



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

**Y Pwyllgor Iechyd, Lles a Llywodraeth Leol
The Health, Wellbeing and Local Government
Committee**

**Dydd Mercher, 14 Hydref 2009
Wednesday, 14 October 2009**

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

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Lorraine Barrett	Llafur Labour
Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Andrew R.T. Davies	Ceidwadwyr Cymreig Welsh Conservatives
Irene James	Llafur Labour
Ann Jones	Llafur Labour
Helen Mary Jones	Plaid Cymru The Party of Wales
David Lloyd	Plaid Cymru The Party of Wales
Val Lloyd	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)

Eraill yn bresennol
Others in attendance

Brian Gibbons	Aelod y Cynulliad, Llafur (y Gweinidog dros Gyfiawnder Cymdeithasol a Llywodraeth Leol) Assembly Member, Labour (the Minister for Social Justice and Local Government)
Edwina Hart	Aelod y Cynulliad, Llafur (y Gweinidog dros Iechyd a Gwasanaethau Cymdeithasol) Assembly Member, Labour (the Minister for Health and Social Services)
Owain Lloyd	Pennaeth Cyllid, yr Adran Gyfiawnder Cymdeithasol a Llywodraeth Leol Head of Finance, Social Justice and Local Government Department
June Milligan	Cyfarwyddwr yr Adran Cyfiawnder Cymdeithasol a Llywodraeth Leol Director, Social Justice and Local Government Department
David Powell	Pennaeth, Cyllid Llywodraeth Leol Head of Local Government Finance
Val Whiting	Prif Gyfrifydd, yr Adran Iechyd a Gwasanaethau Cymdeithasol Chief Accountant, the Department for Health and Social Services
Paul Williams	Prif Weithredwr, Gwasanaeth Iechyd Gwladol Cymru, a Chyfarwyddwr Cyffredinol, yr Adran Iechyd a Gwasanaethau Cymdeithasol Chief Executive, National Health Service, and Director General, Department for Health and Social Services

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

Carolyn Eason	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Steve George	Clerc Clerc
Gwyn Griffiths	Cynghorydd Cyfreithiol Legal Adviser
Martin Jennings	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Abigail Phillips	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 9.16 a.m.
The meeting began at 9.16 a.m.*

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Darren Millar:** I welcome Members to the meeting and I welcome members of the public. I remind you that headsets for simultaneous translation and sound amplification are available in the public gallery. If anyone has any problems using these, the ushers will be able to help. Committee members and members of the public may wish to note that the simultaneous translation feed is available on channel 1 while channel 0 is the language actually being spoken.

[2] I would be grateful if committee members and members of the public would ensure that mobile phones, BlackBerrys and pagers are switched off, so that they do not interfere with the broadcasting and other equipment. If it is necessary to evacuate the room or the public gallery in the event of an emergency, then everyone should follow the instructions of the ushers who will be able to guide you to the appropriate exit. Finally, I remind Members and witnesses that the microphones are operating remotely and it should not be necessary to press the button in order to activate them.

[3] I have not been notified of any apologies or substitutions this morning, but Lorraine Barrett has indicated that she will be joining us a little late. I invite Members to make any declarations of interest under Standing Order No. 31.6. I see that there are no declarations.

9.17 a.m.

Craffu ar y Gyllideb Ddrafft—Tystiolaeth gan y Gweinidog dros Gyfiawnder Cymdeithasol a Llywodraeth Leol Scrutiny of the Draft Budget—Evidence from the Minister for Social Justice and Local Government

[4] **Darren Millar:** We will now be taking evidence from the Minister for Social Justice and Local Government, Dr Brian Gibbons. I am delighted that he is here with us this morning. I also welcome June Milligan, director of the Department for Social Justice and Local Government, David Powell, the head of local government finance, and Owain Lloyd, the head of finance for social justice and local government.

[5] We have received some papers from the Minister, which have been circulated to committee members as papers 1 and 2, and we will go into questions in a few moments. Minister, would you like to make a few opening remarks to set the context for us, please?

[6] **The Minister for Social Justice and Local Government (Brian Gibbons):** Thank

you, Chair. I think that we all realise that we are in very difficult economic circumstances and that, in view of the Treasury efficiencies that were imposed on the Assembly Government, which resulted in a reduction of 1.6 per cent of what we were expecting possibly this time last year, clearly, difficult choices had to be made in relation to priorities within social justice and local government.

[7] In trying to make those decisions, we realised that it was important to ensure that as much resource as possible could be allocated to front-line services that made a difference to citizens. In deciding our priorities, that was at the front of our mind. Clearly, within my budget, by far the biggest source of expenditure is the revenue support grant and the capital expenditure through local government. You will have seen in the papers that the overall uplift was 3 per cent, if you include all the transfers; a 2.1 per cent net increase. I think that that is a good settlement, particularly when we take into account the retail prices index, which is in negative count as we speak; the consumer price index is 1.5 or 1.6 per cent; the Treasury gross domestic product deflator is 1.5 or 1.6 per cent. Therefore, this is an inflation-plus settlement for local government.

[8] In return for this settlement, I think that it has been possible, because we have had a new working relationship with Welsh local government, which we hope, in time, will result in the development of a new understanding, to develop a relationship that is based on a clearer range of accountable outcomes. I think that that understanding of the difficult financial situation, plus the commitment to move to a new, refashioned arrangement between the Assembly Government and local government, provided the basis for this settlement.

9.20 a.m.

[9] Finally, Chair, there were some areas where, equally, we were pleased to be able to put some extra money into important services, two of them being increases in the substance misuse service, which we realise very often comes under increased pressure in difficult economic times. Equally, we have been able to put extra money into the domestic abuse and violence against women programme, not least because we are in the process of revising and developing our action plan and we would want to have some extra resource available to give effect to the outcome of the consultation that is taking place at the moment. Thank you, Chair.

[10] **Darren Millar:** Thank you for those opening remarks. Of course, we are here to look specifically at the local government area of your portfolio, Minister. You have mentioned that there is an inflation-plus increase, as far as you are concerned, but, of course, not every local authority will be getting a greater increase than the current rate of inflation. We will come on to those matters in a few moments.

[11] Having looked at the budget, Minister, you say that efficiency savings of £69 million have been absorbed into the RSG this year. Can you confirm whether these efficiency savings are on top of the usual 1 per cent efficiency savings that are required of local government?

[12] **Brian Gibbons:** The 1 per cent is the top slice that takes place before the revenue support grant is put in place, so, yes, that is money that is available to local authorities to be able to reuse as they see fit.

[13] **Darren Millar:** So, these are additional efficiency savings over and above the—

[14] **Brian Gibbons:** Yes, the 1 per cent is the top-sliced figure.

[15] **Darren Millar:** Okay. You mentioned, in your opening remarks as well as in your papers, that the uplift is around 2.1 per cent when the transfers and the other adjustments are taken into account. However, if you look at the GDP deflator estimate, which was 1.5 per

cent, we are talking about a very small increase, are we not, of 0.06 per cent in real terms? Do you think that the increase is adequate in order to maintain the current levels of service provided by local government in Wales, or do you think that local authorities are now going to have to seriously look at their priorities, perhaps with some assistance from you?

[16] **Brian Gibbons:** It would be very disappointing if, just because we are in difficult times, local authorities did not look to make efficiencies; indeed, the figures that you have mentioned already indicate that, over recent years, local authorities have realised the importance of making efficiencies. So, I think that the success that has been achieved in delivering those efficiencies to date has to be built upon, and because of the difficult financial and economic circumstances in which we find ourselves, if anything, that approach has to be intensified. I think that that has been signalled by the Minister for Finance and Public Service Delivery, for example, in establishing the Invest to Save programme, which is, as you know, worth £60 million over two years, providing no-interest loans with relatively easy conditions to allow local authorities to make fundamental changes to the way that they do business.

[17] Equally, all local authorities—we have had many good examples, for example, in Pembrokeshire and Neath Port Talbot and so forth—are recognising that, if they are to continue to deliver front-line services, they have to make pretty radical changes to the way in which they do business. I suppose that the most radical proposal before any local authority at the moment is the proposal in Powys, where they are looking at a merger between Powys local authority and local health board. So, this is a time for radical review of what people are doing with an intention to continue to deliver front-line services. That is the challenge.

[18] **Darren Millar:** In terms of the Invest to Save programme, which you have just mentioned, I understand that it has been undersubscribed and there has not been a great deal of take-up among local authorities. Why is that?

[19] **Brian Gibbons:** We have been led to understand that most local authorities felt that the timescale by which they could apply to Invest to Save was too short. We are assured that, in the second phase, there will be a significant number of applications from local authorities.

[20] **Darren Millar:** Are you confident of that?

[21] **Brian Gibbons:** We will wait to see, of course, but that is what I understand from our discussions with the Welsh Local Government Association.

[22] **Darren Millar:** Finally, you mentioned your good relationship with the WLGA, or the better relationship with the WLGA than there has been, perhaps, for many years. Its expenditure sub-group identified above-inflationary pressures for local government, because, in terms of the basket of goods and services that it procures, it is not the same as the retail prices index. What were the major areas of disagreement, or what were the major inflationary pressures?

[23] **Brian Gibbons:** The biggest pressure always in a public service like local government is pay and conditions, particularly the pay of the workforce. I do not know what the percentage is, but it is probably 60 or 70 per cent.

[24] **Mr Powell:** It is over 60 per cent.

[25] **Brian Gibbons:** Over 60 per cent of expenditure in local government goes on pay. We know that this year's pay settlement was 1 per cent, so that was obviously an important development. Equally, from previous rounds of the expenditure sub-group—this may be to stereotype the exercise—it seemed to be that every single pressure that local government conceivably faced was itemised and then the invoice was sent to the Assembly Government to

pay on receipt. The difference this time around was that Welsh local government, and the Government, recognised that, if services are to be maintained, it is not simply a case of sending in the invoice to the Assembly Government; local government has a duty to look at its own efficiencies and priorities, and it must work with us to deliver those efficiencies in new ways of working. So, I think that the relationship was significantly different and it was not just a case of, as I say, submitting an invoice; it was a recognition that both sides were facing pressures and that some of those pressures would have to be addressed by new ways of working rather than just submitting a request to us for more money.

[26] **Ann Jones:** Your paper, under revenue support grants, says, in the second paragraph, that the deprivation fund has maintained its funding level of £22 million. What evaluation and monitoring did you undertake on the deprivation fund and its delivery, and its mechanisms for delivery, before you decided to reduce that into the RSG?

[27] **Brian Gibbons:** I think that the deprivation grant is allocated on the basis of social need, as identified in the Welsh index of multiple deprivation, so that money is allocated to local authorities with the highest level of social need to allow them to better meet the needs of the population. Once the money is handed over to local authorities, it is, in effect, a non-hypothecated grant just like the improvement grant. Once the performance improvement grant was handed over to local authorities, they were free to spend it in line with their local priorities. The performance improvement grant has got some more stringent conditions to it but, essentially, once the money has been handed over—there were never any conditions by which the money would be handed over—it went into the general pot of local authorities and was spent in line with their perceived needs for the local population.

[28] **Ann Jones:** However, the deprivation grant, given as a single grant, was at least tracked; you could track what local authorities were doing with that. When it is in the RSG, they see that as their general fund; they will not see deprivation as being a priority. How confident are you that local authorities do see deprivation as a priority and, if you are not absolutely certain that authorities can deliver on deprivation when it is rolled into the RSG, should you not, for the sake of those deprived communities, revisit this decision?

9.30 a.m.

