



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Cyllid The Finance Committee

**Dydd Mercher, 29 Mehefin 2011
Wednesday, 29 June 2011**

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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

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Mike Hedges	Llafur Labour
Ann Jones	Llafur Labour
Ieuan Wyn Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Jeff Andrews	Cynghorydd Polisi Arbenigol, Cynllunio Strategol, Cyllid a Pherfformiad Specialist Policy Adviser, Strategic Planning, Finance and Performance
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog Cyllid ac Arweinydd y Tŷ) Assembly Member, Labour (The Minister for Finance and Leader of the House)
Andrew Jeffreys	Pennaeth Cyllidebau Strategol, Cynllunio Strategol, Cyllid a Pherfformiad Head of Strategic Budgeting, Strategic Planning, Finance and Performance

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Tom Jackson	Clerc Clerk

Dechreuodd y cyfarfod am 9.29 a.m.
The meeting began at 9.29 a.m.

Cyflwyniad ac Ymddiheuriadau
Introduction and Apologies

[1] **Jocelyn Davies:** I welcome Members, officials and others to the first meeting of the Finance Committee of the fourth Assembly. You will see that translation headsets are available; they can also be used for sound amplification. Translation is on channel 1 and amplification is channel 0. I ask everyone to ensure that their mobile phones and electronic devices are switched off, as they will interfere with the electronic equipment. We are not expecting a fire alarm this morning, so if the alarm sounds it is an emergency, and the ushers will take us to the nearest safe exits. I have not had any apologies, and I see that

Peter has now joined us.
9.30 a.m.

Cyllideb Atodol 2011-12—Y Gweinidog Cyllid Supplementary Budget 2011-12—The Minister for Finance

[2] **Jocelyn Davies:** The papers and briefings have been made available to you. I welcome the Minister for Finance and Leader of the House, Jane Hutt. Perhaps you would like your officials to introduce themselves, Jane.

[3] **The Minister for Finance and Leader of the House (Jane Hutt):** Perhaps I should introduce them. I have with me Andrew Jeffreys, who is the head of strategic budgeting, and Jeff Andrews, who is our specialist policy adviser.

[4] **Jocelyn Davies:** Thank you for agreeing to attend this morning. Minister, do you have any introductory remarks to make or would you like to move straight to questions?

[5] **Jane Hutt:** I have a few introductory remarks that might help the committee with its scrutiny. May I start by saying how much I value the role of the Finance Committee in scrutinising our budget proposals? It is a very important part of the process. As the Minister for Finance, I want to support scrutiny and to be as transparent as possible and as open as I can be about our budget considerations. I look forward to establishing a very constructive relationship with this committee. In that context of openness and transparency, I would like to welcome the First Minister's announcement of the publication, from next month, of payments of more than £25,000 by the Government. With regard to today's business, it is our usual practice to have two in-year supplementary budgets each year, and I am continuing with this arrangement this year. I laid the first supplementary budget last week, on 21 June. The main purpose of the supplementary budget is to align the 2011-12 budget structures with changes to the Welsh Government ministerial portfolios announced by the First Minister in May.

[6] It is worth noting that these changes are entirely structural. There has been no impact on the total resources allocated overall to Welsh Government departments, as set out in the final budget, which was approved by the Assembly in February. However, they enable us to be strategic in the delivery of our programme of Government. The supplementary budget also makes a small number of allocations from reserves that have been agreed since the final budget was approved by the Assembly in March. These include an additional £21.5 million to cut orthopaedic waiting times this year; £5 million to the Adapt scheme to help the public sector meet workforce challenges; £18.4 million for the Department for Environment and Sustainable Development for animal health and welfare; £200,000 to central services administration for running costs associated with the devolution of animal health and welfare; £8.8 million for the cost of the Assembly elections; and £150,000 to the National Botanic Garden of Wales. Those changes are uplifts to departmental allocations as set out in the final budget and were announced before the end of the last Assembly term.

