Burns	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Chris Franks	Plaid Cymru The Party of Wales
Andrew Davies	Llafur Labour
Brian Gibbons	Llafur Labour
Rosemary Butler	Llafur (yn dirprwyo ar ran Ann Jones) Labour (substitute for Ann Jones)
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Janet Ryder	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Jeff Andrews	Cynghorydd Arbennig, Llywodraeth Cynulliad Cymru Special Adviser, Welsh Assembly Government
Michael Hearty	Rheolwr Gyfarwyddwr, Cynllunio Strategol, Cyllid a Pherfformiad, Llywodraeth Cynulliad Cymru Director General, Strategic Planning, Finance and Performance, Welsh Assembly Government
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog dros Fusnes a'r Gyllideb) Assembly Member, Labour (The Minister for Business and Budget)
Susan Hudson	Rheolwr Polisi a Chyfathrebu, Ombwdsmon Gwasanaethau Cyhoeddus Cymru Policy and Communications Manager, Public Services Ombudsman for Wales
Andrew Jeffreys	Pennaeth Cyllidebu Strategol, Llywodraeth Cynulliad Cymru Head of Strategic Budgeting, Welsh Assembly Government
Peter Tyndall	Ombwdsmon Gwasanaethau Cyhoeddus Cymru Public Services Ombudsman for Wales

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

John Grimes	Clerc Clerk
Catherine Hunt	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 1.24 p.m.
The meeting began at 1.24 p.m.

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

[1] **Angela Burns:** Welcome to today's meeting of the Finance Committee. Before we start, I will run through the usual housekeeping reminders. You are welcome to speak in Welsh or English, and headsets are available for public translation. Please switch off all mobile phones and all other electronic gadgets. If the fire alarms go off, please follow the ushers. I welcome Rosemary, who is substituting for Ann Jones.

1.25 p.m.

Cyllideb Ddrafft Ombwdsmon Gwasanaethau Cyhoeddus Cymru 2011-12 Public Services Ombudsman for Wales Draft Budget 2011-12

[2] **Angela Burns:** We are here today to look at the draft budget for the Public Services Ombudsman for Wales. I welcome our witnesses today, including Peter Tyndall, the ombudsman. Please settle yourself. I remind you that you do not need to press any buttons, because the microphones work automatically. I ask you to introduce yourself and your colleague for the record.

[3] **Mr Tyndall:** I am Peter Tyndall, the Public Services Ombudsman for Wales. My colleague is Susan Hudson, who is responsible for strategy and communication for my office.

[4] **Angela Burns:** Thank you for coming here this afternoon. I apologise for keeping you waiting. Do you have a brief statement that you would like to make before we start our line of questioning?

[5] **Mr Tyndall:** Yes, it would be good if I could say a few words. The paper before you today sets out my proposals both for the budget of my office and, more broadly, how that fits in with the context of the work that the office is undertaking. When I spoke with you last year I anticipated a number of developments, and most of those are now in place, or are very close to being in place. There is a general theme in my office of investigating complaints and improving services. It is about using the information gained from complaints to lead to improvements in public services. We have introduced, as you know, the *Ombudsman's Casebook*, which is the first time that a digest of all the cases considered by the office has been published. That covers everything from bodies in jurisdiction to you as Assembly Members to regulators, and is starting to have an impact across the public sector. So, the lessons being learned though the office are being realised in practice. Also, we spoke last year of issuing annual letters to all the major bodies in jurisdiction, and those have now gone out for the first time to all local authorities and health boards. Information about their performance and complaints now forms part of the output of my office and is helping them to improve.

[6] I also said last year that I would issue guidance on the code of conduct for elected members, and I think that there has been concern about the number of complaints. I thought that guidance would be a helpful way of addressing some of those concerns, and I will come back to that in a moment. I also talked about developing a common complaints process for use across the public sector, and, as you know from the First Minister's comments in Plenary, that has now been submitted and is to be implemented in the coming months. I am pleased with that, because I think that it will lead to significant improvements for people using public services, as well as economies through having a simpler, more straightforward, streamlined process in place.

[7] Then, as regards the work of my office in investigating complaints, we talked about introducing a complaints advice team, so that people could put their complaints to me by telephone or e-mail or in more conventional ways than the old requirement that everything must be in writing. Obviously, people are still welcome to put their complaints in writing, but the principle aim of the change was to streamline the way that we deal with complaints and give a much quicker response to members of the public. As part of that, we have tried to close many more complaints by way of quick fixes. To give a sense of that, the team kicked in just at the end of the previous financial year and, in the current financial year, we have closed 93 cases by way of settlements, which compares with 90 for the whole of the previous year. So we are dealing with many more complaints. If someone rings us up—for instance, they may have a problem with their central heating boiler, and the landlord is not coming out—they are much happier if we ring the landlord and have them come to fix it than if we ask them to fill in the form to make a formal complaint. What we have seen as a consequence is that our inquiries in the office are at their highest ever recorded level. They are up 28 per cent on the same period of last year, so people are more familiar with the work of the office, and the complaints advice team is starting to gain the confidence of members of the public; those changes are therefore bearing fruit as we expected.

1.30 p.m.

[8] One thing that I expressed in issuing the guidance on the code of conduct is that it would lead to a reduction in the number of complaints coming to my office, which is down 20 per cent this year compared with the same period last year. That is also starting to bear fruit. However, complaints about public bodies were up slightly in the first part of the year, and the principal element of that was that health complaints have risen again and now form a full quarter of all of the complaints coming to my office.

[9] I said that we wanted to notify more complainants within four weeks of whether we would investigate or not. The figure now stands in the high 80s in terms of percentage, compared with 60 per cent or so in the previous year. So, many more people were able to receive a quick answer.

[10] One other thing that I said was that the changes in my office would enable us to close more complaints. In the first half of this year, we have closed 1,200 complaints compared with 1,000 or so complaints in the previous year. So, there has been a very big improvement in performance in the office, because the efficiency measures that we have introduced are delivering. When we spoke to you last year, we promised that these changes would have an impact; we are pleased to report that they have had that impact.

[11] I also gave a commitment that, by 31 March, any complaints that have been with my office for more than 12 months will be closed, and that, in future, we intend to close all complaints within 12 months. I know that that seems quite a long time, but for very complex health investigations, where there are extensive medical records, for example, some complaints will always take that time. However, the fact that we are now moving to get rid of the backlog of older complaints and have a target date in the very near future to achieve that is evidence that the new systems that we have put in place are working and delivering improved performance for the people who approach us with complaints.

[12] In the course of the year, we will see the introduction of the signposting service that I talked to you about last year. The staff and systems are now in place, and by the end of this financial year the formal launch will have taken place. As you can see from the number of inquiries, the work of that team has already started, but we decided to get it fully up and running before formally launching it, to avoid creating expectations that we were not able to properly meet.

[13] The full online complaint handling system—which we believe will be a world-first—will also be in place by the end of this financial year and will help us to deal more efficiently with complaints. People will be able to make a complaint fully online. If that complaint is for a body that has not yet dealt with the complaint, we will be able to forward the complaint to those bodies for the individuals concerned. So, it is a big improvement in service, but it is also an improvement in efficiency.

[14] We will be taking on additional health complaints, because we understand that the NHS Redress (Wales) Measure 2008 will be introduced in the very early part of the next financial year. We are geared up and ready to deal with that. In the course of the next year, we hope to work with public bodies across Wales in introducing the new common complaints mechanism.

[15] Those are the only introductory remarks that I want to make, but I am happy to take questions from the committee.

[16] **Angela Burns:** Thank you for your submission. I think that it would be fair to say that areas of your submission give the Finance Committee cause for concern. Our research team has tried to liaise with your office to gain clarification of not only the numbers contained in your submission, but of how the numbers marry up to the text of your submission. We will start with questions from Andrew, who will try to persuade you to shed some light on some of this.

[17] **Andrew Davies:** I declare an interest, as I was Minister at the time when the processes of establishing Complaints Wales and the signposting services were started. I am delighted to see these coming to fruition.

[18] Picking up on the Chair's point, Peter, I have never before seen advice from officials that points out to us that they have had to go back to an organisation to ask what the figures mean in order to get greater clarity and consistency. There is a range of areas where this is of concern, including capital revenue and the changes against estimates—because it seems almost an arbitrary choice on the estimate of inflation, for example, to use a figure of 3 per cent. It is normal in the public sector to use the Treasury's gross domestic product inflators. So, there does not seem to be consistency and clarity. In my experience, it is unusual for an MRS official to have to go back to seek that.

[19] **Mr Tyndall:** I will address some of the issues that have been touched on. When we came to you last year, one point that we made was that the overall budget last year would be greater than the budget that we would apply for in this financial year, because there were set-up costs associated with implementing the NHS Redress (Wales) Measure 2008 and the signposting service. Last year's overall budget included the capital elements and some revenue set-up elements for those services, but only half-year costs for the staffing elements of those services, because they were not introduced at the beginning but during the course of the financial year. So, we said that the overall budget last year, for capital and revenue together, would be higher than that for this year, but that this year the revenue budget would take account of the full-year costs of the signposting service and the health redress Measure. The signposting service will kick off in the current financial year and the health redress Measure will kick off in the early part of the next financial year. That accounts for the movements between the two sets of budgets. Those figures were provided to you last year, Chair, but I agree that it is perhaps unreasonable to expect you to remember them in detail, and perhaps we could have been clearer in what we set out in the paper. However, that accounts for the movements.

[20] The reduction in capital is because the capital that we required involved setting up the new office and IT systems in this financial year in order for the new services to operate.

Clearly, we will not need that again next year. Our standing capital requirement has been £20,000, which is a very small amount in the overall context of the Welsh budget. We have reduced it by £5,000 to reflect the overall reduction in the amount of capital available to the Welsh Assembly Government. The revenue cost is the same flat, cash level as last year, but it has been amended to take account of the full-year costs of the signposting service and the health redress Measure.

[21] **Brian Gibbons:** So, where in appendices B, C or D could you find that out?