[29] **Brian Gibbons:** No, I think that we have to recognise that certain local authorities that have high levels of social and economic need do need extra resource to be able to address the extra needs of those communities. The way in which the deprivation grant was allocated was, as I said, on a non-hypothecated basis, so there never was any tracking of how the money was spent. Once the money went into the pot, there was never any way of knowing whether it was spent on extra schooling, whether it was spent on extra support for social services for children with extra need, improving road safety and so on. There was never any mechanism by which you could identify how the deprivation grant was spent in that way, except that it was a recognition that the local authorities that did have higher need. So, higher levels of social disadvantage had extra resources to allow them to address that extra need in line with locally identified priorities.

[30] **Ann Jones:** What you are saying, Minister, is that, since the deprivation fund has been in operation, a funding level of £22 million has been issued to local authorities but that you have not cared what they have spent it on. You have not checked it, you have not monitored it, you have not evaluated it, and you have not looked to see where that money has gone. So, really, what you are saying is that the deprivation fund of £22 million could have been spent on free car parking in a very leafy area, because you have not checked that, as officials. You have made no attempt to pull in those authorities who should have been spending more than the deprivation grant from their RSG on deprived communities. As there has been no check anywhere on this, I can understand why you want to get rid of it.

[31] **Brian Gibbons:** There has been no check in the sense that, once the money goes in, there has been no check—as with any money, other than special grants. If you look at budget lines for social services, for example, once that goes into the revenue support grant there is no check that that money is actually spent on social services. The same is true of money for transport; there is no check, if it is part of the RSG, to see that it is spent on transport. Clearly, the underlying premise of the deprivation grant was extra resource to those local authorities with higher need, and that is why, in terms of performance, we have brought in the new local government improvement measure to provide greater transparency in terms of performance. Equally, we want to move towards an improvement regime with the improvement grants and, equally, outcome-based agreements with local authorities, because I think that your substantive point is that—

[32] **Ann Jones:** Local authorities cannot deal with deprivation, because no-one checks them and you do not have to deal with it.

[33] **Brian Gibbons:** No, we do know that a number of local authorities are using the extra resource to tackle deprivation. In fact, many representations that we have received from local authorities that are beneficiaries of the deprivation grant have been to the effect that it should be included in the revenue support grant and their mainstream funding rather than through a special grant that could not be guaranteed in perpetuity. Once it goes into the revenue support grant, that funding stream is guaranteed in perpetuity. If it was sitting out there as a special grant, it was always vulnerable to people asking questions as to its purpose and, possibly, it could disappear.

[34] **Darren Millar:** I think that the Minister has made it clear that, with the move to outcome agreements, it is the outcomes that are important rather than necessarily checking where every single penny has been spent.

[35] **Ann Jones:** A check on the budget line might have been helpful on deprivation, not the fact that £22 million has been spent year on year. [*Interruption.*] Sorry, Peter, you can have your say afterwards.

[36] **Darren Millar:** Very briefly, Ann, make your point.

[37] **Ann Jones:** The Minister knows that I think that this is a bad move. This signals to local authorities that they do not really have to take deprivation very seriously. If they want to spend it on other issues in other places, they are free to do so, because you have given them that luxury. By doing that, you are not allowing authorities to forget those who can least stand up for themselves—those in deprived communities.

[38] **Brian Gibbons:** I think that, in fairness, we—

[39] **Darren Millar:** Very briefly, Minister, because I want to move on. You have a big budget and we need to cover all the issues.

[40] **Brian Gibbons:** One of the reasons why we have a new improvement regime replacing the best value regime, the reason why we have the improvement agreement and the reason why we are moving to outcome agreements is to provide greater transparency of performance. If the point that you are making is that that level of transparency and accountability was not there in the past, I would agree. Hopefully, we are moving to a new regime in which that transparency and accountability will be there with greater clarity.

[41] **Ann Jones:** However, there will be no financial ability to do that.

[42] **Peter Black:** My understanding, Minister, of the deprivation grant was it was not a grant so much to deal with deprivation as a top-up for the most deprived authorities to compensate for the fact that the local government distribution formula did not adequately distribute money to those local authorities. In that sense, the deprivation grant used a different distribution formula to the revenue support grant. As I understand it, even though you are subsuming the deprivation grant into the revenue support grant, you are keeping the same distribution formula, so local authorities will still receive the same amount of money through the deprivation grant as they were previously. So, if that is the case, are you really subsuming it into the revenue support grant? Is it not just still effectively a stand-alone, discrete grant hidden within the revenue support grant?

[43] **Brian Gibbons:** As I said earlier, there is always a certain vulnerability of stand-alone grants outside mainstream funding. There is always the risk that that could be visited at any stage and that that special grant could be clawed back or used for other purposes. The grant, as you described it, was not able to deliver equity in terms of resourcing but, even more so, was not able to deliver equity in terms of the burden on local council tax payers. It was not coincidence that the poorest local authorities in Wales, with the highest levels of need, also had the highest council tax, which was an intolerable and perverse situation that had to be addressed. I do not think that it is perfect at the minute, but I think that a lot of the pressure was taken out of the situation when the deprivation grant was put in place.

[44] **Peter Black:** The issue now that it has been subsumed into the revenue support grant, although you have maintained the present distribution formula for that £22 million, over a period of time—maybe you could tell us what that period of time is—is that there will be a transition so that that £22 million will be distributed on the same basis as the rest of the revenue support grant.

[45] **Brian Gibbons:** I certainly would not make that commitment.

[46] **Peter Black:** So, do you actually still have a stand-alone deprivation grant, then?

[47] **Darren Millar:** I think that the Minister has made it clear it is falling in line now with the general formula that—

[48] **Brian Gibbons:** It is in the revenue support grant.

[49] **Peter Black:** No, it is not. That is the point; it is not falling in line—

[50] **Brian Gibbons:** Peter will realise that the various elements of the allocations under the revenue support grant have different formulae. So the allocation for social services is driven—and the deprivation grant is similar—by its own particular distribution formula but it is not going to be the overall distribution formula for local government in the round. The distribution formula is going to be driven by precisely the same factors that dictated how the deprivation grant was allocated.

[51] **Peter Black:** What you are saying is that that £22 million will be distributed on a different basis to the rest of the revenue support grant for ever and a day.

[52] **Brian Gibbons:** Like every other strand within the revenue support grant.

[53] **Peter Black:** No, that is not the case.

[54] **Darren Millar:** Can you confirm this for me, Minister? Effectively, that is not a non-hypothecated grant, is it? It is being distributed in exactly the same way as it was before and you are just marking it now as non-hypothecated. That is effectively what you are saying, is it

not?

[55] **Brian Gibbons:** The distribution mechanism is that the money in the deprivation grant is going to go to those local authorities who have been identified as having the highest level of social need, based on the Wales index of multiple deprivation. Equally, education, for example, is predominantly driven by number of pupils; social services is driven by children and older people with particular needs. So, each element of the formula has different components in it.

9.40 a.m.

[56] **Darren Millar:** So, Minister, what is the impact on the local government revenue support grant settlements if you take the deprivation grant out? What is the real increase? If you take the £22 million off the bottom line, which is the real figure that we need to be scrutinising, is it not—

[57] **Brian Gibbons:** Yes, all the—

[58] **Darren Millar:** So what is the percentage increase?

[59] **Brian Gibbons:** If we take that out, I do not want to guess, but I think that it will probably be 2.6 per cent or something like that.

[60] **Darren Millar:** It is at 2.1 per cent at the moment, Minister. If you take out the £22 million, it is going to be less than that, is it not?

[61] **Brian Gibbons:** No. The overall uplift in the revenue support grant is 3 per cent.

[62] **Darren Millar:** That is after transfer, is it not?

[63] **Brian Gibbons:** Yes, but the transfers still include the deprivation grant.

[64] **Mr Powell:** It includes the transfers with the deprivation grant in. It is 2.1 per cent if you take out the transfers and do a like-for-like comparison.

[65] **Peter Black:** I am still not entirely clear. Are you saying that, at no stage will the that £22 million be distributed on the same basis as the rest of the revenue support grant?

[66] **Brian Gibbons:** It will be, because every element of the revenue support grant has a bespoke element in terms of the distribution mechanism. So the deprivation grant will have its own bespoke distribution mechanism.

[67] **Helen Mary Jones:** In the same was as education, health and social services, and other bits of the grant.

[68] **Brian Gibbons:** Exactly.

[69] **Peter Black:** That is not strictly true, is it, because there are drivers within the formula that relate to pupil numbers, deprivation, rurality, number of pensioners, miles of road and a whole range of other issues like that. So, the whole of that lump sum of money is basically fed into that formula and distributed, but what you are saying is that that £22 million has been set aside from that and is being distributed on the same formula as was previously the case, which has a different set of drivers. So, it is not being subsumed; it is a discrete part of that grant.

[70] **Mr Powell:** What we are actually doing is bringing the £22 million into the revenue support grant envelope, and because of the turbulence that distributing it on any other basis would cause, we are retaining it in that distribution basis. As the Minister said, we are not going to commit to the number of years, because we also plan to look at the elements that are used for distributing deprivation and as a proxy for deprivation, which are already within the formula, and maybe applying those or changing them for the deprivation grant sum as well. So, the ideal situation—it is not going to be easy, because you have always got this polarity between deprivation and sparsity—is to align them and have a consistent approach.

[71] **Peter Black:** It is that point of time that I am interested in. I accept the decision to subsume it and I can see the logic in keeping the formula, but I am interested in when you actually start to align the two formulae. At that point, it is possible that those authorities that have been benefiting from that deprivation grant will lose out.

[72] **Brian Gibbons:** As far as I am concerned, the purpose of the deprivation grant going to local authorities is to address social need, and I certainly would not be happy with what you say. The very purpose of the deprivation grant has been to address the imperfections of the revenue support grant in picking up deprivation, and I would not have been happy if the deprivation grant was going to go into the revenue support grant other than on the basis of a bespoke allocation mechanism that was driven by social deprivation. So, I would never be happy with a situation in which that strand of the revenue support grant would be, if you like, diluted out or the deprivation driver of that element of the grant was diluted out to some sort of average or mean across the grant.

[73] **Peter Black:** This is my last question on this. Do you accept that, at some stage in the future, a different Minister with different priorities to you could take this decision as a means to effectively alter the distribution of that £22 million and, as a result, other authorities could lose out?

[74] **Brian Gibbons:** Equally, a future Minister could abolish the deprivation grant and get rid of it completely.

[75] **Peter Black:** However, you have made it easier for them by subsuming it. It is not so transparent. If there is a separate grant, it is transparent whether it has been abolished or not, but given that you have subsumed it, it becomes a less transparent decision if that happens.

[76] **Brian Gibbons:** Yes, but equally it would be a more obvious target for people who did not have the same commitment to delivering equity across local government or people who would have a different view as to what constitutes equity in local government funding. It would be out there as a sitting target for somebody who felt that other factors than social and economic deprivation should be given greater weight in the formula.

[77] **Ann Jones:** I would like to believe that this £22 million deprivation grant that has been subsumed into the RSG will be used for deprivation, but I have some severe doubts that it will. Can the Minister's officials provide us with the weightings that are already in the RSG for deprivation? I know that I am an anorak, Peter, but I think that it is important that we look at the weightings in terms of how the RSG has been distributed previously and then we can see where the £22 million made a difference. At the end of the day, what I want to be able to do, Minister, is to challenge my local authority on the spend that it puts into deprived communities and you are stopping me from doing that now because you have rolled deprivation into the RSG.

[78] **Brian Gibbons:** I do not accept that. Hopefully, through the transparency that will flow from the Local Government (Wales) Measure 2009, and through the development of outcome agreements with your local authority, you will be better able to monitor the

performance of your local authority.

[79] **Ann Jones:** It is Denbighshire that we are talking about.

[80] **Darren Millar:** We are going to move on from this subject in a second. There is one final question from Helen Mary.