[7] Other changes include adjustments to our resource and capital baselines as a result of consequentials and transfers received since the final budget as well as revised annually managed expenditure forecasts. I apologise for the fact that there were a couple of typos in the explanatory note that you have that provides the detailed description of all of these changes. However, they have been rectified, and the correct version is on the website. Bringing forward the supplementary budget now will, I hope, ensure greater transparency with regard to the changes to budget structures in line with ministerial portfolios, rather than waiting until later this year to include all of these changes in a single supplementary budget, which, of course, would be after the draft budget. Restating the indicative allocations for 2012-13 and 2013-14 based on the new structure also, I hope, helps to facilitate scrutiny of next year's draft budget.

[8] **Jocelyn Davies:** I think that we all welcome very much the announcement by the First Minister that any payment from the Welsh Government over £25,000 will routinely be published. I am assuming that that will be done on the website.

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

[10] **Jocelyn Davies:** Can you explain the approach taken to the restructuring of the main expenditure groups, particularly where entire MEGs, such as rural affairs, have been incorporated into other portfolios?

[11] **Jane Hutt:** I hope that, in my opening remarks, I explained that these are purely mechanistic changes, which follow changes to portfolio main expenditure groups. Where MEGs are largely unaltered by the changes, they have been renamed as necessary to reflect ministerial portfolios. There have been more fundamental structural changes, such as the example of transport going to the communities and local government portfolio from the economy portfolio, and, in that case, the old structure has been designated the core of the new MEG. This MEG has been renamed, and budgets have been transferred to it.

[12] On your point about rural affairs, two MEGs have been disbanded. One is rural affairs, and the other is public services and performance. However, those budgets have been transferred to the relevant portfolios, in line with the transfer of functions. Again, they have been sorted and matched according to their new portfolios. I hope that you found annex 2 and the explanatory note helpful with the detailed schedule and the related budget.

[13] **Jocelyn Davies:** Yes, thank you, Minister. However, there appears to be little alteration where actions are concerned. Where they have moved, they appear to have been almost entirely taken into another MEG. Are there any examples of actions that have been split between portfolios, and if so, what is the impact on ongoing programmes and projects within those actions?

[14] **Jane Hutt:** A small number of actions have been split between portfolios, and that has been done to reflect new responsibilities. For example, under the former rural affairs MEG, there was an action identified as one to develop an appropriate evidence base to support the work of the department. That has been split between the business, enterprise, technology and science MEG and the environment and sustainable development MEG. In that example, both Ministers will take responsibility for developing the evidence base. There is no impact on ongoing programmes and actions as a result of the split.

[15] Another useful example is the children and young people strategy action. That was previously in the children, education, lifelong learning and skills MEG. It has since been split between the local government and communities MEG, the health and social services MEG and the children, education and skills MEG, and those responsibilities are now shared between the respective Ministers, who are taking on different aspects of the action. So, programmes continue as planned. In splitting actions, it is about identifying them clearly in ministerial portfolios. I think that Andrew said that 99 per cent of the whole functions have not changed.

[16] **Christine Chapman:** Minister, you referred in your opening remarks to a more strategic approach. Will the restructuring of these portfolios enable a more strategic approach to be taken to the allocation of funds and the achievement of the desired outcomes?

[17] **Jane Hutt:** The First Minister decided to develop a ministerial team with portfolios that he felt would help to deliver our programme of government. That is reflected. We will be held to account, of course, on the delivery of that, which is the key purpose. As the First Minister and Members, particularly you, Christine, have said, delivery in terms of outcomes is what we hope will emerge from these new major expenditure groups and the ministerial portfolios.

[18] **Nick Ramsay:** Good morning, Minister. Can you explain further the reason for revising the annually managed expenditure forecasts for student loans? There has been an overall reduction of £4.5 million in the annually managed expenditure. In all, I think that there is a reduction of £92.4 million in relation to student loans. According to the document, that is due to changes in accruing treatment. Can you explain that in a bit more detail?

[19] **Jane Hutt:** This is where the annually managed expenditure is volatile. It represents variable areas of expenditure, as you know, and they are subject to review throughout the financial year. As AME budgets are demand-led, they reflect actual costs. The Treasury bears the funding risk on those budgets. We have to review estimates regularly, and these estimates are based on the latest data. The supplementary budget provides us with a chance to update those estimates. So, there is no change to the policy, the delivery or the commitment; this is an adjustment to the estimate. You referred to the provision of student loans, Nick, and there is no diminution of our commitment. It is an adjustment in AME estimates.