[22] **Angela Burns:** It looks like an increase, to be frank.

[23] **Mr Tyndall:** Overall, the net cash requirement is considerably less than last year, but last year it included large capital sums. The overall figure shows a reduction, but there is an increase on the revenue side to take account of the full-year costs of the two new services. Their consumption of funding last year was primarily in the form of capital, but this year it is primarily revenue.

[24] **Brian Gibbons:** Thanks for the verbal explanation that you have given, Peter, but if you look at appendices B, C and D, which presumably are your tables—

[25] **Mr Tyndall:** Yes.

[26] **Brian Gibbons:** I am trying to analyse the tables based on what you have just said. Can you help me to capture what you said by looking at the tables?

[27] **Mr Tyndall:** Indeed I can. On movements, the figures for this year, so the outturn for the current financial year—

[28] **Brian Gibbons:** Sorry, but which paper are you referring to?

[29] **Mr Tyndall:** I am looking at the table at appendix C. Those figures include a sum of £443,000 for one-off capital costs.

[30] **Brian Gibbons:** Where is that?

1.40 p.m.

[31] **Mr Tyndall:** The capital expenditure of £463,000 includes a sum of £443,000 for one-off capital costs, leaving the figure of £20,000, which was our base capital budget prior to that year. As I say, we have reduced that figure to £15,000 in the current year. So, that shows that the figure of £463,000 included one-off costs that have now been removed.

[32] On the revenue figures, the total actual revenue for 2009-10 includes one-off costs of £33,000. That was for engaging staff and so on for the new services, but the figure for—

[33] **Brian Gibbons:** So, is that captured in salaries and related costs?

[34] **Mr Tyndall:** It is easier to look at it in the total administration costs, but it is principally salaries and related costs, and it also involved training and recruitment. So, the total figure is £33,000 as part of the total administration costs. Last year, total administration costs included £63,000 for the signposting service half-year costs and £157,000 half-year costs for the NHS Redress (Wales) Measure 2008. This year, you have the other costs additional to that, So, when you look at the change between the two, you see that that is bringing up the signposting service and the NHS Redress (Wales) Measure to full-year costs. That accounts for the movement. So, there were one-off costs of £33,000, which are now not

included, and full-year costs for the signposting service and the NHS Redress (Wales) Measure, leading to a net change of £187,000. That is the difference between the two.

[35] **Brian Gibbons:** The difference between £3,269,000 and £3,751,000 is more than that.

[36] **Mr Tyndall:** Sorry. The cost of capital has moved because of the ways in which the figures are accounted for, but that is netted out at the bottom of the table, as you can see.

[37] **Peter Black:** So, you spent £463,000 in capital this year and you plan to spend £20,000 next year. How has the cost of capital gone from £70,000 to £25,000? How have you managed to do that? Have you found some very favourable interest rates and, if so, can you tell us where you found them? [*Laughter.*] In addition, how have you managed to get your depreciation and disposal of assets from -£177,000 to -£148,000?

[38] **Mr Tyndall:** I think that some of those are technical accounting treatment figures. I will provide detailed written responses to those questions, but they do not affect the bottom line cash requirement in any way. The way in which we have been asked to treat depreciation has changed slightly, but that is a reflection of the cost of the acquisition of the assets and the depreciation policy. I will provide the detail on that.

[39] **Peter Black:** What about the cost of capital? That is quite a significant reduction, given that your capital requirement for next year is a fraction of what you spent this year.

[40] **Mr Tyndall:** The important thing to say is that the cost of capital is a notional figure. I accept the point, and I will provide further detail.

[41] **Peter Black:** How is it a notional figure? Surely it is an interest repayment.

[42] **Mr Tyndall:** No, it is a notional charge for the capital employed, and it does not actually have an impact on the cash requirement. Its nets out on both sides.

[43] **Angela Burns:** If we write to you formally on that one, perhaps your expert back at the ranch could give us that information.

[44] **Mr Tyndall:** Yes, but I can assure the committee that it does not have an impact on the amount of cash required. It is not a requirement for us to make a payment in respect of loans, because my office is not empowered to take out loans, so I do not borrow the money. It is non-cash.

[45] **Angela Burns:** I am a simple soul, Peter, and I would like to understand clearly how the budget in appendix C can show upward movement in expenditure when we are asking all departments to accept reductions in their available revenues, and when the Government itself has laid a budget along exactly those lines. You are presenting us with a budget that you want us to authorise and put before the National Assembly that shows an increase in expenditure. To be honest, we need a strong reason to do that.

[46] **Mr Tyndall:** I understand that, and I can explain it. The bulk of the difference in this relates to the health redress Measure, which has meant that the independent review stage currently funded within the Welsh Assembly Government's own budget will no longer be required. All that money will be a saving in the overall budget of the National Assembly. Therefore, although there is an increase in my budget, there is a larger corresponding decrease in the overall budget of the National Assembly.

[47] **Andrew Davies:** The Assembly Government.

[48] **Mr Tyndall:** Indeed. Sorry, that was what I meant to say. The responsibility for dealing with the second stage of health complaints is being transferred to my office from the Welsh Assembly Government. The Government will make a saving on that, which will be reflected in the budget that it produces.

[49] **Janet Ryder:** Are you saying that this could be classed as a transfer from one department to another? If it is, that is not a saving.

[50] **Mr Tyndall:** No, that would not be a saving. This is about transferring responsibility owing to the abolition of the independent review process. The net cost of my office providing this service is less than the cost of the Welsh Assembly Government providing it.

[51] **Andrew Davies:** What is the scale of difference?

[52] **Mr Tyndall:** I have that information, but please bear with me a moment while I look for it. The scale of difference equates to a saving of £104,000. That figure was originally calculated in 2007, so the actual saving will be higher than that at today's rates.

[53] **Angela Burns:** That is not reflected in these figures, though.

[54] **Mr Tyndall:** No, it cannot be, Chair, and I understand that point. My budget is separate from that of the Welsh Assembly Government. They are both separate draws on the Welsh block grant. Therefore, this will show up as a saving not in my budget but in the Welsh Assembly Government's budget.

[55] **Angela Burns:** I understand that. Let me ask you the question in a slightly different way. Can you assure this committee that the ramp-up or the increase in the revenue costs in your budget over the next couple of years is 100 per cent to do with the NHS Redress (Wales) Measure 2008?

[56] **Mr Tyndall:** It is to do with the NHS Redress (Wales) Measure and the signposting service, which the Welsh Assembly Government was due to implement through a grant, by setting up a new organisation. The cost of my office providing this service, given the synergy with our existing work, is substantially less than the Welsh Assembly Government had envisaged in its plans. The combined saving from these two things works out at £229,000.

Angela Burns: I would like to receive a monetary explanation from your expert back at the ranch at some point. As I see it, you have a budget that you have increased a bit because of the NHS Redress (Wales) Measure and that you have increased again because of the signposting service. However, I do not see what everyone else in Wales has had: a cut in the baseline. Even though these things have come along and added to your workload, I would have expected to see some correlation between your budget and other budgets, and for it to have gone down a bit, but your budget has gone up slightly because those two extra elements have been added. Are you telling me that those two extra elements are so enormous—they do not sound it, from what you have said—that you have only gone up to £3,947 and you have also made substantial cuts and savings? To be quite frank, in reading this, I do not see where this budget has taken any hit whatsoever because of the current financial climate.

1.50 p.m.

[57] **Mr Tyndall:** First of all, the figures that we put to you last year on the full-year costs are exactly the ones that we have included.

[58] **Angela Burns:** Yes, but we are looking forward here, are we not?

[59] **Mr Tyndall:** Indeed. The point is that we have not increased them in any way for inflation. We have also indicated that we expect that there will be an increase in the level of complaints reaching my office, as a consequence of changes elsewhere. As you know, I have a statutory duty to investigate complaints from members of the public. We believe that changes to public services will lead to an increase in complaints. It is also important to say that we are providing both of those services at a lower cost than they could have been provided elsewhere. With the NHS Redress (Wales) Measure 2008, that is a direct reduction in the Welsh Assembly Government budget, which should be of a greater amount than the increase in this budget. As far as we are concerned, that is a saving and a reduction for the Welsh taxpayer. We will be doing it more efficiently than it is done under the current arrangements.

[60] **Angela Burns:** I would like to come back to your statutory duty with Lorraine in a minute, because there are some things that we would like to examine. Andrew, you had a quick question that you wanted to ask.

[61] **Andrew Davies:** Yes. Peter Tyndall just mentioned the additional duties being placed on Members, when my understanding is that the extra money was voted through in a supplementary budget, earlier this year or last year. I would like to follow up the Chair's point. You say that you are forecasting more demand for your services: I would like to know on what basis you made that calculation. Secondly, on a related issue, to what extent have you reviewed all your activities, with regard to a strategic review to say what activities you will stop or reduce to accommodate that particular aspect?

[62] **Mr Tyndall:** The activities of my office are very simple. The bulk of the staff is engaged directly in investigating complaints. As regards peripheral activities, there are very few indeed—for the ones that there are, we have referred to the advice and guidance to other public sector bodies on ways to improve their service and learn from complaints. In the long run, that should be advantageous. Getting things right the first time should reduce the overall pressure on budgets. We have reviewed carefully the way that we do things, in order to see where we can drive out further savings. In the introduction, I talked to you at some length about changes in the way that we deal with complaints when they first come to the office, to reduce the amount of time and effort that is involved in dealing with complaints. That has enabled us to deal with complaints more efficiently. I talked to you about how we have managed to eliminate the backlog. Doing that has given us the headroom to deal with the anticipated higher volumes of complaints. It is difficult to put a figure on it, but I think that it is fair to say that as citizens feel the impact of service reductions, we will see an increase in the number of complaints as services are unable to meet their expectations. That will not necessarily lead to upheld complaints, because we take account of the financial pressures facing services in determining whether the level of service offered to an individual is appropriate. However, we will still have to investigate them.

[63] We have taken a lengthy series of measures in relation to rationalising the administrative support in the office. We have stopped filling vacant posts and we have taken all the other measures that you would expect to contain our costs.