[81] **Helen Mary Jones:** I have just one question on this. In terms of protecting the deprivation element for the future, I think that we all have to recognise that incoming Ministers could potentially abolish the revenue support grant if they felt like it; they would be in a difficult situation if they did, but they could. Minister, what was the view of the WLGA on this? Was it happier with this arrangement? Did it feel that it was more protected as an element to favour those local authorities with the highest levels of deprivation in the revenue support grant or out of it? It is a separate question as to whether or not they actually spend it properly.

[82] **Brian Gibbons:** No, it was keen for it to be brought in through the revenue support grant.

[83] **Darren Millar:** If we can move on, Minister, there was a reference earlier on—I cannot remember who mentioned it—to rural sparsity and the additional costs incurred by local authorities in providing services in rural areas. That is not, of course, recognised in the funding formula.

[84] **Brian Gibbons:** No, it is.

[85] **Darren Millar:** It is not recognised in as great a way, perhaps, as many rural authorities think that it should be, as is evidenced through the settlements that have been given over the past few years, which have been consistently low, to many rural local authorities.

[86] **Brian Gibbons:** No.

[87] **Darren Millar:** May I just finish the point? For example, this year, Anglesey, Gwynedd, Conwy, Powys, Pembrokeshire and Monmouthshire all receive less than 1.5 per cent increases and they have received less than the average level of increase in pretty much every year that there has been a settlement under the National Assembly for Wales. Minister, how do you hope to be able to address that in the future, and can you strengthen the recognition of rural sparsity in the funding formula through your discussions with the WLGA?

[88] **Brian Gibbons:** First of all, I think that 7 per cent, roughly, of the formula is weighted for rurality at the moment, and for an authority such as Powys—

[89] **Darren Millar:** Is that enough, given the consistently low settlement? Some of these authorities, Minister, have been at the floor or below the floor in terms of the RSG settlement. Without the floor that you have put in, these local authorities would be receiving next to nothing. So the formula may not be sufficiently robust to deal with rural sparsity.

9.50 a.m.

[90] **Brian Gibbons:** Let me just finish the point. The revenue support grant for a very rural authorities, such as Powys, is made up of factors of 10 per cent plus that are rurality-based or sparsity-based. That is the first part of the response. Last year, for example, I met with six deputations in relation to the settlement. I met Anglesey, Conwy, Powys, Rhondda

Cynon Taf, Blaenau Gwent and Merthyr. So I do not think that you can say that there is any consistent pattern; in fact, if you looked over previous years you would see that the local authorities that have been at the bottom of the pile in terms of uplift have almost consistently been Blaenau Gwent, Merthyr and so forth. So, your thesis that the formula is giving a disproportionately unfair deal to rural authorities is not the case.

[91] If you look at the beneficiaries, those that come out at the top end of the formula this year—Wrexham, Denbighshire, Vale of Glamorgan—do not strike me as your typical industrial areas and so forth. The Vale of Glamorgan and Denbighshire have very big rural parts. The same is particularly true of Ceredigion. So, again, I do not think that your thesis stands up to scrutiny.

[92] **Darren Millar:** Minister, do you accept that there are some local authorities that have had consistently low settlements over the years in terms of uplifting the RSG? If it is not due to rural sparsity—you seem to be arguing that it is not but they argue that it is—what factors are determining that? Is it fair that—

[93] **Brian Gibbons:** Yes. I do not think the case that it is rurality can be argued, because—

[94] **Darren Millar:** If it is not rurality, what is it?

[95] **Brian Gibbons:** You cannot explain Rhondda Cynon Taf, you cannot explain Merthyr, you cannot explain Blaenau Gwent if it is rurality, so let us get rid of rurality. It is not a substantial factor. If you want to pick a particular local authority, I can give you some indication on the situation.

[96] **Darren Millar:** Let us take Conwy, for example.

[97] **Brian Gibbons:** Okay. We can give you these tables and it may be helpful. You may be at a disadvantage if I just read them out.

[98] **Darren Millar:** It is the consistently low pattern and the impact that that has on those local authorities in terms of trying to provide public services and in trying to make ends meet with, perhaps, larger increases in council tax.

[99] **Brian Gibbons:** We have a table, which we are happy to provide to the committee, in which we try to identify what the factors are that drive local authorities' relative positions. What we try to do is to rank those local authorities in a hierarchy in terms of their drivers. So, for example, a big driver is the population and, if we look at Conwy, it is thirteenth on the list; so it is thirteenth in the hierarchy of what drives their formula. A big spender, as you know, is schools. Conwy has the lowest driver in terms of school population; it is twenty-second out of 22. For example, on job seekers allowance claimants it was number 13. On severe disablement allowance and disability living allowance claimants, it was sixteenth out of 22. So, these elements that go into contributing to the make-up of the revenue support grant indicate that Conwy's position, relative to other local authorities, is low. There are other things to consider in Conwy; for example, on free school meals it is number 4. So, there are some elements, obviously.

[100] We have 11 factors that we use to try to pick out what are driving the changes in the relative position of local authorities. If the committee would like it, I am happy to provide that, because it is useful. You can see, for example, one of the reasons why Blaenau Gwent and Merthyr were doing relatively badly in recent years was the growth of employment in those areas, whereas previously their employment levels were unacceptably bad. Over recent years, their employment levels have improved. One consequence has been that their relative

position in the formula went down, because there were fewer unemployed families in the area. Now we see an improvement in Blaenau Gwent's situation, and from the point of view of the revenue support grant, that is good news, but it is really bad news because it means that the level of need in Blaenau Gwent has started to go up again. As I say, we are happy enough to make the tables available if it is helpful for clarification.

[101] **Mr Powell:** Chair, the tables are freely available to local authorities. We have actually placed them on the internet for the first time, so this information is freely available as technical information for all authorities.

[102] **David Lloyd:** When I indicated that I had a question, there was a live issue, but the Minister has just masterfully attacked the situation by saying that the major driver in the formula is population. I know that there are multifarious factors that we can be engaged in all the time, but the major factor for Wales is population. So, if a council's population is going up you will have more of an increase; if it is staying the same or going down you will have less.

[103] **Darren Millar:** Conwy's population has gone up in the past 12 months, has it not?

[104] **Brian Gibbons:** However, in a comparison with the other 21 local authorities, it is in thirteenth place.

[105] **Val Lloyd:** I have a very direct question. On 7 October you announced that all service personnel would receive council tax relief on their second properties. Has that been factored in to the RSG calculations?

[106] **Brian Gibbons:** Yes. Clearly, it has been factored into the uplift. In the first year there will be—*[Interruption.]*

[107] **Darren Millar:** Sorry, I ask Members to be quiet while questions are being asked and the Minister is responding. Some Members have problems with their hearing.

[108] **Brian Gibbons:** Yes. There is obviously an element of uncertainty as to the numbers in the first year, so it is impossible to put a figure on it and, again, in subsequent years because of the rebates and so forth. Do not ask me to explain it in detail. I would be happy to provide the committee with a note; it might be easier. Through the system of rebates and so forth that are part and parcel of the mechanism of allocating the revenue support grant, it will be made up in subsequent years. If we found from April of next year that the numbers were massive, way beyond anything that we had imagined, I am sure that Welsh local government would be knocking at our door on this. However, local government has been happy enough to accept this. In fact, if I am not mistaken—I do not know what the sequencing of the time is—I have a feeling that, even though we did not know it at the time, the Welsh Local Government Association was moving in this direction independently of the decision that we made, even though, as I say, our own decision was not made cognisant of the timing of what the WLGA was going to do.

[109] **Peter Black:** I understand that Cardiff and the Vale of Glamorgan already offer the 50 per cent discount on second homes.

[110] **Brian Gibbons:** Yes, some do.

[111] **Peter Black:** Do you have an estimation of how much that is costing you and would that not help in your calculations?

[112] **Mr Powell:** We are asking for information from local authorities. Cardiff has done it

and it is just part of its tax base information; it takes it into the tax base. So far, it has not been able to come up with a figure; it is just in the general tax base calculations. It has never had to identify it, because it has been part of its standard tax base.

[113] **Peter Black:** You effectively repay that 50 per cent to the council, do you not, as part of the calculations?

[114] **Mr Powell:** That is right. Insofar as it suppresses what authorities can raise from the council tax, it increases their revenue support grant, but we are trying to get a handle on what this will cost.

[115] **Darren Millar:** Val, do you want to ask about the voluntary sector?

[116] **Val Lloyd:** Minister, how will the allocations mentioned in the draft budget impact upon the funding available to the voluntary sector?

10.00 a.m.

[117] **Brian Gibbons:** We have been very careful to try to maintain support for front-line voluntary and third sector organisations and this funding will maintain the infrastructure that we have been supporting over the years, in terms of the county voluntary councils and, equally, the volunteer centres and so forth. However, we have found it necessary to make some savings in this broad area. The areas that we have looked at have been the media campaign that we have been undertaking to promote the voluntary and third sector under the heading 'give a little, gain a lot'. I do not know whether you remember that slogan—it was a good slogan; I thought that it was catchy. However, we have had to curtail some of that budget.

[118] Equally, we have had to curtail some of the work that was going on in workforce development, but some of it will continue through the Wales Council for Voluntary Action and so forth. So, it is not that we are going from a high level of provision to nothing. Some training and so forth will continue through other contracts. There are four main volunteering funding schemes: the Millennium Volunteers, GwirVol for young people, the Volunteering in Wales Fund and Wales: the Active Community. We have had those evaluated in the last 12 months. The evaluation has been very positive in terms of the outcomes that we are getting for those programmes, but the point was made that we do not really need four programmes; that there is considerable overlap in terms of intention and so forth. So we want to look at merging some of those programmes and we think that we can save some money on that without any loss of money to the front-line services. We have made some saving in the order of 1.5 to 1.6 per cent, but I do not think that that is going to be particularly visible at the front-end of volunteering here in Wales.

[119] **Darren Millar:** I ask Members and the Minister to be brief in questions and answers.

[120] **Helen Mary Jones:** Mine is a very specific question, about a particular decision that you made in response to a report by the social justice committee that has funding implications. I am interested to see how that is reflected in this budget. I think that we were all very pleased when, in response to that committee's report on domestic abuse, you accepted that children's work in refuges ought to be publicly funded. However, as you will be aware, Minister, that has a knock-on effect, because most of that work is currently funded by organisations like Comic Relief and BBC Children in Need. Now that it has been accepted as a Government responsibility, it becomes effectively impossible in the long term for those voluntary organisations to continue with that funding, which is inevitably going to leave a huge hole. I know that there is a substantial amount of money in the budget that you are giving to Welsh Women's Aid as a national organisation to fund children's work, but that is

separate from the children's work in refuges.

[121] **Minister**, is there a budget head in this budget, either directly or through local government, that will pick that up? I do not have the figure with me today, and I apologise for that, but it is hundreds of thousands of pounds over the whole of Wales.

[122] **Brian Gibbons**: It is £600,000.

[123] **Helen Mary Jones**: So, is there a figure here, either through local authorities or directly from the Government, that is going to pick that up?

[124] **Brian Gibbons**: Yes. I think that that response to the committee was seriously misunderstood, because that was acknowledgement of what was already going on; there was no extra money announced. We confirmed the budget decision that we had made in the previous budget to give the extra £250,000. When that committee report came out, seven or eight months later, we confirmed that the commitment that we had made eight months earlier would continue. So, I think that there was a misunderstanding in relation to the Government response.

[125] **Helen Mary Jones**: With respect, Minister, that may have been what you meant, but your written response said that children's work in refuges—which is not children's work around domestic violence—should be publicly funded, and that the Government's response to that was to accept it. That has created a real difficulty, has it not, for the voluntary funders?

[126] **Brian Gibbons**: That was what was happening when we provided the £250,000.