[20] **Nick Ramsay:** Has there been similar volatility in areas other than student loans?

[21] **Jane Hutt:** Andrew, do you want to give examples?

[22] **Mr Jeffrey:** Most of the AME forecasts change at each forecasting episode. They go up or down a bit, and some are more volatile than others. The change with regard to student loans that you highlighted is particularly significant because there has been a change in the accounting and budgetary treatment since the last time the forecast was made. So, that explains the significant change. There has been quite a big change to the forecast for the NHS impairments charge in the AME budget: it has gone up by £65 million. That is a pretty volatile one. Many of the forecasts are based on estimates of the value of assets, which can change quite significantly from one period to another.

[23] **Jane Hutt:** It would be helpful to look at table 2.8 in the explanatory note, which sets out the Wales AME budget, and in which those changes are shown. I am meeting Ministers at the moment, and I have met the Minister for Local Government and Communities, who has reported back on changes to forecasts in relation to transport infrastructure and the AME estimates.

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

[25] **Peter Black:** I am not clear as to why the £92.3 million reduction in the student loans AME has come about. Is it because we have fewer students? Are they taking out fewer loans? Or have we rescheduled the repayments? What is the change that has led to this happening?

[26] **Jane Hutt:** I will bring Andrew in on this point, because this is a highly technical matter. I do not think that it has anything to do with demography; it is a technical issue.

[27] **Mr Jeffrey:** I am happy to write to you with the details. It is effectively a change in the accounting treatment of the student-loan costs. It is not a change in the underlying data on which the estimates are based; it is a change in the accounting treatment.

[28] **Peter Black:** Could you give us slightly more information?

[29] **Mr Jeffrey:** That is beyond my realm of expertise. This is an ultra-technical area, so we would need to write to you with the specific detail.

[30] **Jocelyn Davies:** Do you come to that figure in agreement with the UK Treasury? There is interaction between the Assembly Government and the UK Treasury, so if accounting rules change—

[31] **Mr Jeffrey:** Absolutely. The principles that are applied to calculating the charge apply on a UK-wide basis. So, you will see a similar adjustment in other parts of the UK.

[32] **Jocelyn Davies:** I think that a note on that would be useful. We can then swot up on that.

[33] **Jane Hutt:** There is no change in policy with regard to student loans. That is the purpose of scrutiny: to make it absolutely clear that there is no change.

[34] **Jocelyn Davies:** Ieuan, would you like to come in with the next question, on animal health?

[35] **Ieuan Wyn Jones:** Yn eich cyllideb atodol, mae £18.6 miliwn wedi cael ei drosglwyddo, fel y deallaf, o Adran yr Amgylchedd, Bwyd a Materion Gwledig ar gyfer iechyd a lles anifeiliaid. Fodd bynnag, yn y datganiad a wnaeth Elin Jones ym mis Mawrth, £21 miliwn oedd y ffigur. A allwch egluro'r gwahaniaeth?
9.45 a.m.

Ieuan Wyn Jones: In your supplementary budget, £18.6 million has been transferred, as I understand it, from the Department for Environment, Food and Rural Affairs for animal health and welfare. However, in the statement that Elin Jones made in March, the figure was £21 million. Could you explain the difference?

[36] **Jane Hutt:** Diolch, Ieuan. I want to reassure you that the announcement that Elin Jones made in March was correct. There have been changes to the way in which the funding has been handled over the past few weeks—and it is only a few weeks, really, since March. The total financial package that Elin announced in March was worth just over £21 million in this financial year. That total package includes some funding that, since that time, has been netted off in the budget process between the Welsh Government and DEFRA. That includes funding that has been transferred back to DEFRA in respect of services that are run on an England and Wales basis, such as the funding for the British cattle movement service. So, the increase in this year's baseline is net of this amount, which takes us to the £18.6 million that appears in the supplementary budget. So, the total financial package over the four years does not change. The agreement that we came to, and which was announced by the former Minister, stands. It is just this netting off that has resulted in the figure changing to £18.6 million.