[64] **Angela Burns:** Brian, did you want to ask a quick question?

[65] **Brian Gibbons:** I realise that other people have questions to ask, but I would like to ask one thing about tables B, C and D. I could not quite understand one thing. In looking at the strategic aims of appendix B, I can understand why the total cost of the strategic objectives would be less than your total administrative costs and so forth, but if you go on to look at the figures for 2011-12, you will see that delivering the strategic objectives seems to be more than your overall estimate.

[66] **Mr Tyndall:** That is probably an error. I will provide corrections. Clearly, they should total.

[67] **Angela Burns:** Thank you. Lorraine is next.

[68] **Lorraine Barrett:** I appreciate that we do not have much time, but I wanted to make two points. I was slightly concerned to hear that someone had rung up about their boiler not being fixed. I would not have thought that that was the sort of complaint that you should be dealing with. I thought that you would be dealing more with maladministration, rather than those sort of day-to-day complaints. However, when your office telephones the boiler person, do you make the council aware that that person is not dealing—

[69] **Mr Tyndall:** We would ring the council or the housing association to ask it to send someone out.

[70] **Lorraine Barrett:** Okay. I would like to pursue that at another time, perhaps.

[71] **Angela Burns:** Actually, I think that it is quite important.

[72] **Lorraine Barrett:** I am just thinking of the financial implication of your office doing a job that the council should be doing. I do not know. At what point are people coming to you? In the old days, when I worked for a Member of Parliament, I can remember that you only went to the ombudsman when everything else had failed and you had been through the whole process with the council's or health services' complaints system.

[73] **Mr Tyndall:** In almost every occasion, if someone comes to us before they have exhausted the complaints mechanisms, we will ask them to do that first. By and large, my office will refer the complaint to the body and ask it to look into the matter, rather than make the individual themselves go back to the body. I am sorry if I misled you with the example of the boiler, but the particular point that I was trying to make is that they will have gone to the landlord and asked them to send someone out; they will not have had a response and then they will have come to me. Rather than try to deal with that as a complaint, I will go back to the body and ask it to please sort it out. As I was saying, in a surprisingly large number of cases now, we are successful with that. If it had come in to me as a written complaint, as it would have done in the past, that would have occupied quite a lot of time in my office and in the body concerned, and it still would not necessarily have got someone out to deal with the issue. Therefore, what I am trying to say is that we are trying to find ways of reducing administrative cost at the same time as getting people the outcomes that they want.

[74] **Lorraine Barrett:** I just had a vision of hundreds of people across Wales now thinking, 'Right, if they do not come out in the winter now when my boiler's not working—'.

[75] **Angela Burns:** You would do us out of a job. [*Laughter.*]

[76] **Lorraine Barrett:** The other issue, which is for another time, and is also an issue that some of us will be taking up with the Minister, is the code of conduct for local authorities and elected members, which I think is concerning quite a few of us. I know that Peter Black wishes to say something about this. I just wonder what the financial implication is of the length of some of these, or at least of one that I am aware of, which took far longer than your own guidelines set out. Apart from the impact on an individual's life, I wonder what the impact is on your budget when a case can take far longer than 12 months—I believe that cases are supposed to be dealt with within 12 months. I know of one that took 18 months. I am also thinking about the way that some other code of conduct complaints have been dealt with. You see budgetary implications for you in future with more and more of these possibly coming

forward, but it is also a matter of how you deal with them. Do you feel that you have been dealing with them as expeditiously as you could have done, from a budgetary point of view, because that is the only way that we can discuss this at this committee today? I do not know whether Peter wishes to come in at this stage, and whether Peter Tyndall can answer both questions.

[77] **Peter Black:** I will let Peter answer your question first.

[78] **Lorraine Barrett:** Okay.

[79] **Mr Tyndall:** Code of conduct complaints are a relatively small proportion of the number of complaints that come to my office. The numbers that are investigated are a smaller proportion of those again. The points that I made about the backlog in my office, the delays and those now being addressed, apply equally to code of conduct complaints. It is unfortunate that they take longer. Some of them have taken longer than they should have done, but the commitment to dealing with complaints quicker equally applies to the code of conduct complaints, as it does to the ones about maladministration. The number of complaints that go forward to a full investigation is a tiny fraction of those that come to me. With regard to the number of community and county councillors in Wales, the number of complaints is 0.2 per cent of the total number of councillors in the course of the year. So, it is important to keep some sense of proportion about this.

2.00 p.m.

[80] I am conscious of the cost of investigations and the cost of instigating investigations, and I appreciate why the committee would want me to be. I use a two-stage test when I look at complaints under the code of conduct. The first stage is whether there is any evidence that the alleged breach occurred—and it is sometimes one person's word against another, so even if there was some evidence, it would simply be impossible to pursue. The second stage is whether the breach complained about would actually attract a sanction. I obviously adjust that test, depending on the outcome of complaints.

[81] It is worth noting that the majority of complaints that have received attention tend to be ones about having respect and consideration for others. The code requires councillors to do that, and that has recently attracted a lot of discussion, and those form a small proportion of the complaints that I investigate. The bulk of the complaints that I investigate are to do with issues such as bullying council officers and failure to declare interests. We had a recent case, which is not an isolated case, where a councillor was suspended for attempting to influence the planning process to his own financial advantage. We see instances of that.

[82] So, I appreciate the concern about having care and consideration for others and the impact of that. I particularly appreciate the issue of democratic accountability, and the guidance that I issued is quite clear on that. The code is, clearly, the Assembly's code; it is my job to investigate alleged breaches, not to produce the code. However, my interpretation of the code is that it is not intended to prevent robust debate or to prevent office-holders from being held to account. Those kinds of issues have arisen recently, and I will take account of the recent decisions in making future determinations as to whether to investigate or not. However, those kinds of complaints were a small minority of the total cases considered. It is worth noting that, although the attention has been on the ones that I did investigate, as an officer, because we do not investigate many such complaints, for precisely the reasons that Members are concerned about, we receive many more complaints about not investigating alleged breaches of the code of conduct than complaints about the ones that we have investigated.

[83] **Peter Black:** I accept the explanation that they are a small proportion of total

complaints, but, if I remember correctly from the annual report, complaints on the code of conduct are the set of complaints that are increasing in number. It is the complaints about respect that cause me the greatest concern, and the ones that I am aware of around respect have been very time-consuming and expensive, not just to your office but also to the councillors concerned. In relation to the budget, given that you have rejected the vast majority of those complaints and given the recent judgments, do you think that a change to the code of conduct might help your budgetary position?

[84] **Mr Tyndall:** The answer to that is twofold. I hoped that the change to the guidance to the code would reduce the number of complaints. We are seeing that this year, so there is a 20 per cent reduction in-year. However, we are seeing an increase in maladministration complaints. If changes to the code led to a reduction in complaints, then that would lead to a reduction in the cost of investigating, but I can only plan a budget on the basis of the existing code. It is worth saying that it is a difficult area and I appreciate that part of the difficulty, which Lorraine has mentioned, is having this discussion in the context of a finance committee. There is a need for a discussion on this, and I would want to play an active part in that discussion, but the forum for that discussion is not obvious under the current arrangements. I appreciate that there are genuine concerns, which will influence, as I said, the decisions that are taken. They always do and they also affect the guidance, which is a living document that is amended in light of cases, so the principal version of the guidance is the online one.

[85] For all that, having some independent standards element, as the Assembly has, helps to create public confidence in authorities. So, when you look at serious complaints in which, for instance, people are trying to gain personal advantage, it is important that there is a proportionate debate about it. As I said, I very much welcome an opportunity to participate in that.

[86] **Angela Burns:** Your points are noted and I will ensure that the Chairs of other committees, which might be the right fora for you to have this debate, are also aware of that. We have a lot of questions to ask you, which are of a more technical nature, such as questions on efficiency savings, how you deal with VAT, the cost of your special advisers and consultants and so on. I propose to write to you on that. A letter will wing its way to you, I hope by the end of tomorrow. I ask that you turn that around pretty quickly for us, because, as I said, we have some concerns about the clarity of your submission. To be frank, having chased the Government to the point where it is now beginning to produce much clearer budgets, we have to and want to spread that across to other public bodies. I thank you and your colleague very much for your time today. We will send you those questions and we would be grateful for a swift response, because we have to lay this report within 10 days. So, there is a little pressure there.

[87] I suggest to the committee that we have a couple of minutes to grab fresh coffees and then invite in the Minister.

*Gohiriwyd y cyfarfod rhwng 2.08 p.m. a 2.13 p.m.
The meeting adjourned between 2.08 p.m. and 2.13 p.m.*

**Cyllideb Ddrafft Llywodraeth Cynulliad Cymru 2011-12—Tystiolaeth gan y
Gweinidog dros Fusnes a'r Gyllideb
Welsh Assembly Government Draft Budget 2011-12—Evidence from the
Minister for Business and Budget**

[88] **Angela Burns:** I ask the committee to reconvene after that brief coffee, tea or chocolate break. I welcome the Minister for Business and Budget to our session today. This is

the first stage of the Finance Committee's examination of the draft budget laid by the Government yesterday. Minister, the point of today's meeting is for you to be able to lay your budget before us and explain the reasoning behind it. I will then ask Members to come in with questions as and when they see fit to do so. We have had a fairly fast look at it, but this is obviously something that you have been working on for a considerable time, so we hope that you will be able to give us the lowdown on it.

[89] I ask you to introduce your team for the record.

[90] **The Minister for Business and Budget (Jane Hutt):** I introduce Andrew Jeffrey, the head of the budget team; Michael Hearty is the director general for finance; and Jeff Andrews is my special adviser.

[91] **Angela Burns:** Thank you, Minister. Would you like to make some opening comments?

[92] **Jane Hutt:** Thank you very much indeed, Chair. I would like to say at the outset that I am very pleased to be able to attend this meeting of the Finance Committee today, so soon after the publication of our budget. So, I appreciate your opening remarks about the opportunity presented by today's meeting for me to outline how we have worked towards this important, and I would say the most challenging, budget that we have had to draw up since devolution and that you have had to address as the National Assembly for Wales.