[127] **Helen Mary Jones**: However, that money is not used in refuges, Minister; it is used by Welsh Women's Aid, the national organisation. It is not used for children's work in refuges.

[128] **Brian Gibbons**: No, the Welsh Women's Aid has allocated to peripatetic children's workers in refuges for children who are in that situation and that was—

[129] **Helen Mary Jones**: That is in addition to, not instead of—

[130] **Brian Gibbons**: There was a lobby at the time that the money should have gone directly to local women's aid organisations rather than going through Welsh Women's Aid, but we felt that, from the point of view of increasing the resilience and the capacity of the women's aid movement generally, directing it through Welsh Women's Aid rather than through the individual women's aid organisations would be better, strategically. However, the decision to grant the £250,000 for work with children in refuges had been made.

[131] **Helen Mary Jones**: I just want to put on record that there is no money in this budget to pick up when the voluntary funders—Comic Relief and Children in Need—are compelled by their central-London-based committees to withdraw the funding from the refuges. There is no money here to mop that up.

[132] **Brian Gibbons**: I just want to clarify the record, because some people misinterpreted what was said in the recommendation. Since then, we have had some very good discussions with Children in Need over two or three meetings, including a personal meeting that I had. We explained the situation and there is ongoing commitment to providing funding, although you are right that, in the fullness of time, which has not been defined, there will have to be realignment between the money that organisations like Children in Need provide and that we provide. For the moment there is no threat to that money. We are committed to finding a way forward in which the responsibilities and the purpose of both organisations are recognised.

[133] **Darren Millar:** I know that you have to be in another committee soon, Minister, so we are going to have to move on to our final few questions.

[134] **Andrew R.T. Davies:** I will just focus on business rates, Minister. We all know the difficult economic climate that businesses are facing. I am sure that Members around this table have dealt with many inquiries from businesses, particularly on business rates, which seem to be some of the final arbiters in terms of whether they are actually going to be profitable or not and in existence in six to 12 months' time. That said, business rates are, obviously, a valuable source of revenue. What assumptions have been made over the amount of business rates that will be collected in the next 12 months and the multiplier effect that might be imposed?

[135] **Mr Powell:** The multiplier is based on the September RPI. There are two factors that will affect the multiplier; both at the moment are slightly uncertain. One is the revaluation that is currently going on of non-domestic rates. It is a quinquennial revaluation and there will be a redistribution of business rates as a result of that. It will not increase the pot from business rates; what it does is to move around the liability based on valuations. So, the multiplier will be fixed as a result of the September RPI, which I think came out yesterday.

[136] **Darren Millar:** It was a negative figure, was it not?

[137] **Mr Powell:** It was a negative figure, and also the multiplier will be adjusted to take account of the revaluation, to make sure that, whatever happens in a revaluation, the overall amount of money collected from businesses will not be increased as a quantum.

[138] What we do is we include for settlement purposes—because the settlement is revenue support grant and redistributed non-domestic rates—a fairly notional figure, at this point, of what the non-domestic rating calculation take will be for 2010-11. Within the envelope of what we call added external finance, what NDR is not, RSG will be. We then firm that up in February when we get returns—for anoraks—called the non-domestic rating 1 return, which is what local authorities estimate that they will collect. We use that within the overall envelope, but within the settlement envelope it is a see-saw; RSG balances the NDR takings.

10.10 a.m.

[139] **Andrew R.T. Davies:** Just for clarification, given the weight of information you have just given, will the multiplier be reduced because the September RPI was negative?

[140] **Mr Powell:** Yes, and it will be adjusted for revaluation.

[141] **Andrew R.T. Davies:** Yes, I heard the bit about the revaluation, but I just was not quite sure about the other part.

[142] **Peter Black:** I want to ask a question on cuts, Minister. In your report to the committee you refer to the £12 million that has been put into the fire safety budget for school sprinklers, which you say has now ended, and you suggest that the cost of providing sprinklers in schools will now be met as part of the mainstream 21st Century Schools capital funding mechanism. However, my understanding is that that budget has also been cut by £34 million. So, if that is the case, where is that money for sprinklers going to come from?

[143] **Brian Gibbons:** My understanding is that all new schools built will have to have sprinklers, end of story.

[144] **Peter Black:** I understand that, Minister, but there was an actual budget line of £12

million for that, which you are now saying is going to be picked up by another—

[145] **Brian Gibbons:** Yes, for new buildings.

[146] **Peter Black:** But that budget line has been cut as well.

[147] **Brian Gibbons:** Yes, but any new build will have sprinklers as an integral part of it.

[148] **Peter Black:** Yes, but there is less money for new build, less money for sprinklers, and in particular—

[149] **Brian Gibbons:** Well, they are hardly going to provide sprinklers lying out in a field.

[150] **Peter Black:** There is also less money for adaptation as well, which covered the installation of sprinklers in schools that were being renovated, for example.

[151] **Brian Gibbons:** Yes, we did provide money for some retrofitting and so forth. I do not know whether Owain can give some details on that. We had to market that fairly vigorously and, indeed, I may be mistaken as to where the budget line came from but, in fact, some of the better uses of that money conceivably were through target hardening—if I can use that phrase—rather than, strictly speaking, retrofitting the sprinklers to protect schools from fire attack and arson.

[152] **Mr Lloyd:** The £4 million per annum, and the £12 million over three years, was specifically for refurbishment, which, obviously, is a lot more expensive than including it in a new build. I think that it was always made clear that, after three years, it would come to an end, and we have been able to do that because of savings we realised through the Firelink project. I think that the Minister has always made it clear that it was a specific three-year scheme.

[153] **Peter Black:** Actually, the paragraph is misleading in the report, then, as it says that it will be picked up by the new build programme, because that money was never for new build.

[154] **Brian Gibbons:** The purpose is to protect schools for the future and to make sure that they have sprinklers, so, in that sense, I do not think it is misleading. Are you asking whether we are indicating that the £12 million is going into the 21st Century Schools?

[155] **Peter Black:** The report says that the cost of providing sprinklers in schools will now be met as part of the mainstream budget—the schools capital budget—indicating that that £4 million a year has been transferred across, when they are actually different budgets for different things.

[156] **Brian Gibbons:** I can see the point you are making. I do not think that there is a transfer of money over into the safer schools line between main expenditure groups. That is not taking place. The purpose of the money, which was to protect our schools from arson or fire, is going to continue.

[157] **Darren Millar:** We will have to move on very quickly because I want to bring Lorraine in.

[158] **Ann Jones:** I wanted to raise the point about sprinklers in schools. You know that sprinklers are very dear to my heart and, God willing, we will get a piece of law through that says that we have to put them into all new home builds and, therefore, the fire service will be protected as well.

[159] Will you provide the information in writing—time is running on now—on the number of schools that have benefited from this £4 million year on year? I am disappointed that you are stopping it. I know it is a new grant, but I think that you could have found a way to put it in somewhere else, and if you can roll deprivation into the RSG then you can roll fire safety into the RSG as well. However, you cut £10 million from the fire service budget, according to your paper, in capital and revenue. Will you explain why you have cut £10 million from the fire service?

[160] **Brian Gibbons:** A lot of that money, or all of that money, was for Firelink and, as you probably know from your own contacts with the fire service, the progress with Firelink has been slower than we expected and the profiling of spend for Firelink has been changed accordingly. However, we have been able to—and I think that I have written to the fire authorities in the last couple of weeks—indicate that the revenue costs of the role of Firelink will be covered in full by the Assembly Government. So, that money that you are referring to—the revenue and the capital—are estimates as to what we thought Firelink would require. However, because of the reprofiling and everything like that, it is no longer needed for that purpose.

[161] **Ann Jones:** So, you have not reduced the revenue budget by £2 million.

[162] **Brian Gibbons:** We have reduced it because we do not need the money. The cost of Firelink, because of the way it is rolled out, has changed and, consequently, we do not need that money. I am happy to provide a note.

[163] **Darren Millar:** We will to have to move on to a very important question now from Lorraine.

[164] **Lorraine Barrett:** The majority of the remaining funding in the local government settlement, which is around 20 per cent, comes from council tax, and local authorities have the power to set their own levels of council tax. Have any assumptions been made regarding the council tax levels that local authorities will set in terms of the percentage increase in bills?

[165] **Brian Gibbons:** The impression that we get is that local authorities are very aware of the current economic climate, and any settlement would be of the order of what it was last year. We are keeping a very close eye on the situation and, clearly, if there are any maverick settlements out there, then we will have to take into account the policy implications. However, all the information that we are getting is that the council tax increase will be of the order of what it was last year.

[166] **Lorraine Barrett:** Have you thought about capping?

[167] **Brian Gibbons:** No. If the suggestion is that there is not going to be a radical deviation from last year, then I do not think that that will be necessary. Capping is very much a weapon of last resort, and unless there is some sort of prima facie case that there are going to be some outrageous or maverick settlements out there, I do not think that capping comes into the picture.

[168] **Darren Millar:** So, at what point would you bring capping in: 5 per cent, 6 per cent, 7 per cent? What is an acceptable increase? What is a maverick increase?

[169] **Brian Gibbons:** Certainly at 7 per cent, but it would not have to be 7 per cent necessarily. I think that the indications are that the level of council tax uplift is going to be significantly less than 7 per cent. I do not think it is helpful for me to give a figure because it will mean that people will bid up to that particular figure. I think that there are pressures out

there on councils to set a reasonable level. They are all cognisant of it, and I think that it would introduce an artificial element if I was to give an early indication of what a limit would be, particularly if it is not likely to be needed.

[170] **Darren Millar:** We are going to have to draw this session to a close, I am afraid, because the Minister has to be in another meeting at 10.20 a.m.

[171] **Ann Jones:** Can we write to the Minister on equal pay, please?

[172] **Darren Millar:** Yes. We have another couple of questions, Minister, which we will put to you in writing, and we would appreciate a response. That brings this part of the meeting to a close. We will have a break until 10.30 a.m., when we will be joined by the Minister for Health and Social Services.

*Gohiriwyd y cyfarfod rhwng 10.19 a.m. a 10.28 a.m.
The meeting adjourned between 10.19 a.m. and 10.28 a.m.*

**Craffu ar y Gyllideb Ddrafft—Tystiolaeth gan y Gweinidog dros Iechyd a
Gwasanaethau Cymdeithasol
Scrutiny of the Draft Budget—Evidence from the Minister for Health and Social
Services**

[173] **Darren Millar:** Welcome back to the meeting. We will move on to item 3 on our agenda, which is scrutiny of the draft budget. We will be taking evidence from the Minister for Health and Social Services, who I am very pleased to welcome, along with Paul Williams, the director general at the Department for Health and Social Services Department, and Val Whiting, the chief accountant at the resources directorate. We have received an evidence paper from the Minister, which has been circulated to committee members. Minister, would you like to make any opening comments before we start the questioning?

[174] **The Minister for Health and Social Services (Edwina Hart):** Yes, thank you very much, Chair. I am pleased to have the opportunity to discuss my draft budget proposals with you today. The health and social services MEG shows an increase of 2.6 per cent in 2010-11, compared with 2009-10, excluding transfers, which is a good result in such a difficult environment. To address the overall savings necessary as a result of the UK budget, health and social services, along with all main expenditure groups, has delivered efficiency savings of 1.6 per cent. I have a strategic allocation of £50 million that is as yet unallocated, which will influence, of course, how I will answer questions today, with £4 million for priorities arising from the economic downturn.

10.30 a.m.

[175] This has been a very challenging budget planning round and it has involved making very difficult decisions. My department is currently conducting a review of all budgets in order to ensure that the unallocated money is spent in the most efficient way on key priorities, and these priorities will form part of my final budget submission. I would also welcome the committee's views on its priorities before I go through my final budget.