[37] **Ieuan Wyn Jones:** Hoffwn ofyn dau gwestiwn atodol byr. Yn gyntaf, a yw'r *netting off* hwn wedi digwydd mewn gwledydd eraill hefyd, megis Gogledd Iwerddon a'r Alban? Mae'n deg dweud bod y setliad a gafwyd gan y Llywodraeth yn un anrhydeddus i Gymru, ac felly nid ydym eisiau gweld hyn yn cael ei golli. Felly, a roddwyd yr un driniaeth i'r Alban a Gogledd Iwerddon?

Ieuan Wyn Jones: I have two short supplementary questions. First, has this netting off happened in other countries as well, such as Northern Ireland and Scotland? It is fair to say that the settlement that was received from the Government was advantageous to Wales, and therefore we do not want to see this being lost. So, have Scotland and Northern Ireland been treated in the same way?

[38] Yn ail, a yw'r ffaith bod y swm hwn yn cael ei ddebydu yn effeithio ar y cyfanswm yr oeddem i fod i gael dros gyfnod yr adolygiad cynhwysfawr o wariant, sef £77.7 miliwn?

Secondly, will the fact that this sum is being netted off affect the total that we were supposed to receive over the comprehensive spending review period, which was £77.7 million?

[39] **Jane Hutt:** I am certain that these arrangements in relation to this transfer are similar to the arrangements with Scotland and Northern Ireland. The netting off was always part of the deal that was done with DEFRA. Andrew, do you want to come in on this?

[40] **Mr Jeffreys:** At the time that the transfer was negotiated, it was always known that a chunk of the money was effectively for services that are currently provided on an England and Wales basis. So, it was always known that the money would come in and then go straight back out again to DEFRA, while that contract was still in place. So, it is up to the Welsh Government to change that contract in due course if it chooses to. However, it was known at the outset that there would be this netting off of that amount between the Welsh Government and DEFRA in relation to services still provided on an England and Wales basis. The overall amount of money that was negotiated is exactly the same; it is just that the way that the money flows between the budgets has been clarified.

[41] **Jocelyn Davies:** So, we take it that you assume that it is the same arrangement for the other devolved administrations. If that is not correct, could you please provide us with a note?

[42] **Jane Hutt:** Yes. What is important is that the total financial package of £77.1 million over the four years stands.

[43] **Mike Hedges:** For the sake of transparency, when you take money out of reserves—as you have done with this, which is a different kind of expenditure—and when it is going to be recurring expenditure, would it be possible for you to show in your documentation that it is going to be recurring? For example, the table shows £150,000 for the National Botanic Garden of Wales, so perhaps an ‘R’ could be placed alongside this figure to show that it is an annual change?

[44] **Jane Hutt:** That is helpful; we can ensure that that is reflected in an explanatory note.

[45] **Jocelyn Davies:** People reading the documentation could then tell whether it is a one-off, as Mike mentioned, or whether it is recurring for a number of years or whether you expect it to continue indefinitely. That would be helpful. Does anyone else have any supplementary questions?

[46] **Peter Black:** You said that the £77.1 million is unaffected, and yet there is a netting-off effect with a reduction of £2.4 million. Are you expecting that netting off to return that £2.4 million to us at a later date?

[47] **Mr Jeffreys:** It is important to be clear that there is no reduction in the money; it is just the way that the funding flows. So, the difference between the £18.6 million and the £21 million is money that does not sit in the Welsh Government’s budget in the way that the rest of it does. It sort of comes in and then goes straight back out again, back to the Department for Environment, Food and Rural Affairs, because it is actually spending the money on an England and Wales basis.

[48] **Jane Hutt:** On our behalf.

[49] **Mr Jeffreys:** So the amount of money involved is exactly the same.

[50] **Jocelyn Davies:** Andrew, just for further clarification on that, the £18.4 million is not money that sits in the Welsh Assembly Government coffers that you can spend on anything you like, is it? It is to pay for services that are already contracted for, is it not? Apart from the money that goes back to DEFRA, the bulk of it will be spent on contracts that are already committed to.

[51] **Mr Jeffreys:** Yes.

[52] **Jane Hutt:** That is right, and that reflects the financial package that was announced by the former Minister in March.

[53] **Jocelyn Davies:** Ann, do you want to ask about our consequentials?