[93] I know that you are taking your fair share of the pressure by condensing the scrutiny period, which we have discussed in earlier weeks and months. We have to ensure that our partners have the earliest possible notification of their settlements. Throughout the planning period, I have been clear that I want as constructive a relationship with this committee as possible, and I want to support your scrutiny and be as transparent and open as I can. My officials are here to serve you in ensuring that you have full sight and understanding of the figures as well as the overall budget objectives. I have reflected on the experience of previous years, and I have tried to be as transparent as possible in presenting these proposals.

[94] I have published spending plans at the action level to make it clear where we have made budget reductions and where we have provided protection to budgets. Alongside the detailed spending plans, I have produced a budget narrative document that provides a comprehensive account of the budget. I know that you will all have seen this, but I think that it will address many of your questions this afternoon and in the coming weeks. That narrative document provides a comprehensive account of the budget, but most importantly it sets a context for the budget and lays out the strategic priorities that have helped to shape our plans and the approach that we will take to delivering with reduced budgets, including that department-by-department account of what this budget means. I hope that this will be accessible to the wider world and our partners so that they understand what this budget means. I hope that it will also answer the questions that you were asking me over the summer about how we can make sure that we address this strategically. I thank the Chair for her assistance in shaping this approach.

[95] This budget is being reported as the most significant political event of the year, and I would suggest that, in some ways, it is one of the most significant events in the Assembly Government's history. We have cut our teeth against a backdrop of growing budgets, and now we have been presented with the challenge of responding to budget cuts. I will not dwell today on the justice of the cuts; my views on whether the speed and pace of the cuts are appropriate are well documented. You know my view of the UK Government's spending review. The Welsh Assembly Government's work over the past month has focused on making the most of a difficult hand for Wales. I believe that the budget proposals show a responsible Government that has responded to the challenge.

[96] However, we must recognise that it is only four weeks since we found out what our spending review settlement would be, and in the early part of our preparations for this budget we worked on the basis of planning assumptions. Throughout our preparations we have taken a distinctive Welsh approach and focused on a collaborative response, exploring innovative ways of delivering the same or more with less. These preparations have stood us in good stead and allowed us to rapidly turn our budget proposals around.

[97] The budget has emerged from that approach, and from talking to people the length and breadth of Wales. I was teased rather mercilessly when I gave a statement on my Community Counts tour, because we went out and talked to a lot of people, but that is what we should do as a Government, facing these difficult times, to be able to develop and test our priorities. It is clear that all of us, at some time or other in our lives, depend on public services. That came over clearly in preparing for this budget and in the evidence that we have received on shaping our priorities. We need to know that services such as health, education and housing support are there when we need them. Front-line services have been our priority throughout the budget preparations.

[98] Our careful planning means that we have been able to protect spending on health and social services in the main expenditure group in cash terms, and uplift the budget line on NHS delivery. We have also been able to protect budgets for schools and skills by 1 per cent above the overall change to the Assembly Government budget, with these budgets growing by 4.4 per cent by the end of the period. At the same time, the settlement for local government will provide a level of protection for social services, which is the same level of protection that we have afforded to schools, skills, and community and secondary healthcare—1 per cent above the settlement from the UK Government. This means that the budget for social services will be 3 per cent higher by 2013, and this is important news for vulnerable people throughout Wales and has a beneficial impact on health service spend.

2.20 p.m.

[99] Despite a difficult settlement, the proposals that I published yesterday show that we have been able to stand true to our principles. Our priorities and principles have shaped our planning for a reducing budget, as they shaped our planning for a rising budget. In our priorities, we have focused on front-line services, but we have also maintained our expenditure on universal benefits such as free school milk, free school breakfasts, free prescriptions, concessionary fares and free swimming, and we will even increase those budgets by the end of the three-year period.

[100] All the universal benefits have a positive impact on health and wellbeing, and these are the benefits that bind us together in a fair and more equal society. However, that is just one part of the story. They are additional to the delivery of the core services that form the foundations of the society and economy that we want for Wales. It is important that we have reflected not only on front-line public services, but also on the impact on the private sector. That is in addition to my engagement with the public sector, the third sector and those who use our public services. We also met and consulted with the private sector and the strong message that came from that sector was, 'Please maintain your investment in skills'. There was also a strong plea from the construction industry to keep our capital programme going, as well as a strong recognition of the work that we have done, particularly this year when we were asked to make a capital reduction as a result of the June budget. However, we did not make a capital reduction; we maintained our budget plans and we took the capital cut out of our own budget.

[101] To end my introductory remarks, given the budget reductions that we are dealing with, it would be naive to expect no changes. The simple fact is that we cannot continue doing

everything that we have done, historically, in the same way as we have always done. That is why I have placed so much emphasis on the efficiency and innovation agenda over the past year. That will continue to be important as we implement these budget plans. There is a chapter on it in the narrative of the draft budget, talking about working through how we can maintain our strong track record on delivery. Even over the past 24 hours in response to the budget, it is interesting how there has already been much debate about what it will mean for the delivery of our public services and the interface between health and social care, housing and public health promotion, and recognising that that is all part of the innovation and efficiency agenda.

[102] The committee's discussions and the publication of the budget yesterday are just the start of the process. The Assembly's scrutiny will continue into the new year. The settlements for the NHS and local government will follow in due course. Even then, there will be a wealth of activity within Government and outside to turn these spending plans into delivery plans. The paper that I have presented to you today includes detail on how the Assembly Government will approach its business planning. We must recognise that business planning is essential to ensure that we deliver against our objectives and that we continue to monitor our performance along the way. As I have said on many occasions, the money that we spend is not the be-all and end-all. The important thing is how we spend it and what we achieve. The measures set out in my paper will ensure that we continue to focus on outcomes for the people of Wales.

[103] **Angela Burns:** A number of Members have signalled their interest in asking questions.

[104] **Chris Franks:** I have a number of questions. I will ask one of them now and, if there is an opportunity, I will ask the others later. Minister, thank you for your introduction. The committee has a lot of work to do to drill down to the detail, but my initial understanding is that the budget aims to protect education, skills and secondary healthcare as much as possible. How do you respond to the calls that the health budget should be ring-fenced? What would be the impact of that on other services? I have done a quick calculation, and it strikes me that, if that happened, education spending would be cut by about a quarter, and council tax would probably go through the roof. Is that a fair assessment?

[105] **Jane Hutt:** It is a helpful starting point, and perhaps I can set the record straight on funding for the NHS. As I said in my opening remarks, there will be no cuts to the NHS revenue budget over the next three years. It is important that we get across that this is about the revenue side of the budget. So, there will be no cuts to the NHS revenue budget, which is the money that we spend on services for the next few years. We set out in our planning assumptions that we would protect the priorities of secondary and community healthcare, and, as a result of that decision, there will be no cuts to the NHS revenue budget over the next few years.

[106] Much has been said about the impacts of ring fencing—and Chris just mentioned a quarter of the education budget. We could do a quick calculation of what would happen if we ring-fenced the budget for the health service, but the leader of the Welsh Conservatives mentioned a possible 20 per cent reduction in the education budget, which would mean a £350 million reduction in cash terms in 2013 and £1 billion over the three-year period. Where in the education budget would that come from?

[107] It has come over clearly from the response today that people widely welcome the fact that we have been clear about the priorities in the budget. There is recognition from the private sector that investing in skills is crucial to our economic recovery, and there is also recognition of the fact that we are protecting health and social services. Indeed, the Welsh NHS Confederation said that it was pleased with the protection afforded to health and social

services. An important point was made in an interview today by Marcus Longley at the University of Glamorgan, I think, that the fact that we are putting money into social services will also have a beneficial impact on the delivery of health services. The UK Government's ring-fencing of the health budget includes that for social care. We recognise that investment in social services is critical to the wider delivery of the national health service, and there are vulnerable people who will need health and social care services alongside each other, often.

[108] That clarifies the point about the health budget and deals with the impact of ring-fencing on other budgets.

[109] **Nick Ramsay:** Minister, you said a few minutes ago that there will be no decrease in the health budget for front-line services over the next three years. Does that mean that you have accepted the argument that it should be ring-fenced, or are you referring to cash-terms and not real-terms decreases?

[110] **Jane Hutt:** I answered that in response to Chris's question. We can look at the tables again. It is the cash that we are looking at in respect of there being no cut. On page 25 of the draft budget narrative, it is clear in table 5.1: the percentage change to the budget for health and social services in 2011-12 is 0 per cent, and the percentage change in 2012-13 is 0.2 per cent. So, the percentage change over three years is 0.2 per cent. It is therefore flatlining, and there is no reduction in cash.

[111] **Nick Ramsay:** So, it is a real-terms cut.

[112] **Jane Hutt:** It is the cash-terms maintenance of the health and social services main expenditure group over the next three years.

2.30 p.m.

[113] **Peter Black:** Following on from that, Minister, you have said that you are seeking to protect the health and social services budget, but it seems clear to me that you are just doing it at a different level from that that the Conservatives are proposing. So, in a sense, you have ring-fenced health and social services, just at a different level. We are just talking semantics there. Clearly, that will have an impact on other budgets. However, given that you are seeking to protect that budget—and I do not disagree with that approach—how do you intend to drive out the inefficiencies in health to continue to improve outcomes and, in particular, to address the issues raised some time ago by the directors of finance in the health boards about the fact that a large proportion of that budget is not being spent effectively?

[114] **Jane Hutt:** Thank you, Peter, as I am glad that you have shed some light on the fact that we are protecting our health and social services main expenditure group. However, that does not in any way make the NHS immune to the drive for efficiency. As I said, that view is shared quite widely now. It is shared by the Welsh Local Government Association. Indeed, the Confederation of British Industry said this morning that we should not be going down the ring-fencing route.