[176] **Darren Millar:** That is very much appreciated, Minister, and thank you for being so open about the challenging circumstances that we face. Given the economic constraints that underpin the whole of this budget and the 'One Wales' commitments that the Government is trying to fulfil, do you think that any of those will have to fall off as a result of the budget next year? I am thinking particularly of the commitment to divorce the NHS from the private sector, for example, in relation to mental health services.

[177] **Edwina Hart:** No, the core principles that are enshrined in the 'One Wales' agreement, which is the coalition agreement between ourselves and Plaid Cymru, will remain a priority and will be delivered even in these difficult circumstances.

[178] **Darren Millar:** Will that include the removal of the private sector from the NHS? The NHS at the moment uses mental health hospitals in the private sector, does it not?

[179] **Edwina Hart:** There is very limited involvement in relation to second-offer guarantees. We are trying to use the NHS itself where we want do additional operations within certain areas, and that will be our continued practice. Paul?

[180] **Mr Williams:** I think that we had a discussion at the Committee for the Scrutiny of the First Minister last week on whether mental health was included in those intentions. I think that is a longer-term intention but, as the Minister said, in terms of acute services, we are on track to minimise our use of the private sector.

[181] **Andrew R.T. Davies:** May I come in on that? The Chair specifically raised mental health services, and various organisations have flagged up the extensive role of mental health providers from the private sector in the NHS in Wales. I hear what you said, Minister, about the second-offer scheme and operations as such, but how will you move forward to meet this 'One Wales' objective, to achieve it in the field of mental health, for example, and cancel out the private sector?

[182] **Mr Williams:** I have called for a report from all local health boards to see how much the previous local health boards were commissioning services, from those for learning disabilities through to mental health services. When I have that information, I will be engaging the new local health boards to ensure that, whenever possible, we will be using national health service facilities in Wales, which is the right way forward.

[183] **Edwina Hart:** We should be in a position by the final budget to answer any questions on this, because the reports will then be in from the LHBs, if that is of assistance to you, Chair.

[184] **Darren Millar:** I have a very general question: how are you ensuring that equality of opportunity for everyone has been applied in the production of the draft budget?

[185] **Edwina Hart:** As a former Minister for equalities, I have always ensured that equalities issues, across the portfolios, are key, and that they comply with all aspects of our statutory requirements and, importantly, the spirit of equality legislation. So, equalities issues are integrated in the way that we deal with the budgets in the health service.

[186] **Darren Millar:** Do you think that the budget will allow your department in particular to prepare for the carbon reductions of 3 per cent each year by 2011?

[187] **Edwina Hart:** Yes. I have two actions in 'One Wales: One Planet'. I am about to put new requirements on the NHS to meet ISO14001, which is the standard related to the environment management system, related to paperwork and so on, and we are developing a broader approach to sustainability in the NHS. We have to look at lifelong health, food safety, efficiency and effectiveness—the 1000 Lives campaign forms part of this as well—and minimising the environmental impact of services. We have quite a good record on this because we have been preparing a response, I understand, to a report elsewhere, which we are collating with the appropriate Minister, and which will come to the appropriate committees in due course. I have to say that there is an energy within the NHS in looking at these environmental issues because there is a lot of interest among staff on driving this green

agenda.

[188] **Andrew R.T. Davies:** Minister, thank you for that answer. One thing that comes across time and again is the opportunity to train and develop one's career in the NHS, as does the experience, I would suggest, of patients. Sadly, figures out today indicate that there has been an 11 per cent increase in complaints about NHS procedures across the board, from the ambulance service to in-patient services. You identify in your briefing paper an increase in the budget overall, but the indicative budget brought out in 2008 showed a reduction related to patient safety, for example, of £2.3 million. Again, staff training, for example, has seen an overall increase, but the indicative budget brought out in 2008 included a £6.3 million reduction. These are substantial decreases in both fields. I appreciate your opening comments and all responsible politicians, I hope, are aware of the economic climate we live in. However, that type of decrease in the indicative budgets would have a dramatic impact on your ability and the Government's ability to deliver, I would suggest, in-service training and on patient experience. Can you identify what impact, if any, those cutbacks will have?

[189] **Edwina Hart:** I do not accept your analysis that this is going to impact on the patient experience or on staff training. Obviously, my budget is as it is, and I will be making further allocations before my final budget.

[190] You referred to the report that came out this morning about incidents and complaints. I see complaints as being a useful vehicle within the NHS because, through people complaining, we learn a lot and we can put things right. I always encourage—and I always have done in my constituency—people to take complaints forward if they are concerned about issues. So, this not an issue that I worry about.

[191] In terms of the workforce, we have made a continued commitment to training within the workforce as it relates to patient safety. If you look at the 1000 Lives campaign, you will see that staff have been very innovative in how they have dealt with patient safety. Examples include the fact that we have not had infections in certain wards for years because of this type of innovation. That does not require a large amount of money; it requires staff commitment in particular areas to develop the agenda.

[192] On the wider issue, which I think that you are alluding to, of staff training budgets, I recognise that even in a time of economic recession and budget difficulties, the last thing you should do is attack training budgets. I was speaking to the Royal College of Physicians earlier this week and we discussed doctor numbers, and I made it quite clear that we must maintain training in these areas, as well as in nurse training and in other fields, because when the upturn happens you need to have a service that is fit for purpose. So, even though there are issues within the budget, I am confident that we can manage them. Paul may want to add something to that.

[193] **Mr Williams:** I think that it is about providing our facilities more effectively. The Minister mentioned the 1000 Lives campaign. Last week we started to see some evidence in terms of pressure sores, which, at one time, were almost accepted as a risk of being admitted to hospital and having to stay there for a long time. We have one ward in Swansea that has recorded 500 days without a pressure sore since we started the 1000 Lives campaign. The issue now is how that is being rolled out, as it is hugely beneficial for the patient and saves money as well. This is how we are engaging our clinicians. Our big thrust for the next few years in having to deal with more difficult financial times involves looking constantly at where we can reduce waste, where we can eliminate harm, and where we can reduce variation. Those three things will be giving us potentially large sums of money and improve patient quality.

[194] **Andrew R.T. Davies:** So, you do not accept that the £6.3 million that has come out

of the indicative budget will have an impact on the aspirations that were well intentioned in 2008-09. Can you not think of projects that now will not be able to come forward because £6.3 million has been taken out of the training budget?

[195] **Mr Williams:** We are moving into periods of declining growth. I think that when we had higher growth, then there were some aspirations. We have to look very hard now at everything we do and challenge the things we do in a different way. However, we are still in a period of relative growth.

[196] **Peter Black:** I turn to the £50 million in your budget to support structural changes in the health service. Could you give us some more detail as to how that money will be spent?

[197] **Edwina Hart:** That is the £50 million that is as yet unallocated, which I currently have as my central reserve. As I indicated in my opening remarks, we are currently conducting a review of all budget lines to look at the priorities. The funding is described as being made available to support structural changes and increases in demands, but I can confirm to you—and I think that you would like me to confirm this point—that this fund is not being spent on the reorganisation of the NHS. The funding will be targeted at key priorities that are being developed. Hence one of my opening remarks to the Chair that if committee members have any priorities in terms of where they want to see the final budget going, then I would be delighted to know what they are.

[198] 10.40 a.m.

[199] **Peter Black:** I do not know if you have seen, Minister, the press reports about the reorganisation in terms of senior personnel who have been kept on even though there were no posts for them and, effectively, being given gardening leave or being moved to posts that were created for them. Is that the case and, if so, how much is that costing the NHS in terms of the reorganisation?

[200] **Edwina Hart:** I think that the chief executive of the NHS might like to answer that question.

[201] **Mr Williams:** Yes. I think that, first and foremost, we did not go into this reorganisation with a slash and burn policy in terms of reducing management. That was not the objective, and we had a no-redundancy policy. So, as regards the reference last week to people without posts and still enjoying salaries, those salaries are part of their terms and conditions and they are linked to length of service and age, and that applies to all categories of staff in the NHS, not just to these particular people.

[202] The other issue is that where people have failed to get posts, they are not subject to some form of disciplinary measure and are to be turned out on the streets. Incidentally, if that approach was taken and we made these people redundant, my estimate is that it would cost about £20 million. What we need to do is redeploy these people, and if they need retraining, we retrain them, because they are valuable assets, as is every member of the staff in the NHS. I have been at pains to stress this with the new boards: we need to deal with these people effectively.

[203] **Peter Black:** Also, you refer in your budget to the £4 million for priorities arising from the economic downturn. Can you clarify how that is going to be used and whether that is part of the £50 million we have just referred to?

[204] **Edwina Hart:** No, it is an additional £4 million. We have not finished the final discussions yet with the Minister for finance on business cases, but I should be able to report by the final budget stage.

[205] **Peter Black:** What other areas in health and social services will benefit particularly from the overall increase of £145.9 million? In particular, are you looking at directing money at the social services side of things?

[206] **Edwina Hart:** These are the discussions that we are having. We have carried out a root-and-branch review of our budgets, and I think that the committee needs to understand that, in these difficult times, we have gone to the baselines of some of these budgets and looked at whether they are for core services within the NHS and social care. We are doing this analysis now. I am also taking into account, as part of this, what has happened in the half-year historical review, going back and having a look, hence why I have made the decision not to make further allocations at this stage but to wait until I come to the final budget.

[207] **Andrew R.T. Davies:** I accept terms and conditions and I accept you do not want to be turning people out on the streets, but you must have a game plan—the experience that many of these individuals will have will hopefully enhance the health service in Wales—as to when you believe they will be assimilated into the new structures and found purposeful roles. Many times before, like with the Welsh Development Agency, for example, horror stories have come out two or three years down the road of people still having a non-job almost, but still being paid according to their terms and conditions. So, could you inform the committee as to when you believe this assimilation will have taken place and we can reasonably expect it to happen?

[208] **Mr Williams:** The new boards have just completed their executive teams and are going down into their second, third and fourth tiers. There has to be consultation in terms of how they are reforming their organisations, but I would imagine that we will have clarity within a maximum of six months as to where these people have been placed. I have emphasised this because I do value staff and I will make sure that this issue is addressed. It is absolutely unacceptable to me to have people who are not being employed gainfully.

[209] **Darren Millar:** Minister, when you made the announcement that there would be no redundancies as a result of the reorganisation in the NHS, many people were astonished by that commitment, and many people were looking forward to seeing a cull of unnecessary management in terms of some of the senior posts and, in fact, certainly in the opinion of many Assembly Members, it was going to be a desirable outcome of the reorganisation. You say that you want to keep people on if they can be gainfully employed, but surely if they can be gainfully employed they would not keep the same salary rates, would they? If they are no longer chief executives, if they no longer have the same levels of responsibility, or if they are no longer finance directors for NHS bodies, for example, then the salary scales would need to be looked at, surely.

[210] **Mr Williams:** That is where existing terms and conditions come in, in terms of salary protection, and they would mark time. They will not all be protected at the same level as it depends on age and length of service, but they will mark time until their salary catches up. Some will leave through natural wastage, and some will leave simply because they may be over 50, 60 or whatever. So, issues of natural wastage should be taken into account. As I said, I have to emphasise that if we had taken a more economic approach to this and said, 'Okay, these people are no longer required', we would be talking this morning about defending the possibility of a £20 million redundancy package.

[211] **Darren Millar:** What is the cost over the lifetime of their protected contracts?