[54] **Ann Jones:** Yes, thanks, Chair. On the consequentials of the UK budget for 2011, your supplementary budget details £24.3 million, £4 million of which is revenue, and £19.4 million capital. Are you able to provide a further breakdown of the detail of those consequentials and how they flow from the policy decisions of that UK budget of 2011?

[55] **Jane Hutt:** Looking at the revenue consequential first, £4.9 million in consequentials were received this year relating to funding for apprenticeships, and then there are indicative figures for future years. Looking at the capital base line, as you said, it has increased by £19.4 million as a result of consequentials, and that is made up of £12.1 million for the First Buy scheme and £7.3 million for university technical colleges. That allocation for capital is just for this financial year.

[56] **Ann Jones:** Presumably, over the three remaining years of the spending review period, we would expect to see those figures. Have you any indicative figures for those years as a result of these consequentials?

[57] **Jane Hutt:** I would be happy to share the projected Barnett consequentials with the committee,

because I have been reading out quite a few figures here. Some of these things are still under discussion with Treasury officials, in terms of reconciling items with regard to the announcements that were made at the budget. However, I would be happy to share with you the revenue and capital consequential allocations linked to the announcements that were made by the UK Government. You will be aware that, in line with our usual practice, those consequentials go into our reserves in order for us to consider our programme of Government priorities.

[58] **Jocelyn Davies:** Of course, it is taken as read that you may have different priorities and you may spend the money on different policy areas. Peter, did you want to raise a question about reserves?

[59] **Peter Black:** Yes, I did, thank you. Minister, the supplementary budget details an allocation from revenue reserves of £5 million for the Adapt scheme, as detailed in the statement of 31 March 2011 in relation to the transitional support fund. In that statement, £14 million was earmarked for allocation in 2011-12. Can you clarify whether it is still your intention to allocate a further £9 million in transitional support during this financial year?

[60] **Jane Hutt:** I did mention that in my opening remarks in terms of the allocation announcement in March about the Adapt scheme. We are committed to allocating the full amount that we earmarked for transitional support in this financial year. Obviously, the cuts are beginning to hit public services in devolved and non-devolved areas, and the Adapt scheme is already responding effectively to re-training needs, supporting people who have been made redundant or taken voluntary severance. To give you an example of the way that we would want to spend that money, last week I announced the next tranche of invest-to-save funding, with £6 million to be shared among public sector organisations that put in bids. Some of that money is beginning to be recycled from the original invest-to-save projects, but some of it came out of the transitional support. I would be happy to come back in terms of any other announcements of how we will spend that transitional funding.

[61] **Jocelyn Davies:** Mike has a question on centrally-retained capital.

[62] **Mike Hedges:** In your letter to the previous committee on 31 March you outlined a number of provisional allocations from the centrally-retrained capital fund. However, none of these allocations appear to have been made via the supplementary budget. Can you update the committee on the status of these projects, and tell us whether it is intended to proceed with the allocations in a later supplementary budget?

[63] **Jane Hutt:** As you have said, I announced those allocations at the end of March as a result of the proposals and bids that came through from Ministers. I am having bilateral meetings with Ministers at present to assess progress, even at this stage of the financial year, to make sure that they are progressing and that the business plans are robust. I will transfer resources to the appropriate main expenditure groups when I am confident that the final business cases have been approved. I do not know whether the committee would wish to see the list announced at the end of March again. Given that the committee now has new members, I think that it might be helpful if we circulated that again.

[64] **Jocelyn Davies:** We already have them.

[65] **Jane Hutt:** Perhaps we could clarify that point for new Members.

[66] **Jocelyn Davies:** I would be very grateful for that. Julie wants to ask a question about the UK Government.

[67] **Julie Morgan:** I wondered whether you will be able to carry over any underspend from this financial year. I know that Danny Alexander appeared before the previous Finance Committee and suggested that there would be flexibility, but I just wondered whether you had anything more to update us with on that.