[115] **Nick Ramsay:** You just said that you are—

[116] **Jane Hutt:** Let us park ring fencing. It would be great, Nick, if you could start parking your so-called ring fencing, because this is about protecting the NHS budget, but it is also about ensuring that we protect the social services budget, importantly. As the Minister for Health and Social Services will be saying when she comes before the committee, we expect that drive for efficiency and innovation, which has been the subject of discussion in the context of moving from dependence on hospital-based care to more independent community living.

[117] Over the past four years, there have been efficiency gains of £850 million in the NHS. That is an important point for this committee to have on record. Of course, we continue to expect efficiency gains and innovation in the delivery of health and social care.

[118] **Peter Black:** When you say ‘efficiency gains’, are you talking about cuts? My understanding of ‘efficiency’ is that you deliver the same or better outcomes for less money. In fact, the health outcomes in Wales are worse than the health outcomes in England. So, what is your strategy for turning that around?

[119] **Jane Hutt:** Turning again to the narrative of the budget, and looking at the chapter on efficiency and innovation, let us recognise the work that is being done. Andrew Davies progressed this and supported it very much when he was Minister for Finance and Public Service Delivery. Consider the funding that we have given to the Gwent frailty project, which brings five local authorities together with the health board to provide a much more cost-effective and patient-focused delivery of services with health and social care, meaning less dependence on acute hospital beds and more dependence on collaboration in the community to enable people to stay in their own homes. The invest-to-save programme, which I have brought before the Assembly for scrutiny on many occasions, demonstrates that we are helping local authorities and the health service to deliver changes in the way in which they deliver services, which is what people want. People want to remain in their own homes.

[120] Another very important point about how we are spending money on front-line services is that we are protecting, for example, the money for the Supporting People programme, which I am sure you will welcome, Peter. Yesterday, we visited an elderly lady, and the Cabinet member for social services joined us. That lady has been able to stay in her own home. She has support from Supporting People and she has all the adaptations that she needs in her own home. That is what people want, so you are delivering a win-win through efficiency, because it is not so costly, and through innovation in the services that people want. It is that broader, more holistic picture that we need to get across to people. That is what we are driving through this budget.

[121] **Peter Black:** My understanding, Minister, is that you are actually changing the distribution formula for Supporting People, which will mean that large urban centres such as Swansea, Newport and Cardiff will end up having less money.

[122] **Jane Hutt:** We are talking about the Supporting People budget line today, and we are protecting Supporting People, as came over very clearly in our equality impact assessment. You will also be aware that Sir Mansel Aylward has compiled a report on Supporting People. I am sure that the report, in terms of making sure that this is delivered in the most efficient and appropriate way, is something that this and other committees will be looking at.

[123] **Angela Burns:** Nick, do you have a quick supplementary question?

[124] **Nick Ramsay:** Yes, I am seeking clarification on a point that was made earlier—perhaps it is the time of day, but I am a bit confused. Page 33 of your budget specifically relates to health. I met with your officials yesterday, and a very useful meeting it was, but as far as I can gather, you are proposing a decrease of just over 6 per cent in the health budget in real terms. I do not view that as ring-fencing the health budget. However, in your response to Peter Black, you said that you were ring-fencing it. Are you ring-fencing or not? It is a simple question.

[125] **Jane Hutt:** I did not say that. I said that I never used that term. [*Interruption.*]

[126] **Angela Burns:** The committee will let the Minister explain her position.

[127] **Jane Hutt:** I have said quite clearly all the way through that we are protecting the health and social services main expenditure group. That is quite clear from the fact that there are no cash reductions in the health and social services MEG. When the committee goes further down into the budget, Nick, I will draw your attention to the fact that the budget line on NHS delivery is rising, which is key to where the money for local health boards is going. If you drill down and look at the line on NHS delivery, you will see that it is rising. So, my words were no more than a plea that it be recognised, through the scrutiny process, that we are protecting health and social services, and that we are doing that not just through the health and social services MEG, but also through the spend on social services that will go through local government, as well as the other means by which we support vulnerable people, because good housing and education will mean that people are less dependent on the health service.

[128] **Andrew Davies:** There is ring fencing and then there is 'ring fencing', of course. Peter Black talked about changing the formula. My understanding is that, if you took away social care expenditure, there would be a reduction in health spending by the UK Government. While we are on the subject of smoke and mirrors, Minister, can you explain the description given by the Treasury and the incumbent of Gwydyr House of the change in the Assembly Government's departmental expenditure limit as 7.5 per cent over the spending review programme, when you are saying that it is 8.4 per cent? Can you please explain this difference?

[129] **Jane Hutt:** I will bring Andrew Jeffreys in here, but this goes back to the fact that the Treasury chose to use a different baseline to the baseline on which we were developing our planning assumptions. Andrew, would you like to add something?

[130] **Mr Jeffreys:** Yes. The 8.4 per cent figure that we have been using is the difference between the budget that we have available to us in 2010-11 and the budget that we will have available to us in 2011-12. We think that that is a sensible way of understanding the difference between this year's budget and next year's budget. In the Treasury's documentation and in all of its spending review numbers, it uses what it describes as our baseline. As you will probably recall from the last spending review, the Treasury sometimes adjusts baselines in spending reviews. In this spending review, the Treasury reduced our baseline by £180 million, in line with the cuts imposed by the UK Government earlier this year. That pushed our baseline down significantly. It also removed what it calls time-limited allocations made between the last spending review and this spending review in budgets or pre-budget reports. Taken together, all those things have the effect of reducing our starting point for the spending review. The difference between that reduced starting point and where we are is 7.5 per cent, but the difference between our actual budget in 2010-11 and that point is 8.4 per cent.

2.40 p.m.

[131] **Andrew Davies:** So, in real terms, as opposed to funny money, we are talking about 8.4 per cent.

[132] **Mr Jeffreys:** Yes. That is certainly our position.

[133] **Chris Franks:** Does that mean that there is a reduction in the reduction?

[134] **Mr Jeffreys:** It means that, as far as the spending review goes, it started off a couple of hundred below our actual budget in 2010-11. That percentage change calculation is from that reduced starting point.

[135] **Janet Ryder:** I would like to ask you about educational spending, Minister. For a

couple of years, there has been an argument between the Assembly and local government, in that local government was seeing the money available to schools being reduced on too many occasions, while the Assembly Government has said that it has maintained the spend on schools. Can you tell us what is happening here? You say that you are prioritising school spending, but because it goes into local government spend, there is the big question of what happens to it after that. How can we ensure that the schools that desperately need that money will get it?

[136] **Jane Hutt:** This is an important question about our partnership with local government. Local authorities have been aware that we had identified skills and schools as priority areas for spend. They also knew that that would mean funding going directly to them, through the revenue support grant, if we were able to prioritise schools in the way that we have. I can assure you that our officials have worked closely with officials in local government on the way in which we would deliver that. We are not talking about hypothecation; we are talking about a commitment and understanding that we would protect those funds. This will come through in the provisional local government settlement announcement next week. I recall the early days of this Assembly, when we had a similar arrangement. In those days, it was called something like ‘soft earmarking’. It is clear that this is funding that is going to schools, and it will be in the RSG announcement on the provisional local government settlement, which comes out next week.

[137] **Janet Ryder:** Minister, are you prepared to give parents an assurance that it is their local government that they need to watch, that you have done everything that you can to protect the money that is going into schools, and that it is local government that must now take that decision?

[138] **Jane Hutt:** We have worked very closely with local government, and we have a new understanding with it that recognises its concerns about reducing the number of specific grants. We are moving towards a partnership arrangement in which there is recognition of our priorities and of its needs and pressures. For example, I could be asked the same question about how we are going to ensure that the money that we are putting into social services is spent on social services when it reaches local government. We would expect the same protection to be afforded to social services in the way that it is spent in local government. I have spoken to the leader of the Welsh Local Government Association, and recognition of the fact that this is about us delivering on the shared priorities in relation to the needs of our children and young people and the needs of social services is something that we will work to secure.

[139] **Janet Ryder:** In the past, the Government has rarely taken a decision to ring-fence what have been, in the scale of things, small grants that have nonetheless made a huge difference to vulnerable people. One of those groups involves autistic people. Can you tell me where the autism money is and whether it is still ring-fenced? Are we likely to see those services—services in which Wales is now a world leader—continuing?

[140] **Jane Hutt:** This is a question that you will want to ask the Minister for Children, Education and Lifelong Learning. However, we have a commitment to reduce hypothecation in the 2011-12 local government settlement. Therefore, the settlement will include reductions in a number of specific grants. You are probably most aware of the core cost funding of the Cymorth grant, an element of which is being used for the implementation of the Children and Young Persons Act 2008. Despite the fact that we are reducing the number of specific grants, it is clear that we are recognising that it is a matter for consultation and agreement with local government. The specific grant concerning autism is something that you will have to explore with the Minister for education.

[141] **Janet Ryder:** That will be going into the education budget, even though it employs

people outside of the education department, will it? The autism money—the £3 million that was made available over three years—was never a specific grant; it was made available to support the development of strategic workers in each county, and the plans that needed to go along with that.

[142] **Jane Hutt:** Yes. I recall being questioned on this when I was the Minister for education. That is a very good example of where local government, with the Welsh Assembly Government, has taken the autism strategy on board. We afforded it some funding to enable and to deliver that with lead officers and members in each authority. Through monitoring and relationship management, that has been scrutinised carefully, and I think that there is an opportunity to follow that up, not just with the Minister for education, but with the Minister for Health and Social Services, too.

[143] **Janet Ryder:** Is it a requirement in the local government revenue support grant that we need to look for the money to support the fire brigades in Wales? If not, where is it; where do we find that line?

[144] **Mr Jeffreys:** It is within the social justice and local government budget, but there are specific budget lines for some aspects of funding for the fire service. Core funding, I believe, is within the revenue support grant, while there are, for example, specific budget lines for fire and rescue service resilience and some other aspects, but all of those are within the social justice and local government budget overall.

[145] **Janet Ryder:** Will they fall under the same sort of agreements that you have with local government? Are they statutory, or are they down to the grace and favour of local government?

[146] **Jane Hutt:** They are in the budget lines.