[212] **Edwina Hart:** The whole point, Chair, is that these are contractual arrangements with individuals, and we have to honour our contracts with individuals across the piece. You certainly would not be suggesting that I should tear up national agreements with the Royal

College of Nursing on nurses' pay terms and conditions. These individuals are no different. Just because they are on a high salary does not mean that, at the end of the day, they do not have basic contractual rights with the national health service, and it is important to recognise that some of them have skills that could be utilised elsewhere. Obviously, we are in a very complicated position because we have had trust mergers before this; we now have the LHB situation, and the chief executive indicated that LHBs have to prioritise how these people will be utilised, if they are going to be utilised. Some of them will go probably to other jobs and some, who have a tremendous amount of skills, will probably go to jobs outside Wales. So, I think that, at the end of the day, as long as we can ensure that this has been done fairly and equitably and we have protected people's individual rights, it is the right way to go.

[213] **Darren Millar:** I think that my question is about the alternative cost. We are looking at the budget today. We know it is very difficult and it is going to be difficult over a number of years, not just next year, and it may be better to take a one-off cost than to spread the cost of keeping people on in jobs that may not be appropriate for them over a 10-year period, or whatever the period of their contractual arrangements might be. If you look at the opportunity costs of both of those, then that is what we should really be discussing, is it not? What is the alternative? Is it possible to provide information on that?

[214] **Edwina Hart:** These are staffing issues, and therefore they are not policy issues for me. These are dealt with by the senior official here and, of course, by all the chief executives within the LHBs. I do not think that we could go into that level of detail about highly paid individuals and their contractual arrangements. It would not be appropriate to disclose such information in my opinion.

[215] **Helen Mary Jones:** May I suggest that if we want to scrutinise the Minister on the reorganisation that we ask her back to do that? I am getting a bit concerned because there are questions, for example about child and adolescent mental health and the funding for that, that I would not want us to miss out today.

[216] **Darren Millar:** I appreciate that, and we will get to those questions, but I think that this is a piece of information that is important to the committee given the budget next year and the budget in future years. We are not asking for details of individuals' contractual arrangements but what the alternatives might be.

[217] **Edwina Hart:** A management decision has been made to reorganise the NHS. The decision has been made and this is the way in which we are proceeding.

[218] **Darren Millar:** You did ask, though, what the priorities of this committee would be, Minister, and it may have a bearing on our recommendations in terms of the budget, so I think that we would request that information from you.

[219] **Edwina Hart:** So, are you saying that a cull of senior executives might be a priority? That was the phrase that you used.

[220] **Darren Millar:** I am just asking for more information, Minister, as Chair of the committee.

[221] **Andrew R.T. Davies:** If we could move on to the capital funding element of your budget, which has taken the biggest hit as such, we are all aware of various projects that have been put on hold, shall we say. One such example is the critical care unit in Cwmbran. Overall, there has been a decrease of £115 million I believe, from money that has been brought forward to the actual cut. That will have an impact on the 'One Wales' commitments, and in particular on the commitment to develop new not-for-profit nursing homes. Would you counter that by saying that you believe that with your budget for capital development, you

will be able to meet your 'One Wales' commitments in relation to the estate in Wales?

[222] **Edwina Hart:** I am not quite sure where this notion that something is going awry at Llanfrechfa Grange Hospital has come from. They are all busily working away at the Aneurin Bevan Health Board, looking at the staged process of development in Llanfrechfa Grange. As part of the proposals for the critical care centre, they have to take into account the fact that they have to get the bed arrangements right—and I think that we are talking about 500—and how you would transfer those to the community. This is a long-term project, and not a project that can be dealt with overnight. In terms of my other capital commitments, I have those within budget currently, and we are pursuing everything that is linked to 'One Wales'.

10.50 a.m.

[223] On the not-for-profit nursing home issue, I have been having discussions with Jocelyn Davies, who has a budget line herself in some of these areas. These are quite difficult discussions around issues that we hope to return to in the next few months. We also hope to make an announcement on how we intend to deliver this aspect of our policy agenda. This might not happen quite in the way we first envisaged, but we will certainly be delivering on this as part of our 'One Wales' commitment and the principles behind it.

[224] **Andrew R.T. Davies:** So, do you not envisage it having a dramatic impact on your ability to deliver the commitments as made in 'One Wales' on capital projects and their delivery?

[225] **Edwina Hart:** The reality is that we have been very fortunate in some of the capital allocations I have had from the Minister for finance. Money has been brought forward and we have been able to utilise that very well. In the long run, obviously, there might be a slowing down. We do not know what the budget is going to look like in future years or what our allocations are going to be; there might have to be a slowing down. At the moment, we are confident that we can deliver what we have within our capital schemes, but also, importantly, we are looking at the nature of our capital schemes and whether we can procure better, do things differently, get extra value, and whether we need to do things at the same level as previously. Take the Merthyr health park as an example. It is a very different concept to what it was originally, so can it be built to primary care standards as opposed to secondary care standards? There are enormous savings there. So, these are all the issues that are in the melting pot as part of our discussions on capital.

[226] I am not saying that it is an easy issue, but we are very much on schedule on our capital projects and, of course, there have been large-scale announcements in the last few months and there are likely to be more in the future. Look at developments across the piece: the development of the Cardiff Royal Infirmary site in Cardiff has been long awaited and is going ahead; the transplant unit at the Heath is coming online; there is the redevelopment of the Morriston site; look at what has happened in Haverfordwest in west Wales; they will be on site in Bronglais in October; and there have been announcements in relation to Ysbyty Glan Clwyd. The developments are all going on, and we are trying to keep our commitment in relation to primary care as well. The committee Chair has a very nice primary care development in his constituency. So, even though capital is tight, we are making the most of that capital. If I am absolutely honest, I would love more capital. If the Minister for finance said to me tomorrow, 'There will be no more money for roads and you can have the money instead, Minister for health', I am sure I could find a way of spending it.

[227] **Andrew R.T. Davies:** So, you do not see any constraints on delivering the 'One Wales' objectives. I think that the Record will show that that is what you said.

[228] **Edwina Hart:** Yes.

[229] **Andrew R.T. Davies:** On the critical care unit in Cwmbran, the only argument that is going on up there relates to the configuration of the beds.

[230] **Edwina Hart:** To clarify, we have already made it clear that some of the problems at Llanfrechfa Grange Hospital related to the fact that there were no substantial proposals on how to deal with beds coming out of the system and how they would manage that as part of the system. That is key to the business case, so discussions are ongoing in that regard. We have spoken to the LHB, which has a staged approach to the development in Llanfrechfa Grange. That is the way forward, as you must have a staged approach if you are to stay within budget. I would not want anybody to think that we were not committed to the project, and, at the same time, we are committed to the improvements in the Royal Gwent Hospital to make sure that those facilities—while there is ongoing change within the health community under the Aneurin Bevan Health Board—have the resources to make it a better experience for patients. Paul may want to comment on the capital.

[231] **Mr Williams:** I will just say a little more about the critical care facility at the Royal Gwent Hospital. It is a very ambitious project but, as the Minister said, it assumes that the service will run with 500 fewer beds. That has to be proven and we have yet to see the proof. It would be extremely foolhardy for us to make a major capital investment and then find that we could not deliver with 500 fewer beds in the system. That is the main issue, but we are committed to the project because it has an exciting but ambitious objective. We have yet to see from the new health board the guarantees that it could run the healthcare system with 500 fewer beds.

[232] **Andrew R.T. Davies:** May I just ask one final question on your capital projects and the ability to deliver capital projects? Given that the Minister for finance has a strategic capital reserve fund, and every Minister is in the queue for a draw-out from that fund, how important are successful applications to that fund in delivering projects for the health estate in Wales and, in particular, in meeting priority projects that you have identified via your contract, namely the 'One Wales' agreement?

[233] **Edwina Hart:** It is obviously money that we bid for, and we take the bidding process very seriously. I, like all Ministers, look at the priorities that could be enhanced by additional money from that fund, and it is very useful when you do have an allocation from it. We have ongoing discussions with the Minister for finance in regular meetings about the allocation of cash within this area.

[234] **Andrew R.T. Davies:** Are your projects dependent on money coming out of that capital fund, or is that an additional resource that you are grateful to receive?

[235] **Edwina Hart:** It acts as a supplement.

[236] **Peter Black:** Could I have some clarity, please, Minister, in terms of the capital budget figures? According to the figures in front of us, capital funding has been reduced by £115.8 million, and you say in your report that £58.4 million relates to the bringing forward of capital expenditure from 2010-11. Putting aside the fact that the Minister for finance indicated that the entire £115.8 million was due to the bring-forward, which I think is not true, you said in answer to a written question only last week that the bring-forward was £29.2 million. Which is the correct figure? Is it £29.2 million or £58.4 million?

[237] **Edwina Hart:** I queried with officials the answer I provided last week, and it was indicated that it was £29.2 million, but I will clarify this for you now that you have raised it.

[238] **Peter Black:** So, is the figure in your report not correct?

[239] **Edwina Hart:** I provided the answer last week that it was £29.2 million. That is for the Ysbyty Glan Clwyd development and two other schemes; a whole list of schemes is included in the £29.2 million.

[240] **Peter Black:** I understand that, but I asked from which projects was capital funding brought forward, from 2010-11. The point is virtually the same as what is stated on page 1 of your report, but you have two different figures.

[241] **Edwina Hart:** I will ask my official to clarify because I am not certain that I am getting the gist of this.

[242] **Peter Black:** It is just that it is important in terms of the impact of that cut as to whether it is £29.2 million or £58.4 million.

[243] **Ms Whiting:** This is a just a presentational issue. The amount of capital funding brought forward was £29.2 million, but it is shown in the budget tables as having been doubled because you are reducing one year and adding to the next. So, the gap, as it is shown in the budget tables, doubles. It is just a technical presentation.

[244] **Edwina Hart:** Yes, it is £29.2 million.

[245] **Peter Black:** You are not spending the money twice, then?

[246] **Ms Whiting:** No, and we are not taking it off twice.

[247] **Peter Black:** So, to be clear on this, of the £115.8 million which has been cut from the capital budget, has only £29.2 million of that been brought forward?

[248] **Ms Whiting:** That is correct.

[249] **Peter Black:** So, is the actual reduction in capital spending about £90 million?

[250] **Ms Whiting:** There is a £14 million cut, as you put it, which has been applied to every capital budget in the Assembly, and the remainder takes account of the normal profile of capital projects spend. So, there is no cut as such; it is just the normal profiling of capital projects.

[251] **Peter Black:** Putting aside the bring-forward, there is £90 million less to spend next year than there has been this year.

[252] **Ms Whiting:** That relates partially to the profiling of funding for pandemic flu, because we had to have a bulge in capital spending to stockpile medicines. Therefore, that is just distorting the capital base.

[253] **Peter Black:** Was that SCIF money put into the main budget this year?

[254] **Ms Whiting:** Yes.

[255] **Peter Black:** So, was it not kept separate?

[256] **Ms Whiting:** No, all our capital budgets have been—

[257] **Peter Black:** So, how much was that funding? Was that £70 million?

[258] **Ms Whiting:** I cannot remember off the top of my head; I would have to come back to you on that.

11.00 a.m.

[259] **Peter Black:** Of that £115.8 million, £29.2 million is brought forward, and the amount for pandemic flu, which I think is around £60 million to £80 million, is a one-off expenditure that will not be repeated this year. So, are you talking about a cut of £20 million or so in the capital budget?

[260] **Ms Whiting:** It is £14 million.

[261] **Edwina Hart:** It is £14 million, because all capital budgets took a similar cut.

[262] **Peter Black:** I am just trying to clarify because it is not very clear from the figures.

[263] **Val Lloyd:** Minister, turning to the section in your paper on NHS allocations, you tell us there that £81.6 million of efficiency savings have been made in this spending programme area. Could you explain where those savings have been made and how this will be done without impacting on service delivery in the NHS?