[68] **Jane Hutt:** We have been very concerned about new proposals that have come forward. As this committee knows, we have lost our end-of-year flexibilities. A new budget exchange mechanism has now been proposed, which came into effect in April 2011, and I will briefly explain it. Under this budget exchange mechanism, devolved administrations and all UK Government departments would have the ability to carry forward planned underspends from one year to the next. However, those planned underspends would need to be agreed in late November or early December to be finalised in the January supplementary process. We are concerned about this because that is still early in the financial year—although it is more than half way through, it is difficult to anticipate those underspends at that stage. We will discuss this at a quadrilateral meeting in July. All of the devolved administrations have asked for more flexibility. The Chief Secretary to the Treasury, Danny Alexander, has said that he is willing to discuss these with us and to be flexible. Our point is that devolved administrations should not be treated in the same way as Whitehall departments, which is basically what is being suggested. We do not feel that there is an acknowledgement of the realities of devolution and our accountabilities to our Assemblies, Parliaments and the people whom we represent. We hope to have constructive discussions in July at that quadrilateral meeting because we do not feel that this is fair to Wales and to the other devolved administrations.

[69] **Jocelyn Davies:** Did you have another question, Julie?

[70] **Julie Morgan:** Yes. As things stand, the devolved administrations are being treated the same as Government departments, but you think that there may be some flexibility in the future. Is that right?

[71] **Jane Hutt:** There is a minor element of flexibility. Perhaps Andrew could elaborate on that.

[72] **Mr Jeffreys:** The arrangements are exactly the same for Whitehall departments and devolved administrations, except that Whitehall departments are subject to a cap on the total amount that they can carry forward from one year to the next, which, I think, is 1 per cent of their budget. It is slightly higher for smaller departments in the UK. The devolved administrations are not subject to any cap on the amount that they can carry forward from one year to the next. That is the only difference between Wales and the UK in the operation of the schemes.

10.00 a.m.

[73] **Jane Hutt:** I will just make the point as well that, in answer to a question last week, I reported on how close we were in terms of the out-turn. We ended up in the last financial year with only a very small residual amount of £3 million for capital and £18 million for revenue. We feel that we should be allowed to retain that underspend; it is such a marginal amount of money, but it is £21 million that we could very well use for our resources.

[74] **Jocelyn Davies:** Ieuan, did you have a question?

[75] **Ieuan Wyn Jones:** Yes. Can I clarify what you said about the capital projects that have not been allocated in this supplementary budget? I think I understood correctly that it is your intention to allocate those, provided that there is a robust business case and so on. Is there a proposal to change any of those capital allocations?

[76] **Jane Hutt:** I have met with all Ministers, bar one, and every one of them has said that those proposals and plans are on track and that business cases are being finalised; some have already been received. There are certainly no policy plans to change them.

[77] **Ieuan Wyn Jones:** I have a couple of supplementary questions. Is it all right to ask a question on the revenue reserves, Chair?

[78] **Jocelyn Davies:** Yes, we have time.

[79] **Ieuan Wyn Jones:** I am just curious, to be honest. Out of the revenue reserves, there is £8.8 million for the Assembly election. That is a bit curious. Since we know that there is going to be an election at a particular time, why is it necessary to go into reserves? Why is that not just allocated originally in the budget?

[80] **Mr Jeffreys:** That is a fair question. [*Laughter.*]

[81] **Jocelyn Davies:** I think it would be fair to say that everybody knew the elections were coming; it was not something that was not foreseen, so that would not count as an answer.

[82] **Mr Jeffreys:** At the time of the draft and final budget last year, discussions were still ongoing with counting officers about exactly what funding would be provided for the elections. So, at that time, we did not have enough certainty about the overall cost to put an amount in. In fact, the £8.8 million is still an estimate of the cost and we will pay the actual costs that will come through later in the year.

[83] **Ieuan Wyn Jones:** I could understand it if there were some issues around the margins, but surely the bulk of it would have been known. I am just curious as to why it comes out of reserves at the end rather than being allocated in the beginning.

[84] **Jane Hutt:** We have had four Assembly elections after all.

[85] **Mr Jeffreys:** There was a debate about whether we should put it in now or later in the year, because it is funded on the basis of actual costs, but the decision was taken to put it in now, partly for the reasons that you mention; we know pretty much what it will cost.

[86] **Jocelyn Davies:** One or two other Members now want to ask supplementary questions on this. Mike is first, and then Ann.

[87] **Mike Hedges:** How did it compare against previous elections?