[147] **Mr Jeffreys:** The core funding for the fire service is within the revenue support grant. I would not claim to be an expert on how that feeds through to fire service authorities, but there are some very specific grants within the social justice and local government budget for specific things that Ministers are looking to the fire service to deliver.

[148] **Jane Hutt:** I think that it is a question for the Minister for Social Justice and Local Government.

[149] **Angela Burns:** In light of your comments, Minister, to Janet Ryder about asking the Minister for education and the Minister for Social Justice and Local Government, could you clarify to the committee how the internal negotiation process for the budget worked? For example, did each Minister come to you and say, ‘I need so many millions or billions of pounds’? How did you verify that? Were there bilateral meetings; were officials talking to officials; and did people come to you saying, ‘This is the key strategic objective in my portfolio and therefore, in order to achieve that, I require this amount’? I would be very interested to know how you arrived at your budget, because I am assuming that you would have gone back to those Ministers to check their assumptions.

[150] **Jane Hutt:** We started off as a Cabinet by agreeing on the priorities—obviously, with planning assumptions on reducing lines of budget. We then made it very clear to Ministers that we were not going to go down the route of salami-slicing budgets. We wanted them to look at their priorities, including the key ones of schools, skills, secondary and community healthcare, and universal health benefits, which meant that the Ministers with those budget heads had a specific remit set by Cabinet. We then said to Ministers, ‘You now have to look at what that leaves you in terms of planning assumptions, and what your priorities are’. This work took place over the summer months through bilateral meetings, with them coming back

to me and saying, 'These are the priorities and these are the areas that we think could be reduced or are, perhaps, coming to the end of a programme'. It might be helpful for the committee to know that the other kinds of criteria that we looked at in planning this budget concerned the equality impact assessment, the impact on the third sector, which is clearly delivering a lot of services for vulnerable people, and issues with regard to the impact on the private sector, particularly with regard to impacts on fiscal stimulus relating to the capital budget. We also looked at the impacts on match funding. What is reassuring, and will come out in the scrutiny, is that we have been able to protect EU funding for areas of tourism, transport and the rural development plan. Those are three areas that we asked Ministers to look at with regard to priorities, because they were areas that we were looking to protect.

2.50 p.m.

[151] So, we have taken a rigorous strategic approach to developing this budget, although we have obviously had to look at those impacts as well as the priorities that we set ourselves. I have had at least three or four bilateral meetings where draft budget after draft budget has come before me, in order for us, as the Cabinet, to bottom out an emerging budget. However, it was only four weeks ago that we got the figures to set all that work into context.

[152] **Angela Burns:** What about the decision on the measurement of the outcome for the amount of money given to a strategic priority? Would that decision have been taken by you and your department or by each individual Minister in their portfolio?

[153] **Jane Hutt:** It was very much taken by Ministers with regard to the delivery of their own portfolio responsibilities. There is a wider strategic point to make with regard to efficiency and innovation. The monitoring and evaluation of the impact of our programmes is crucial, and has not just steered individual Ministers but the Cabinet as a whole with regard to the effectiveness of the budget that is available to us.

[154] **Brian Gibbons:** I have two areas to question you about, Minister. Apart from the headlining financial message, one of the most frightening elements of the draft budget is in paragraph 3.31, where you state that it is estimated that 30,000 direct public sector jobs will be lost in Wales. That is roughly 10 per cent of the public service workforce, or 2 to 3 per cent of the total workforce in Wales, which is a pretty horrific prospect. You have indicated that protecting skills is going to be a top priority and, in your foreword, you indicate that one of your key challenges will be to use the reduced capital expenditure that we have to stimulate the economy. Is it your strategic view that, in using skills and this capital money, you will be working to try to mitigate the consequences of the 30,000 job losses? I do not know whether you intend to say any more on how your thinking is evolving in that regard.

[155] The second area is linked to the first. You said in your introduction that the first challenge is to put the spending priorities in place, which you have done, and that the next challenge is to put the delivery plans against those spending priorities, in order to deliver effective outcomes for that investment. Could you explain how the process of developing these delivery plans against the outcomes is going to take place and whether there will be performance frameworks and so forth to see that your priorities are being delivered? Will these delivery plans take into account a few of the things that you mentioned in paragraph 4.4 of the draft budget, such as the Independent Commission on Social Services, the education front-line resources review and the 'Local, Regional or National? Working for better service delivery across local government' review? Will they all be feeding into the delivery plans? Will the continuing invest-to-save fund and the European 'Making the Connections' money be part of the plans to deliver the efficiencies that are obviously needed?

[156] **Jane Hutt:** There were quite a few questions there.

[157] **Brian Gibbons:** I tried to reduce them to two. [*Laughter.*]

[158] **Jane Hutt:** They sum up important points about this draft budget. On skills being one of the areas that we sought to protect, that includes funding that comes through the Department for Children, Education, Lifelong Learning and Skills but it is also reflected in the economy and transport main expenditure group. So, it is important to recognise that the new strategic direction for economic renewal is very much about the agenda for improving the skills of the Welsh workforce. One of the important areas that I highlighted yesterday as I presented my budget was that ‘Skills That Work for Wales’, which you may recall is our strategic programme, is now being renamed and presented as ‘Skills That Work for Economic Renewal’. That is another area that is being afforded protection, with £16 million going into it, but with a particular focus on key skills. That also means that the funding in Leighton Andrews’s budget in relation to Pathways to Apprenticeships is safeguarded. Skills are key, and I am pleased that there has been recognition of the importance of investment in skills from the private sector.

[159] May I say something about how you link that to capital? When we were bringing forward capital through the countercyclical measures that we were taking during the height of the recession, we estimated the number of jobs that were created and safeguarded by bringing that capital forward. In 2009-10, it was estimated that between 535 and 749 jobs had been created and safeguarded by bringing forward capital of £18.5 million for projects that related to the social housing grant, school refurbishment and health projects. So, the link between capital spend, skills investment and public sector jobs is clear. On the way that we have been trying to protect capital, I have mentioned once already today that we chose not to make the £47 million of cuts that came out of the June budget. That was welcomed across all parties in the Assembly and by the Confederation of British Industry Wales. We took that out of our end-of-year flexibilities, and it meant that the planned programmes for this year could continue.

[160] I also said yesterday—it may have got lost in the mist, but it will come out more clearly next week—that, through the prudent management of our capital programme this year, we have found an opportunity to spend another £47 million. We will announce how that will be spent, but Ministers have been told—this is an important point about strategic decision making on budgets, Chair—that there are criteria. If you tell Ministers that they must reduce but that they might have an opportunity to bid for some capital funding that has been made available, you would have bids flying in from everywhere. We made it clear that those bids must demonstrate that they would be beneficial to the construction industry, a fiscal stimulus, beneficial for jobs and also beneficial in supporting vulnerable people. You will see next week, when we announce the detail of that, that we are delivering on that.

[161] To move on to the delivery of strategic objectives, which follows on from the Chair’s point about how we will ensure that we can demonstrate that investment is delivering outcomes—I have briefly commented on this already—budget planning is part of an annual business-planning process. This is about supporting departments and Ministers to ensure that we are monitoring progress in the delivery of strategic objectives and outcomes for Wales.

3.00 p.m.

[162] We can go into that in greater detail, but business planning continues after the publication of the draft budget to show how resources will be allocated to deliver on strategic objectives, setting out the work of departments in doing so. We expect departments to demonstrate what they are delivering for their resources. To a certain extent, this links back to the efficiency and innovation programme, as you say, because it is about the value of the Welsh pound. We have to demonstrate the worth of every Welsh pound that we spend—the impacts and outcomes—and nothing else should get in the way of efficiency and innovation.

That is critical to the next stage of business planning, but you still have to go back to what your objectives are. I will say that, in terms of our objectives, protecting vulnerable people has come right up the agenda, and that has emerged from our equality impact assessment, which is why we have looked to find more money for social services and vulnerable children and adults. The work that has been done by the Independent Commission on Social Services, and the work at local, regional and national level that is being led by Carl Sargeant, will start coming together in showing how we can best deliver these services for the most vulnerable people.

[163] **Angela Burns:** Following on from that briefly, because I know that Nick, Peter and Chris want to come in on this, do you have any examples of schemes or projects that you turned down because you did not think that the outcomes were demonstrated or deliverable?

[164] **Jane Hutt:** The issue of how Ministers prioritise and say, ‘Right, this works, and this is what we want to do, and this is our priority’ will come further down the line, during policy committee scrutiny of Ministers, particularly in terms of hard choices. There have been hard choices, and evaluation and justification of spend will certainly have informed those decisions. It would be foolish for me to bring out examples at this point, because it really has to be based on the evidence that Ministers have used; that may be something that will come in towards the end of this scrutiny. You will be able to gather together examples of where Ministers have determined that a programme can deliver its objective, or should be reshaped, or, in fact, should not continue. It might be one budget line that might be included in that.

[165] **Angela Burns:** I am pursuing this, Minister, because, in last year’s budget, there was a degree of frustration—I hope that that is not too strong a word—from the finance portfolio, in that they found it difficult to corral the Ministers, who operated very much in silos. I know that one point taken on from the previous budget—because we are here to aid the Minister for finance—was to give more power to your elbow, and to have a more strategic overview of the conglomeration of portfolios. It is all very well for this Minister or that Minister, who will be focused on their portfolios, to have the detail, but you, or the First Minister, have to have that strategic overview, pulling them all together. So, I guess that what we are looking for is an understanding of how much that agenda has been able to move on in the past year in terms of you being able to call the shots.

[166] **Jane Hutt:** To be the chancellor of the exchequer for Wales is an important role. I think that this is about ensuring that the Cabinet works as a corporate strategic body, led by the First Minister, obviously, and advised by the Minister for finance. We are very clear about our priorities and about the identification of objectives and the need to consider the evidence to see what is having a beneficial impact and where we can remove inefficiencies in the delivery of services, based on that evidence. So, I would only wish for—and I am sure that the former Minister for finance would also have wished for—that kind of power to ensure that I could cover the ground.