[264] **Edwina Hart:** We have been achieving efficiency savings across the piece for a number of years in the NHS. We have all been asked to look at 1.6 per cent. Obviously, this is quite a difficult area for us in terms of how we look at our budgets and how we can make reductions. Do you want me to cover the wider issue of the NHS efficiency savings on top of the 1.6 per cent?

[265] **Val Lloyd:** Could you outline it? If it is going to take too long, then you can drop a note to the committee.

[266] **Edwina Hart:** Paul, do you want to talk about the NHS efficiency savings?

[267] **Mr Williams:** Yes. I mentioned earlier this issue of variation, or waste. This is the kind of areas that we are looking at, as there are potential opportunities here. In terms of variation and reducing length of stay, for instance, we could have higher day-case rates. If we went to the upper quartile of performance UK wide, there is a potential to save £200 million. That will take some time because you need to change clinical practice. So, a lot of emphasis will be placed on service modernisation and improvement. If we look at the workforce issues of sickness and absence—and we talked about sickness and absence before—this is another area where we can constructively address the additional costs, for instance, of bank and agency nursing.

[268] Turning to procurement, we have made huge improvements in this area. In fact, I have a meeting after this meeting with some of my officials about how we can improve procurement even further across the whole of Government.

[269] On medicines management, there is still waste, which we need to address. About 10 per cent of the whole budget is associated with medicines management. There is also the effective use of our estates, the possibility of sharing estate and estate rationalisation. So, there is a whole raft of areas that we are looking at to address the efficiency savings.

[270] **Val Lloyd:** I have two other questions on this spending programme area, Minister. You told us the allocation to other central health budgets' revenue action is set to more than double in 2010-11. Could you let us know why that is and how the money will be used? Staying with this spending programme area, how is the decrease in spending on the payments

to contractors' revenue action been achieved?

[271] **Edwina Hart:** This is the £50 million increase, but we are going into areas now where I have not made the allocations. I have my £50 million there, and I will be coming back to this when I come back to my final budget, I am afraid.

[272] **Darren Millar:** Is that the cash that is sitting in there at the moment until you redistribute it?

[273] **Edwina Hart:** Yes.

[274] **Darren Millar:** Okay, that is fine. Payments to contractors have fallen from £611.5 million to £507.1 million. What is the reason for that?

[275] **Ms Whiting:** There has been a transfer in relation to the pharmacy contract, so there has been a transfer of funding into the main LHB allocations.

[276] **Darren Millar:** How much was that transfer? Did it account for the whole of the difference?

[277] **Ms Whiting:** No, part of that would be the 1.6 per cent efficiency.

[278] **Edwina Hart:** Everything in this budget is predicated against 1.6 per cent.

[279] **Irene James:** I would like to move on to the workforce development SPA. You state that there is going to be a £4.9 million efficiency saving under the workforce development SPA. How is this being achieved and what impact will this have on National Learning and Innovation Agency for Health and other NHS bodies that deliver training and support for their staff?

[280] **Edwina Hart:** The decrease is £4.9 million, as you indicated. It comes as a result of the efficiency savings that we have been asked to address in terms of the 1.6 per cent. Obviously, we will be making final decisions on these issues when we get towards the final budget. The £1.477 million is the result of the reclassification of cash to non-cash, which also impacts on that budget.

[281] **Irene James:** May I just follow on from that? In May 2008, you accepted the majority of recommendations that this committee made, all of which related to planning, but can you say how the commitment to these recommendations is reflected in the workforce development budget expenditure line, which, in real terms, as you have said, loses £1.6 million?

[282] **Edwina Hart:** Yes. We will be working with NLIAH, which deals with the workforce development plans, to prioritise what we require in terms of workforce development, taking into account the committee's report, and honouring the commitments that I made in a very difficult budget area.

[283] **Darren Millar:** We have some supplementaries on this.

[284] **Peter Black:** You will be aware that there is some disquiet among some of the professional bodies about the £100 million a year being spent by the National Learning and Innovation Agency for Healthcare, and some have questioned whether it is actually giving value for money. Could you convince us that money is being well spent in terms of delivering front-line healthcare?

[285] **Edwina Hart:** No-one from any of the professional bodies has made any formal representations to me about any concerns of this nature, about the workings of NLIAH or how it is working. The workforce development and planning of NLIAH has improved enormously over the last few years—I think that the chief executive would agree with me—as has our relationship with the professional bodies and their involvement in the planning agenda. I do not know whether you have anything to say, Paul.

[286] **Mr Williams:** There seems to be a popular misconception. I have had discussions with some colleagues in the professions about the issue of whether the £100 million NLIAH budget, or whatever it is precisely, is spent on management development. In fact, around £90 million of that is spent on nurse training. So, actually, NLIAH has a pass-through responsibility for all the funding that goes into nurse training, and the bulk of that money therefore is set aside for nurse training and it passes through NLIAH.

[287] **Peter Black:** So, is that the main conduit for nurse training?

[288] **Mr Williams:** Absolutely.

[289] **Peter Black:** Right, and in terms of the leadership?

[290] **Mr Williams:** You are talking about a couple of million.

[291] **Peter Black:** Is the money spent on leadership providing value for money?

[292] **Mr Williams:** It is leadership in a wider sense. A lot of that is clinical leadership. So, when we were talking earlier about the 1000 Lives campaign, a lot of the issues there about how we are changing practice is being handled through the NLIAH budget.

[293] **Helen Mary Jones:** Will the efficiency savings that need to be made in the areas of training have any impact on the programme to train school nurses and the ability to deliver the 'One Wales' commitment in that regard?

[294] **Edwina Hart:** No.

[295] **Irene James:** Following on from all of that, does this SPA support work-based training for all care staff?

[296] **Edwina Hart:** Yes.

[297] **Irene James:** Can you clarify that position? Will it cover all care staff as set out in the 'One Wales' agenda? If it does not, where will the allocation for the work that is going to be needed to train the other staff be found?

[298] **Edwina Hart:** You are right that this SPA covers the Care Council for Wales and all the other training within CSSIW. As you recognise, in terms of other care arrangements, local authorities work in this area.

[299] **Irene James:** But it is actually—

[300] **Edwina Hart:** It is this budget line, yes.

[301] **Irene James:** That is fine.

11.10 a.m.

[302] **Lorraine Barrett:** Minister, I am looking at the information SPA, which stands for spending programme area, for the record. Informing Healthcare, as you know, covers a high-profile IT programme and various projects. At a conference in Cardiff a while ago, you said that people need to think more imaginatively in the current financial situation about information and communications technology as it can create savings and efficiencies. Informing Healthcare is developing and implementing major IT projects, and there are several that we have examples of that are designed to create an environment in which other NHS services are expected to make efficiency savings. Of course, we have all heard the stories of one department not talk to another department computer-wise, and that seems a bit crazy in this day and age, with all the IT that we have. What impact do you think that applying efficiency savings to Informing Healthcare will have on its ability to deliver those projects? At the end of the day, the whole point of the projects was to reduce costs, improve efficiency and deliver a better patient experience, I think you would agree, by having computer systems that work better and information available to doctors and practitioners across the country.

[303] **Edwina Hart:** I understand that the officials concerned with Informing Healthcare are well aware of the issues surrounding the budget, but the practical stuff that we are doing should not have an impact, particularly on the systems involving primary care. In the future, we might have to stage the delivery of these projects more carefully.

[304] **Mr Williams:** We are also looking at other opportunities to spend to save. If we use capital to invest, we will reap the revenue rewards, because this is a very important area.

[305] **Edwina Hart:** It is the most important area for us, actually.

[306] **Lorraine Barrett:** It will make a huge difference if we can get it right. Moving on to the quality and patient safety spending programme area, the overall increase of £8.2 million in that SPA is placed in the research and development action. Why is that and how will the allocation be used?

[307] **Edwina Hart:** We have not decided on the final allocations to some of these areas yet. We will do so before the final budget.

[308] **Darren Millar:** There is a commitment in 'One Wales' to develop 'walk-in centres', although I cannot remember the precise phrase. Are you on target to deliver that within these tight budgetary constraints?

[309] **Edwina Hart:** Yes.

[310] **Darren Millar:** So, when will we see the first ones developed?

[311] **Edwina Hart:** Development work on that is ongoing.

[312] **Darren Millar:** So, will we see them within this budgetary year?

[313] **Edwina Hart:** I very much hope that all 'One Wales' commitments will have been fulfilled by the end of the third Assembly.

[314] **Darren Millar:** Thank you for that. We will move on to mental health.

[315] **Helen Mary Jones:** Minister, in last year's budget scrutiny session, you explained to us that the child and adolescent mental health service budget was held under the 'services for children' heading. Is that still the case? Is that still where they are?

[316] **Edwina Hart:** It is, but some also goes out in the local health board revenue

allocation letter as well.

[317] **Helen Mary Jones:** Right, thank you. In your statement, you explained to us that £2.6 million of mental health funding is transferring into the local health board and Health Commission Wales allocations. What do you intend to use that money for?

[318] **Edwina Hart:** Independent mental health advocacy, which is quite an important area to implement section 30 of the Mental Health Act 2007. On the criminal justice system interface and prison in-reach, a full year's funding is given for accepted bids, which is quite good. There is also an issue for Bridgend in that, and I have to implement all of the Mental Health Act. Legislation does not come without a cost.

[319] **Helen Mary Jones:** No, indeed. Minister, I appreciate that there is funding for mental health services that is not obvious in the budget, but there does not seem to be much difference between the mental health allocations for 2009-10 and those for 2010-11. How does that fit with the 'One Wales' commitment to place a new priority on mental health? Is there other spend that we are not seeing?

[320] **Edwina Hart:** You have seen the spend that has gone out to the LHBs, but have you seen the figures on the expenditure of LHBs on mental health services?

[321] **Darren Millar:** We have had the papers that you supplied us with.

[322] **Edwina Hart:** Yes, and we have the funding within the centre. We are going along with our commitment to give this the necessary priority within the confines of the budget. We are ring-fencing money for mental health services, which will make a significant difference.

[323] **Darren Millar:** As you know, Minister, we recently looked into community mental health services. The Proposed National Assembly for Wales (Legislative Competence) (No. 6) Order on the provision of mental health services, proposed by my colleague, Jonathan Morgan, is still progressing and Measures are likely to follow from it when it is passed. Do you think that there is a sufficient sum in the budget to account for such Measures, particularly if extra responsibilities are given to local authorities and other public bodies to deal with mental health issues?

[324] **Edwina Hart:** You used the very hopeful phrase 'progressing' there, and it would be nice to see it progress, first, so that we can get on with discussing any proposed Measures here. It will be a question of deciding which Measures we want to propose first, looking at how we do that and stage it, and then we can attach the appropriate costs to them. So, it is too soon to do it now.

[325] **Darren Millar:** Is it too soon to put in place?

[326] **Edwina Hart:** It is too soon, as there will have to be discussions with all interested parties, including Jonathan Morgan, about how we deal with implementing any Measures once the competence Order has been passed. We have had cross-party support on this, so I do not want to pre-empt any discussion about how to take forward the issues arising from that legislative competence Order.

[327] **Darren Millar:** Can you reassure us that there is sufficient flexibility within your budget to accommodate any new Measures that might arise from the proposed LCO?

[328] **Edwina Hart:** Let us be honest. By the time we get to any Measures, we will probably be in a totally different budget year, so we can look at it again.

[329] **Darren Millar:** Okay. Let us move on.

[330] **Helen Mary Jones:** I want to raise the ring-fencing of child and adolescent mental health provision. For the 2010-11 allocations, have you given any consideration to ring-fencing the money for child and adolescent services specifically as opposed to overall adult mental health funding? My concern is about the priority that they are given when we all know that these service users cannot speak out for themselves. I just want to be sure that your intentions as a Government to improve services for children and young people will not be lost, to pick up on the points that the Chair made about the evidence that we have received on the difficulties with the transition from CAMHS to adult provision.

