



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

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Iau, 17 Hydref 2013
Thursday, 17 October 2013

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

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

Eraill yn bresennol
Others in attendance

Adam Cairns	Prif Weithredwr, Bwrdd Iechyd Prifysgol Caerdydd a'r Fro Chief Executive, Cardiff and Vale University Health Board
Gareth Coles	Cyngor Gweithredu Gwirfoddol Cymru Wales Council for Voluntary Action
Alun Davies	Aelod Cynulliad, Llafur (y Gweinidog Cyfoeth Naturiol a Bwyd) Assembly Member, Labour (the Minister for Natural Resources and Food)
Chris Jones	Gofal a Thrwsio Care and Repair
Julia Hill	Gwasanaethau Cyfreithiol, Tîm Amaeth a Materion Gwledig, Llywodraeth Cymru Legal Services, Rural Affairs and Agriculture Team, Welsh Government
Y Cynghorydd/Councillor Anthony Hunt	Aelod Cabinet dros Gyllid, Cyngor Bwrdeistref Sirol Tor-faen, a Dirprwy Lefarydd ar Gyllid Cymdeithas Llywodraeth Leol Cymru Finance Cabinet Member, Torfaen County Council and WLGA Deputy Spokesperson on Finance

Jon Rae	Cyfarwyddwr Adnoddau, Cymdeithas Llywodraeth Leol Cymru Director of Resources, Welsh Local Government Association
David Robinson	Community Links Community Links
Geoff Lang	Prif Weithredwr Dros Dro, Bwrdd Iechyd Prifysgol Betsi Cadwaladr Acting Chief Executive, Betsi Cadwaladr University Health Board
Fiona Leadbitter	Swyddog Polisi, Tîm Polisi Ceffylau, Llywodraeth Cymru Policy Officer, Equine Policy Team, Welsh Government
Vanessa Young	Cyfarwyddwr Cyllid, Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr Finance Director, Bridgend County Borough Council

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

Claire Griffiths	Dirprwy Glerc Deputy Clerk
Don Peebles	Cynghorydd Arbenigol Expert Adviser
Gareth Price	Clerc Clerk

Dechreuodd y cyfarfod am 08:31.

The meeting began at 08:31.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Jocelyn Davies:** Welcome, everyone, to this meeting of the Finance Committee. May I remind you to turn off any mobile devices? We are not expecting a fire drill, so, if you hear the alarm, please take directions from the ushers. We have had no apologies this morning.

Papurau i'w Nodi
Papers to Note

[2] **Jocelyn Davies:** Before we go to the first substantive item, we have a number of papers to note. Are Members happy with that? I see that you are.

Bil Rheoli Ceffylau (Cymru)
The Control of Horses (Wales) Bill

[3] **Jocelyn Davies:** We move on to the first substantive item, which is the Control of Horses (Wales) Bill. I am very pleased that the Minister is able to join us this morning. Minister, would you like to introduce yourself and your officials for the record? Then we will go straight into questions.

[4] **The Minister for Natural Resources (Alun Davies):** Yes, sure; thank you very much. I am Alun Davies, the Minister for Natural Resources and Food in the Welsh Government. With me this morning is Julia Hill, who is one of our lawyers, and Fiona Leadbitter, who is a specialist in equine welfare.

[5] **Jocelyn Davies:** Thanks very much. For what reasons do you think it was necessary to bypass Stage 1 scrutiny of the Bill, and, as a result, do you think there will be sufficient opportunity for financial scrutiny of this legislation?

[6] **Alun Davies:** I think the fact that I am here this morning answers the second part of your question. Certainly, if the committee has a difficulty with the cost-benefit section of the explanatory memorandum, then I am quite happy to take questions on that, otherwise matters of legislative process are, of course, matters for the Assembly.

[7] **Jocelyn Davies:** Will you give us the reasons as to why it was necessary to bypass Stage 1?

[8] **Alun Davies:** I have given those reasons to the Assembly—

[9] **Jocelyn Davies:** Well, we are asking you this morning, Minister.

[10] **Alun Davies:** Fine, if the Finance Committee wishes to discuss this. The reasons were given to the Assembly on Tuesday during the oral statement and we discussed those matters there. In terms of where we are now, the legislation itself is a sub-set, in many ways, of the action plan, and the key document here is not so much the law but the action plan that is being developed as a part of the process of dealing with the issue of fly-grazing. In many ways, when it comes to this piece of legislation, I am more the midwife than the parent, in the sense that it has come from the community, from local government, and from the police, which have all, within the fly-grazing taskforce, which has been working on this matter over the last two years, required and requested this piece of legislation in order to provide consistency of standards across the face of Wales.

[11] **Jocelyn Davies:** Thank you. There must be costs that fall on third parties. Do you know what they are?

[12] **Alun Davies:** How would you define third parties?

[13] **Jocelyn Davies:** Well, those that are not mentioned in the legislation.

[14] **Alun Davies:** Pardon?

[15] **Jocelyn Davies:** Those that are not mentioned in the legislation. On fly-grazing, there must be costs that fall on third parties, so, do you know what they are?