[167] I believe that a more strategic approach has been taken to this draft budget because of the challenges that we have faced. It was inevitable, and that is why it has been tough. That is why, in the end, we have produced a fair and balanced budget. The emerging consensus over the last 24 hours is that this was the right direction to go in Wales given the hand that we were dealt in terms of the very difficult spending review from the UK Government.

[168] **Nick Ramsay:** I would like to look at two areas with the chancellor. [*Laughter.*] I am now clear about the fact that you are talking about cash terms and not real terms in relation to the health budget protection, but we will leave that issue to one side. In relation to efficiency savings, on page 33 of the budget, again referring to health, you talk about revenue funding and so on, and you appreciate there that there is a real-terms decrease. You say that,

[169] ‘unavoidable cost increase (including pay awards inflationary pressures) will need to be self-funded by savings.’

[170] Further down, you talk again about savings. I am specifically picking out examples relating to health, but you make the point about savings throughout the document, which is fair enough and I am sure that no-one here would disagree with the need to make savings. However, is there not a question here about putting the cart before the horse? Are you absolutely confident that, in the area of inflationary pressures, for example, those savings will be made in a timely way and in a way that will mitigate the real-terms inflationary increase in budgets? I did not put that as well as I could have done. Are you confident that you have had the discussions that the Chair talked about with all of the departments and that this strategy of making savings will deliver in the way that you hope it will?

[171] Later in the budget document, on page 42, you say in relation to supporting communities:

[172] ‘However, these savings can be achieved without impacting on frontline services’.

[173] I note that you say that they ‘can’ be achieved; you do not say that they will be achieved. My concern is that, if the savings are not delivered—[*Interruption.*]

[174] Well, if the savings are not delivered, you will see a shortfall and this strategy will fall apart.

[175] Shall I ask the second part of my question, Chair?

[176] **Angela Burns:** Please do.

[177] **Nick Ramsay:** The big difference between you and the Chancellor of the Exchequer, Minister, is that the Chancellor has other fiscal means at his disposal, but you do not. We do not have borrowing powers here and we do not have tax-raising powers; all of those are reserved. So, I fully appreciate that, to put this budget together, you are given a certain amount and that is what you have at your disposal. We all appreciate that. However, one area that departments outside health have at their disposal is private finance, but that has been categorically ruled out. The budget contains details of the huge decrease in capital across all departments, including a reduction of over 30 per cent in the health service’s capital. There is clearly an argument for revisiting that policy and saying that any means of funding capital projects in the NHS should be looked at. Even if you decide not to go down that line, those means should be looked at. Do you regret that your hands have been tied here, Minister?

[178] **Angela Burns:** Minister, before you respond, I remind committee members that you may not like the questions that each of you ask, but it is your right to ask them and, indeed, your duty as part of the scrutiny process.

[179] **Jane Hutt:** With regard to your first question about efficiency savings, I have already mentioned the fact that, over the past four years, the NHS in Wales has already saved around £850 million. It is one of our commitments to take on that challenge with regard to cash-releasing efficiencies.

3.10 p.m.

[180] The health service recognises that there are further opportunities for savings and for improving patient care, for example, innovations in the way that surgical procedures are carried out, more being done in day surgery and better management of chronic conditions in the community. A lot of this is about innovation and change in the way that services are

delivered. We are driving that hard; it was led by the Aneurin Bevan Local Health Board's chief executive, Andrew Goodall, who leads the work stream on service re-design in the efficiency and innovation board. The fact that the NHS reforms remove the artificial boundaries that we feel very much existed between primary, community and hospital services will mean that the services will now be much more efficient and integrated.

[181] We must remember, and I will not mention opposition debates, that, in England, the Department of Health, not only in this year, but also next year, will be asked to make efficiency savings. Perhaps you would like to find out as a committee what its efficiency savings will be, because they will be considerable. Of course, we are asking for efficiency savings, but the important point is that it is stated in paragraph 6.3 of the draft budget document that,

[182] 'We will protect the level of funding in cash terms for core health services'.

[183] Also, with regard to the budget line on NHS delivery rises, it is stated that,

[184] 'Within this context, we will continue to deliver improvements in health service performance and healthcare outcomes.'

[185] They are doing that through the five-year service workforce and financial strategic framework. *[Interruption.]*

[186] This is about a budget based on a commitment to change efficiency and innovation in the NHS. That is being delivered and I have demonstrated that the commitment is there.

[187] To move onto your second point, the point about capital is very interesting. We need to focus on capital, because that is where the biggest hit will be, which you recognise; it will be 26 per cent next year. That is the worst hit in the UK with regard to capital. Why do we deserve this, Nick? This issue needs to be addressed. We have spent £1.5 billion-worth of public capital funding over the past five years on health infrastructure, such as Ysbyty Aneurin Bevan in Ebbw Vale, the Cynon valley community hospital, new EMI units in Wrexham and Llandough in Cardiff, and Ysbyty Ystrad Fawr in Caerphilly. That is because, 10 years ago, we said that we were going to build hospitals and improve the health infrastructure in Wales.

[188] We did not decide to go down the PFI route, and I have asked what we would be paying back if we had gone down that route. I was told that if we had followed the example of the NHS in England, we would be spending £80 million to £1 million a year on PFI. That, of course, is money that we now have to spend in the next few years. We are using private finance with regard to waste infrastructure, and I am sure that questions will be asked about ways in which we can support the Welsh housing investment trust. We are looking at good, useful ways in which we can appropriately lever in private funding with regard to waste and the Welsh housing investment trust. So, with regard to the capital budget, we will still be spending over £700 million on health infrastructure over the next three years.

[189] **Angela Burns:** Lorraine, do you have a quick supplementary question?

[190] **Lorraine Barrett:** No, I just want to point out that I think that the Minister missed a couple of noughts when she said '£80 million to £1 million' with regard to PFI. I think that you might have meant £80 million to £100 million. *[Laughter.]*

[191] **Jane Hutt:** Yes. I apologise for that; I was just so keen to get it out. So, to confirm, that is £80 million to £100 million that we would be paying back every year for the next 25 to 30 years on what we built. So, you must recognise, Nick, that that would have wiped out a lot

of our capital programmes.

[192] **Nick Ramsay:** [*Inaudible.*]—there, Minister, but if it is not there now. I am just saying that you have taken an ideological decision on this. Do people deserve that?

[193] **Jane Hutt:** To reiterate what I just said: that would be £80 million to £100 million every year on PFI repayments.

[194] **Peter Black:** I have three main areas that I want to ask about, and it might be helpful if I ask about them all at once. First, following on from Nick's point on efficiencies in the NHS, how will you drive out those efficiencies, and how will you improve outcomes as a result of that? I have the NHS workforce statistics for Wales in front of me, and I see that, between 2005 and 2009, there was a 4.7 per cent increase in the number of administration and estates staff, while at the same time we have the lowest rate of GPs per 1,000 head of population in the whole of the UK. So, clearly there is still a lot of work to be done to address those efficiencies. That is over a period of time when we have managed to make £850 million-worth of efficiencies in the NHS—I think that that is the figure that you mentioned. Therefore, my question is: how will you do that on the ground? How will you make sure that that happens, given that it has not been happening up to now in real terms?

[195] My second question is on capital. You mentioned the Welsh housing investment trust; could we have an update on when it will be launched? Getting that extra £100 million-worth of capital into the housing sector in time for the new financial year will make a massive difference to what we can deliver in Wales. Have you looked at similar mechanisms for the health service? I am not in favour of PFI, and I am not advocating that, but similar mechanisms can be used to raise capital. How are you investigating that, in particular, in respect of health and education?

[196] My third question is quite specific, and is on the tables relating to the main expenditure groups. Under the social justice MEG, under the heading 'local taxation policy', there is a £5 million cut in council tax benefit schemes. Could you identify what that cut is for? Does that mean that the help for pensioners with their council tax, which is in the 'One Wales' agreement, is being abandoned, or will something be reallocated elsewhere to deliver on that? That is at the bottom of page 3.

[197] **Jane Hutt:** You started by mentioning the issue of staffing in the NHS and the delivery of efficiency and innovation as part of the service and financial frameworks of the NHS. As you know, the staffing complement has increased substantially over the past 10 years. I recall that, in the early days, in 1999-2000, we had a real problem in recruiting GPs in the Valleys. That situation has been transformed dramatically through the appointment of salaried GPs, the development of a robust primary care strategy, and investment in primary care estates. Let us also remember that, since devolution, we have created new opportunities in medical education, not only in Swansea but throughout Wales. That is important in the workforce planning that we have undertaken, not just with medical staff but all healthcare staff. So, it is important to recognise the investment that will continue to go into the NHS workforce. With regard to the staffing complement in the NHS—this is something that they feel, and it is a matter for the Minister for health—we will be able to protect front-line staff but reduce the NHS management costs. I am sure that you would welcome that. We are looking to save £40 million on NHS management costs by 2013-14, which is a 20 per cent reduction. It is management that people want to cut back on, not the front-line workforce.

[198] **Peter Black:** It has increased.

[199] **Jane Hutt:** I am telling you that, by 2013-14, there will be a 20 per cent reduction in management costs. That is in the budget line.

[200] **Angela Burns:** Given the evidence that the committee has heard in previous sessions, does that mean that there is a change to the policy regarding redundancies in the NHS? How will you achieve that reduction in management?

[201] **Jane Hutt:** The commitment has been made. I do not think that it is for me to tell you how that commitment will be delivered. The commitment in the budget line is that £40 million will be saved by a reduction of 20 per cent in NHS management costs.

3.20 p.m.

[202] I want to move on to the Welsh housing investment trust, which is an important area of work. I have been supporting the Deputy Minister for Housing and Regeneration on delivering this. We are near to making an announcement about taking this forward. It is an interesting example of the involvement of the private sector. In fact, the Principality Building Society is taking a lead role in this, and we are also very much led by Nick Bennett and Community Housing Cymru/Cartrefi Cymunedol. We are testing possible models with registered social landlords, so good progress is being made. I hope to make an announcement with Jocelyn Davies in the coming weeks.