[331] **Edwina Hart:** In answer to your questions, 'yes'.

[332] **Helen Mary Jones:** Good. Long question; short answer. I have a final question on this area. In your paper to the committee in July, you mentioned a number of projects that are in place to improve child and adolescent mental health services, including a forensic adolescent consultation and treatment service, and the report mapping provision in the national health service in Wales, which also looked at issues to do with the young offenders' institution in Bridgend. Is specific money allocated in the budget for those, and are you confident that the efficiency savings will not compromise them in any way?

[333] **Edwina Hart:** The efficiency savings will prove difficult given how you deal with all aspects of the budget round here, but we are fairly confident that we can move ahead on the projects as outlined.

[334] **Darren Millar:** Minister, in your response to this committee's inquiry into presumed consent for organ donation, you indicated that you wanted to see significant improvements in the services infrastructure that supports organ donation and transplantation—so, the harvesting of organs, in effect. The statement that you have given us seems to be at odds with the other healthcare revenue SPA, which also includes the Welsh contribution towards the NHS blood and transplant service. Given that there is no increase for 2010-11, how can you continue to achieve improvements?

[335] **Edwina Hart:** We have seen improvements in respect of transplant and organ donation. We have put more transplant co-ordinators in place, and there is a far better system within the NHS now than there was two years ago for dealing with it on the ground. So, that investment has already been made and I am fairly confident that we will get improvements.

[336] I hope to return to the wider issue of presumed consent and the soft option in the next couple of weeks, with some proposals.

[337] **Darren Millar:** How do you think you can maintain improvements while cutting the cash available in real terms?

[338] **Edwina Hart:** We need to recognise that the system has got a lot smarter at dealing with these issues. I was at a conference the other week, and a nurse was explaining to me how nurses are dealing with some of these issues on the ground and how they have been trained to do it. I think that that was a project in the Royal Gwent Hospital. So, we have got staff more interested in and focused on dealing with these issues, and we have more transplant co-ordinators and teams in place. They are working and are proving to be quite effective, so I do not really think that additional funds in that area are a necessity at this time. I have not received any representations on that particular area.

11.20 a.m.

[339] **Val Lloyd:** Minister, I have a question focusing on the better access spending programme area. During scrutiny last year of the draft budget at the Finance Committee, the NHS finance directors expressed concern that the additional activity required to meet the deferral-to-treatment time targets may not be affordable. They also expressed doubt that there was sufficient capacity available and that the impact of falling waiting times could lead to a large increase in demand. I am taking that verbatim from the committee. Can you, therefore, explain why you have reduced funding for the better access revenue SPA when there is a need to sustain the 26-week referral-to-treatment time after it has been achieved at the end of December?

[340] **Edwina Hart:** Finance directors in the NHS tend to be doom-and-gloom merchants when they have the opportunity to give evidence in the public domain in order to ensure that they can have further questions asked by Assembly Members and bits and pieces picked up in the press. I recognise that as the Minister for Health and Social Services.

[341] With regard to achieving the targets, we are within the existing budget and are on target in relation to where we are going. The only issue for us in relation to targets on this agenda is swine flu and the impact that that might have during the autumn, particularly on the service itself. I do not know whether Paul wants to talk about issues relating to delivery.

[342] **Mr Williams:** As the Minister said, our last figures show that 93 per cent of all patients are now being seen within a 26-week RTT, so we are on track to deliver by December. There is an issue of sustainability. One issue of concern for the finance directors was an increase in demand. It is always difficult to plot increased demand, and the issue is increased technology. All of us, as consumers, believe that the more things that we can have done to us, the more things will improve. So, one of the problems we will be looking at is sustainability.

[343] I would like to come back to service modernisation and efficiency. There are still many ways in which the service can ensure that more patients are treated quickly with the money they have. If we just look at cancellations in theatres, we made some inroads into that over the last year, but there is more to do. It is a balancing act between asking for more money, legitimate issues of demand, but also how much is still in the system in terms of efficiency that can be reinvested. It is a matter of keeping that balance, but we are moving forward and we are confident that we will hit our targets.

[344] **Edwina Hart:** I have the money that I kept in budget before the final budget for the necessary representations to be made if we want to put anything into that particular budget line. However, we hope that the messages have been conveyed in the last 12 months for more efficient use of theatres, day surgery and everything else in order to help to achieve those targets. It is an area into which we have poured quite a lot of money over the years, but receiving money has not necessarily made people look at how they should manage a system better; they just take the money and use it rather than recognise that, perhaps, they should be managing things rather better.

[345] **Darren Millar:** Do you want to come back on that, Val?

[346] **Val Lloyd:** No, I think that my concerns have been answered.

[347] **Andrew R.T. Davies:** I would like to pick up on a couple of points that were raised over the 26-week target and the budgetary aspect of that. The chief executive pointed out that you are on target to hit the 26-week referral time, but we should bear in mind that the 103,000 patients waiting at the end of August would have to be seen by 31 December for that target to be met. You talk about more money and we have talked about efficiencies in working practices, but to meet the target, I am led to believe that the NHS has had to commission

services outside its normal realms; that is, go to the private sector almost as a distress purchaser. Is that a good use of public money to hit this target because obviously you are buying at distress prices?

[348] **Mr Williams:** It is not an approach that I would support at all. For me, it is a feature of the old way in which the NHS worked, with commissioners not wanting to invest in the long term and forcing trusts to almost spot-buy on the market. From my personal experience, whatever money I had in my old trust was always invested in the NHS, because it was the cheapest and the best way of doing it. However, the previous system promoted the use of short-term measures. What I am saying now is that, on the integrated system of healthcare, we expect to have sustainable solutions within the NHS, which are fully compliant with the 'One Wales' commitment. So, there is some work to do here, but the numbers of patients being treated in the private sector is tailing off.

[349] **Andrew R.T. Davies:** Given that the target is 31 December, are you confident that the number of potential breaches—because people are unable to go because they cannot travel, they want to be treated in the locality—will be manageable or acceptable and will not be used as an excuse to say, 'Well, we have reached the target but there has been a massive increase in the number of breaches'?

[350] **Mr Williams:** First and foremost, we are talking about providing a sustainable service. We also need to be careful; we are not dealing with widgets, we are dealing with patients, and we have put some clinical tolerances in because it is acceptable sometimes for a patient to want to draw breath before a difficult decision is taken in terms of a particular course of treatment or whatever. So, we have built in some tolerances, but we have said that that is not an excuse for scaling back, because we would expect them to have the sustainable solution. We will watch that one very carefully. In fact, there is tolerance in the English system, but we have put a backstop in and said, 'No-one must wait more than 36 weeks. So, we are watching this, but we have to be careful because the vast majority of patients are now being treated well within the timeframes. We want to ensure that we are not absolutely target driven for the wrong reasons. We are not using this as a plan to fail. We want a sustainable system.

[351] **Darren Millar:** I am very conscious of the time, and I do want to touch on the social services part of the budget before we close this particular part of the session. We will write to you with a few other questions that we may not be able to get to.

[352] How much money is being allocated to local government for social services? How do you think that that might be able to promote the Assembly Government commitment to prevention as set out in the 'Fulfilled Lives, Supportive Communities: A Strategy for Social Services in Wales Over the Next Decade'? The reason that I ask that is because the social services budget appears to be under particular pressure this year.

[353] **Edwina Hart:** All budgets are under particular pressure, and I would not doubt that local government would indicate to you that social services budgets are under particular pressure, whether it be children or the older person's budgets within those particular areas. Of course, there is a duty upon local government to look at how it manages its budgets within this particular area. The Assembly Government programme funds for adult services represents only about 5 per cent of the total moneys because the budget for social services in Wales is £1.4 billion. However, we support the development of the important help to vulnerable people through grants to local government and the voluntary sector. There is pressure on it, but we have said to local government that by more joined-up working between us we should be able to alleviate both our pressures.

[354] In addition, the Deputy Minister for Social Services has been looking at the policy

imperatives in this area to modernise and transform social services working to make a difference. We also have several developments of new models of care for the long term which are more cost-effective for the elderly and deliver better outcomes. We need to shift the emphasis away—which we are trying to do—from institutional care, which is extremely expensive, to care at home. So, we are trying to drive that change and some of the new money we used last year was to drive the change with local government. We are very small in terms of the cash to local government; the bulk of it goes out through the revenue support grant and local authorities are entitled to spend that as they will in terms of how they deliver.

[355] **Darren Millar:** On the table at the moment are proposals to set a maximum charge for domiciliary care services, and there has been some discussion between the WLGA and the Deputy Minister about the appropriate level of finance and resource that will need to be made available to local government in order to compensate for the loss of revenue that it receives for domiciliary care. Are you confident that there is sufficient provision within your budget to allow for proper compensation to local authorities?

[356] **Edwina Hart:** I have obviously had discussions with the Deputy Minister about the issues around this agenda. As far as I am aware, the discussions with local government are not necessarily finalised at this stage. I have a budget, as it stands at the moment, but I am sure if there are any other issues the Deputy Minister will wish to raise in this context, she will do so if she looks at any requirements before the final budget is produced.

[357] **Darren Millar:** I would like to make one further point. There have been pressures on the residential care sector and particularly protestations about the levels of fees that local authorities and, in terms of continuing care, the NHS are able to pay.

11.30 a.m.

[358] Is there sufficient provision within your budget to ensure that there is no negative impact upon that particular sector?

[359] **Edwina Hart:** I am not sure how to answer that question, if I am absolutely honest, Chair, because NHS continuing care is a budget line that we have within the National Health Service. There are other arrangements in place; it might be residential care, it might not be continuing care, it might be other arrangements. So, I am not sure, Paul, how that is going.

[360] **Mr Williams:** The challenge for us is working in partnership with local government and making sure that we are providing the appropriate form of care and support at the right time and the right place. I think that we have got much more to do on partnership working, and we are having discussions at the moment about this because we are still having decisions taken around boundary shifting. That is where we need to get the benefits out of integration.

[361] **Peter Black:** I have a question on continuing care. Have you made any assessment of the increasing cost of continuing care as part of your budget, and have you made provision for that?

[362] **Edwina Hart:** We obviously review the continuing care as a constant issue for us because of the demographics of the population and how that will impact in the long term. There is long-term work going on in profiling the health budget because we are now looking at five-year planning for the health budget, where we will be; that will be one of the areas we will have to look at.

[363] **Mr Williams:** It is an area of increasing consideration in terms of potential so, as I said, we are undertaking a piece of work to see whether we can deal with this in a much more constructive way, as it is an inevitable issue that we are will have to deal with.

[364] **Edwina Hart:** In years where you had growth in budgets you could always deal with these issues. When you have the flattening out of budgets, you have to be far more strategic. It is a lesson to everyone: when you have a good amount of money to spend you also need to think of the structural changes you have to make at that time, not just pouring money into the same system.

[365] **Darren Millar:** I am afraid the clock has beaten us and we are going to have to bring this session to a close. I thank the Minister, Paul Williams and Val Whiting for their attendance today. I remind committee members that our next meeting will be next Wednesday, where we will take further evidence on the inquiry into stroke services and discuss our draft report into the regulation of sunbeds.

[366] **Helen Mary Jones:** We will write to the Minister with the points about CAFCASS and the youth justice information.

[367] **Darren Millar:** Yes, we will drop you a note, Minister.

[368] **Edwina Hart:** I apologise if I have been shouting, but I have lost my hearing in one side with an ear infection, so if I have been shouting it is because I cannot hear you.

[369] **Darren Millar:** You sound as loud as usual, Minister. [*Laughter.*] Thank you.

*Daeth y cyfarfod i ben am 11.33 a.m.
The meeting ended at 11.33 a.m.*