[16] **Alun Davies:** Let me say at the outset that, in terms of where we are today, there are significant costs and resource demands on a number of different organisations and institutions across Wales. If you look at the police in terms of the enforcement of law, there are significant resource implications in managing the current problems. If you look at local government, there are clearly enormous resource implications in dealing with the issue of abandoned and fly-grazed horses and equines. If you look at the animal welfare charities, which have taken up a great deal of the strain in terms of this work and looking after horses at the moment, you will see that there are resource implications for them. The purpose of this legislation, and this is why I think it is quite important to see this legislation not in isolation but as a part of the overall action plan, is to reduce some of those resource demands and to deliver a more coherent and consistent legal framework within which the issue of fly-grazing can be managed across Wales. So, while it is true to say that there are resource implications in dealing with this issue in totality—in the round—for a number of different institutions and organisations, the purpose of this legislation is actually to try to rationalise that, and not to impose new duties that will require new, different and additional resources.

[17] **Jocelyn Davies:** I guess from your answer there that you would agree that, had there been an opportunity at Stage 1, we could have explored the financial aspects that you just mentioned, which you said were substantial, but, unfortunately, there is not an opportunity to do that.

[18] **Alun Davies:** Well, those matters are already in the public domain. If the committee wishes us to discuss those matters, it can. This is not something that has just appeared over the last few months. We have had an equine taskforce working on these matters for two years. These matters have been well reported in the media and these matters have been well understood, I think, by a number of different organisations in the field. So, if there is any shortage of information, I can provide that to the committee and, if the committee feels that the information provided in the explanatory memorandum is deficient in some way, then I would be grateful to have a note from the committee explaining exactly where those deficiencies are and what you would like the Government to do to make good of that.

[19] **Jocelyn Davies:** Minister, what I am suggesting is that, had there been Stage 1 proceedings, we as a committee could have explored the financial costs to third parties of fly-grazing, and then this legislature would have been in a better position to see whether this legislation is fit for purpose; I do not think that you are disagreeing with me.

[20] **Alun Davies:** The legislative process is a matter for the Assembly, of course. I do not wish to make comments here on the choices that the Assembly makes. I will say that the process that has been employed in this—

[21] **Jocelyn Davies:** This is not a choice that the Assembly has made, Minister—this is a proposal that you have put to the Assembly to do away with Stage 1, and I am suggesting to you, and you have already put on the record, that there are significant financial implications of fly-grazing in Wales that this committee has not had an opportunity to explore.

[22] **Alun Davies:** As you said yourself, Chair, this is a proposal I made, which was accepted by all four parties in the Assembly. The process that we are following was agreed by all-party agreement.

[23] **Jocelyn Davies:** This committee has not agreed to do away with Stage 1. We are here to explore the financial aspects of this, and, as you have put on record, there are substantial financial aspects that we cannot explore because we cannot take evidence from those organisations—

[24] **Alun Davies:** That is a matter for this committee, not for me.

[25] **Jocelyn Davies:**—that are affected, and you are not able to supply us with that today. However, we could, if we wanted to, go away and do our own homework to explore the financial aspects of fly-grazing in Wales. Is that what you are suggesting, Minister?

[26] **Alun Davies:** Well, the committee has the opportunity and the right to do all of those different things. I do not think that it is right for a Minister to make suggestions to committees as to how they conduct their work. That is a matter for the committee, not a matter for me. I wrote to you at the earliest opportunity to offer myself here to give evidence in addition to that which is demanded by the process that has been employed here and I am happy to take questions on all of those aspects from committee members.

[27] **Jocelyn Davies:** Yes, I have no doubt that you are. Paul, shall we come to your questions?

[28] **Paul Davies:** Diolch, Gadeirydd. **Paul Davies:** Thank you, Chair. I also want

Rwyf hefyd eisiau gofyn i chi, Weinidog, am yr effaith ar gyllidebau o gyflwyno'r Bil hwn. Yn gyntaf, a allech esbonio a fydd arian yn cael ei wario yn y flwyddyn ariannol hon ar weithredu'r Bil hwn, o ystyried y bydd y Bil efallai yn derbyn Cydsyniad Brenhinol yn gynnar yn y flwyddyn newydd?

[29] **Alun Davies:** Mae gennym y capasiti i wneud hynny, pe bai angen.

[30] **Paul Davies:** A allwch esbonio mwy am hynny? Beth ydych chi'n feddwl wrth 'capasiti'? Faint o arian rydym yn siarad amdano? Os caiff y Bil ei gyflwyno yn gynnar yn y flwyddyn newydd, faint o arian fyddwch chi'n wario yn y flwyddyn ariannol hon?

[31] **Alun Davies:** Mae hyn yn mynd i fod yn *demand-led*, felly mae'n anodd iawn i ni ddweud fan hyn heddiw, 'Dyna faint fydden ni'n wario'. Rhoddaf enghraifft i chi.

[32] **Paul Davies:** Faint sydd ar gael yn y gyllideb felly?