[88] **Jocelyn Davies:** Perhaps we could have a breakdown of the figures once they are clarified so that we can make some sort of comparison, Minister.

[89] **Ann Jones:** On that point, Chair, could we have a breakdown of what the last Assembly elections cost, when all regions of Wales counted at the same time, and whether there was a difference this time when the north Wales region was forced to be the last again, given that the returning officer cited cost as his reason for that? I would be interested to have a look at the breakdown, and particularly at what the returning officer for north Wales submits.

[90] **Peter Black:** We could have a breakdown by region.

[91] **Ann Jones:** Absolutely, yes.

[92] **Jocelyn Davies:** We would be grateful for a note on that, Minister, and perhaps a note on the outcome of your discussions about the budget exchange as well. That would be very useful for the committee.

[93] **Peter Black:** Presumably, the referendum costs would have come out of last year's budget. It would be interesting to see a comparison on that as well.

[94] **Jane Hutt:** We do not have the final cost of the last election, so we will have to wait for that to come through. However, we will do what we can. That will obviously have to reflect Ann's point about the regional breakdown. We will have to wait, but I imagine it will be available in the autumn term.

[95] **Mr Jeffreys:** I think that the officers have the whole financial year to put in returns, so we might

still have a fair while to wait.

[96] **Jane Hutt:** So, we might end up not having to spend £8.8 million on these elections, and one anticipates that we will not be spending any more.

[97] **Jocelyn Davies:** Mr Jeffreys, we are not going to forget about this, even if it takes a whole year. [*Laughter.*]

[98] **Ann Jones:** Not north Wales anyway.

[99] **Jocelyn Davies:** I have a feeling that Members will look for that note with some interest. We have completed all of the questions that we intended to ask you, Minister. Do you have any concluding—

[100] **Ieuan Wyn Jones:** May I ask one final question?

[101] **Jocelyn Davies:** We will indulge you just this once.

[102] **Ieuan Wyn Jones:** Again, it is just a matter for the record really. I think that, at the time that you announced the original budget, you gave us what you considered the real terms reduction in the budget would be as well as the cash reduction. In the tables on pages 10 and 11, 2.6 and 2.7 show the revenue and capital, and you have given only the cash reductions over the three-year period. Have your officials done any work on what the real terms reductions would be? If so, would you be happy to share that with us in a note?

[103] **Mr Jeffreys:** Given that this is an in-year change, we could apply the current year's inflation to these figures if that would be helpful. Inflation is running at a pretty high rate, as you are well aware. We could do that.

[104] **Ieuan Wyn Jones:** Could you do an indicative calculation for the following two years as well?

[105] **Mr Jeffreys:** Yes, we could do that, if it would be helpful.

[106] **Ieuan Wyn Jones:** Yes, that would be helpful.

[107] **Jocelyn Davies:** Mr Jeffreys, while you are preparing that note, perhaps you could give us some idea of timescales for allocations from the centrally retained capital as well. You said that you were having discussions at the moment. Minister, do you have any concluding comments?

[108] **Jane Hutt:** I welcomed your questions and points about the outcome of discussions on the budget exchange mechanism, which is going to the next quadrilateral meeting. I have to say that, trilaterally, finance Ministers in Scotland, Northern Ireland and Wales are all of one mind on this. We have suggested ways in which the Treasury could be more flexible for devolved administrations. It would be good to have the support of the committee going into discussions with the Chief Secretary to the Treasury, because this is to enable us to manage our budgets. Of course, we are playing our part in the deficit reduction plans, but we need to have as much flexibility and control over our resource as possible, and it would be helpful if the Finance Committee could at least wish me well in those discussions and negotiations.

[109] **Jocelyn Davies:** Yes, I am sure, and I am sure that this is a point that we will address in our report. Just before you leave, Minister, I wish to remind Members that you are holding a seminar later today, at 11 a.m., in committee room 4 on the budget process. We will, of course, send you a transcript of today's meeting for you to check for factual accuracy. Thank you, Mr Andrews and Mr Jeffreys.

10.08 a.m.

Cynnig Gweithdrefnol

Procedural Motion

[110] **Jocelyn Davies:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[111] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.09 a.m.
The public part of the meeting ended at 10.09 a.m.*