[203] On your third point about the council tax benefit scheme, that is also a point for the Minister for Social Justice and Local Government. However, there is a move to consolidate the range of advice services about council tax benefit in the financial inclusion budget, which I think will result in some savings, but as a result of an improved and more effective delivery of those advice services. In fact, Chair, that is a good example of Ministers bringing developments forward to me relating to efficiency as well as innovation. In this case, it was a case of saying that there might be a better way of delivering those advice services by taking a more consolidated approach, which also saves money.

[204] **Peter Black:** Could we have a note on that budget line, please, to allow us to identify how that has been replaced, if it has been replaced?

[205] **Jane Hutt:** Okay.

[206] **Chris Franks:** I am grateful that you highlighted the fact that the cost of PFI schemes could be as high as £100 million a year. As far as I am concerned, PFI is the most expensive way of borrowing money. However, I am also grateful that we have focused quite a bit on capital investment, as the impact of the cuts in capital investment could be more profound than anything else. I urge you to publish as early as possible the decisions on this sum of £47 million that we have available this year. However, looking ahead, I am aware of a number of significant schemes, for instance to tackle falling school rolls, for investment in schools—the Aberdare Primary School cluster and St Cyres, for instance—sustainable transport schemes in Cardiff and, moving on to health, the PET scanner, which is an advanced x-ray machine that costs about £12 million, which we have had in the past couple of months. We have all these huge demands, but we have a massive drop of 40 per cent in capital allocations. How are we going to tackle these outstanding issues?

[207] **Jane Hutt:** I think that it would be invidious of me to go into detail on specific projects, as that is a matter for the Ministers. It is only four weeks since we found out about our budget settlement. Of course, the capital settlement is worse than we had feared in our planning assumptions. So, that will be a matter for Ministers as they work through the implications of the settlement. We must recognise that our capital budget will be reduced by £460 million next year alone, so it is difficult to know how to approach that.

[208] I have mentioned health. We must recognise that we still have £700 million in the

health capital budget over the next three years, so we are not completely pulling the plug on capital spend. Across the board, you will see in the tables how much capital is available.

[209] It is also important to recognise that there are other opportunities for development. One area, for example, would be transport. The Deputy First Minister and Minister for the Economy and Transport will be able to say what will continue, to maintain a focus on delivering committed projects, such as those relating to the M4 and the Heads of the Valleys road. It is important for him to come back and tell the other Ministers about this when he has an opportunity. In the budget, we are increasing expenditure on sustainable travel from 50 per cent to 61 per cent in 2011-12. That is an example of careful management at this stage. The scale of the challenge, £406 million, is greater than the health capital budget, the economy and transport capital budget, and the education capital budget in 2010-11. It is more than we spent on housing projects in 2010-11. We are reducing all capital budgets, but we are retaining a central fund of £50 million in each financial year. That will be important for some strategic decisions that may have to be made.

[210] **Nick Ramsay:** My point about private finance was that it would be a potential tool at the Minister's disposal at a time when there are fewer resources available. Rather than lose a project, PFI could be used to fund it.

[211] Leaving that aside, I turn to the issue of capital. On page 82 of the budget, there is a specific focus on match funding. Paragraph 13.15 states that

[212] 'savings will have to be found from the Targeted Match Fund. This will significantly limit the availability of capital match funding in future years....Those projects already approved will be funded but it is unlikely that other capital bids will be accommodated....There will be a continued need for individual portfolio Departments to provide match funding for innovative projects.'

[213] I was wondering how that will work, going from the first part to the second part. If there is not enough capital to provide that match funding, where will it come from? Could the Minister also clarify what an 'innovative' project entails? What sort of projects is she looking at in that context?

[214] **Jane Hutt:** I will bring Andrew in on the targeted match funding budget. I have already mentioned the importance of match funding for EU projects as a steer for decisions on revenue and capital. Innovative approaches are being developed by departments to ensure that we can draw down all our structural funds using match funding. The TMF is a separate fund that was set up to deal with issues where there was no clear route to match funding. It has been extremely effective, for example in relation to the recent announcements in Pontypridd, Merthyr and Llanelli. It has also been important for Butetown. In fact, I was in Butetown last week, making an announcement about the money that will back the regeneration of that community. Would you like to say anything else about targeted match funding, Andrew?

[215] **Mr Jeffreys:** Yes, just to echo your point. The targeted match fund is there to offer match funding for projects that, for whatever reason, do not naturally get match funded from core departmental allocations of either capital or revenue. The vast majority of structural fund programmes are match funded from health, education or the economy and transport budgets. This is almost a pot of last resort for good projects that would not otherwise receive match funding.

[216] **Nick Ramsay:** I understand that paragraph a bit more now.

[217] **Angela Burns:** Andrew has the last set of questions. If anyone has any supplementary questions, we will take them. Otherwise, given the time, we will move on. We

should not forget that this is just our first interface with the Minister on this subject.

3.30 p.m.

[218] **Andrew Davies:** I wish to declare an interest as a member of the advisory board for the Welsh housing investment trust. When discussing how to approach the scrutiny of the budget, committee members were clear that we did not want to go into individual budget lines and see what has gone up or down. We wanted to look at the big picture and take a strategic approach. I hear what you are saying about deciding the Government's priorities, which are to do with skills, health and other areas, but it strikes me that we are talking more about policy areas and budgets than about outcomes. In my experience, that is often how a Government thinks and works. From paragraph 26 onwards, your evidence paper, paper 2, talks about the impact on outcomes, but if it is just about general policy areas and budgets, that raises the question of how outcomes are to be measured. In paragraph 26, you say that you

[219] 'expect Departments to be able to demonstrate what they are delivering for the resources that they use, and policy and other review processes consider the impact of policies in delivering the desired outcomes.'

[220] In paragraph 27, you say,

[221] 'There is a consensus across the public sector that we need to have a clearer understanding about the effectiveness of our interventions.'

[222] Finally, in paragraph 28, you say,

[223] 'we are incentivising innovative approaches to organisational and policy challenges.'

[224] How are you going to measure those outcomes? As I said, I understand that health, social services, skills and so on are to be prioritised in the budget, but how will you measure the effectiveness of those policies? For example, when you talk about incentivising innovative approaches to organisational and policy challenges, I assume that the corollary of that would be sanctions against those areas where there has not been achievement against outcomes. It would help the committee's future scrutiny if you could tell us, either today or in a written response, how you and the Cabinet will be approaching these issues.

[225] **Jane Hutt:** The letter that I sent to the Chair, which was a supplementary note to the Finance Committee on the importance of the business planning process, spells out our intention to look at delivering a more strategic approach to the budget-planning process and the impact on outcomes. That has to be a responsibility that is shared across the public sector. We are looking to the efficiency and innovation board and programme to ensure that we are working together across public service organisations to improve on the delivery of outcomes. I would be happy to come back, or to respond in writing, to some of the points that have been made today by the Chair, Andrew Davies and other Members about how we are drilling down on the issue, to identify and evaluate whether the budget is penalising or incentivising the delivery of outcomes. I would be happy to do that.

[226] As it is the last question, I will just use this opportunity to say that we found the equality impact assessment of the draft budget to be valuable. I know that the outcomes will raise the question of whether we have the right assessment of the impact of the budget on people's lives, particularly vulnerable and disadvantaged people, and it has proven to be a useful tool in developing the draft budget. It has influenced some of the priorities and policy decisions that we have made, particularly in relation to social services. They were identified, as were the needs of elderly people and children in relation to our support for Flying Start and the foundation phase. Children and elderly people were the groups that came out of our

equality impact assessment as those that we should be looking at in the draft budget. We need to take on board how we will demonstrate that the money that we are allocating is delivered effectively, namely the outcomes. We must also make rigorous use of tools like equality impact assessments, to ensure that we are getting our priorities right in the draft budget.

[227] **Andrew Davies:** It would be helpful for us to pursue this with the Minister during future scrutiny sessions.

[228] **Angela Burns:** I was about to ask you one more point on this, and I cannot think of any other way of asking you, Minister, apart from putting it this bluntly. I totally understand that you are aware of, and have detailed here, the Cabinet's strategic priorities. They are clearly laid out in your document. What is less clear is the understanding of each department of its strategic portfolio priorities. I wonder whether you are aware of what their strategic priorities are within their documents. If you read the text, you will see that some are mentioned as in, 'This is a bit of a priority', or, 'That is a bit of a priority', but there is nothing that says, 'In the Department for the Economy and Transport, or in the Department for Rural Affairs, or in the Department for Social Justice and Local Government, this is the No. 1 strategy, the No. 2 strategic priority, or the No. 3 strategic priority', so that there is an understanding of where, primarily, the money will go.

[229] Earlier in the evidence session, you deliberately said, 'We are not salami slicing, and we will look at reductions in a different way'. However, that is not entirely clear. On Andrew's point about strategic priorities, as I said earlier, I do not doubt that you know what they are, and that those working with you on your portfolio understand that, but I want to be convinced that that translates to all the other portfolio holders.

[230] **Jane Hutt:** I am sure that we can come back to that at a more strategic level, as Andrew Davies has requested. I would be happy to come back and do something in writing. However, our expectation of Ministers, as is laid out in the departmental chapters, was that they had to lay out not only their strategic objectives, but also their role in delivering them, the action that they intended to take, and what the evidence of impact would be. I hope that you will see that the business planning has been strategic, but the impact and outcomes of that must be demonstrated from the delivery of the services.

[231] **Angela Burns:** We will write a note to you at the end of today asking for various pieces of information, and refreshing your memory of the information that you have volunteered. Thank you for your time today. I am sure that it has been a hectic 24 hours for you, and so that is very much appreciated.

3.37 p.m.

Cynnig Trefniadol Procedural Motion

[232] **Angela Burns:** I ask a Member to move the appropriate motion for us to go into private session for a short time.

[233] **Chris Franks:** I move that

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

[234] **Angela Burns:** I see that the committee is in agreement.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 3.38 p.m.
The public part of the meeting ended at 3.38 p.m.