[33] **Alun Davies:** £0.25 miliwn.

[34] **Paul Davies:** Yn y flwyddyn ariannol hon?

[35] **Alun Davies:** Yn y flwyddyn ariannol hon. Pe bai achos mawr iawn, fel ag yr oedd yn y Fro y llynedd, byddai hynny'n gostus iawn. Fodd bynnag, pe na bai y problemau mawr yr ydym wedi eu gweld yn y gorffennol, na fyddem yn gwario'r arian, gan fod hyn yn 'demand led' o ran sut y byddai'r Llywodraeth yn ymateb i'r broblem. Mae cyllideb yno, ond, os ydych yn gofyn i mi, 'Faint yr ydych yn disgwyl ei wario?', yr ydym yn disgwyl i'r Bil gael Cydsyniad Brenhinol yn gynnar ym mis Ionawr a phe bai hynny yn digwydd, a phe bai gan awdurdodau lleol y pwerau sydd yn y Bil hwn, bydd ganddynt tua dau fis, neu ddau fis a hanner, o'r flwyddyn ariannol bresennol i weithredu'r gyfraith newydd. Pe bai angen, mae gennym ffordd o gefnogi awdurdodau lleol yn y ffordd yr ydym yn gweithredu'r Bil hwn, ond bydd yn fater o ymateb i'r broblem, ac nid ydym yn gwybod beth fydd maint y broblem ym mis Ionawr, mis Chwefror a mis Mawrth ar hyn o bryd, yn amlwg.

to ask you, Minister, about the impact on budgets of the introduction of this Bill. First, can you explain whether money will be spent in this financial year on the implementation of this Bill, considering that the Bill may receive Royal Assent early next year?

Alun Davies: We have the capacity to do that, if that is needed.

Paul Davies: Could you explain more about that? What do you mean by 'capacity'? How much money are we talking about? If the Bill is introduced early in the new year, how much money will you be spending in this financial year?

Alun Davies: This is going to be demand-led, so it is very difficult for us to say here today, 'This is how much we would spend'. I will give you an example.

Paul Davies: How much is available in the budget therefore?

Alun Davies: £0.25 million.

Paul Davies: In this financial year?

Alun Davies: In this financial year. If there were a very big case, as there was in the Vale last year, that would be very expensive. However, if there were not the big problems that we have seen in the past, we would not spend that money; because this is demand led in terms of how the Government responds to the problem. There is a budget there, but, if you are asking me, 'How much do you expect to spend?', we expect this to get Royal Assent early in January, and if that happens, and local authorities have the powers that are in this Bill, they would have about two, or two and a half, months of the current financial year to implement the new law. If it is needed, we have a means of supporting local authorities in the way in which we are implementing this Bill, but it will be a matter of responding to the problem, and we do not know what the magnitude of the problem will be in January, February and March at the moment, obviously.

- [36] **Paul Davies:** Felly, i egluro'r hyn yr ydych newydd ei ddweud, Weinidog, yr ydych yn dweud bod £0.25 miliwn ar gael yn y flwyddyn ariannol hon—
- Paul Davies:** So, to clarify what you have just said, Minister, you are saying that there is £0.25 million available in this financial year—
- [37] **Alun Davies:** Ar gael.
- Alun Davies:** Available.
- [38] **Paul Davies:** A hefyd yn y flwyddyn ariannol nesaf—mae'r hyn yn glir, wrth gwrs, yn y gyllideb ddrafft. Felly, dyna'r hyn yr ydych yn ei ddweud.
- Paul Davies:** And also in the next financial year—that is clear in the draft budget, of course. So, that is what you are saying.
- [39] **Alun Davies:** Ydy.
- Alun Davies:** Yes.
- [40] **Paul Davies:** Mae'r memorandwm esboniadol hefyd yn dweud wrthom fod costau sefydlu yn £450,000, ond yn y gyllideb ddrafft—ac yr ydych wedi ei gadarnhau yn awr, wrth gwrs—ond rhyw £250,000 sydd wedi ei ddyrannu. O ble fydd gweddill yr arian hynny yn dod os yw cost o sefydlu yn £450,000?
- Paul Davies:** The explanatory memorandum also tells us that the establishment costs are £450,000, but in the draft budget—and you have confirmed it now, of course—only some £250,000 has been allocated. Where will the rest of that money come from if the establishment costs are £450,000?
- [41] **Ms Leadbitter:** As the Minister has already said, we may not need all this money. It depends. It is going to be demand-led. Hopefully, we will not be seeing the same sort of problems that we have been seeing over the previous 18 months to two years. The idea is that, by bringing something like this in, it is, hopefully, going to change behaviours, and we may well only have to use the legislation on a very limited number of occasions to actually change the behaviour of the people who fly-graze. Obviously, if their horses are seized, impounded and removed from the system completely, there are no benefits to them from that happening. So, this £450,000 is a worst-case scenario. If it is necessary, it will be found from existing budgets.
- [42] **Paul Davies:** I appreciate what you are saying, but obviously there is quite a difference between £250,000 and £450,000. May I just clarify this as well? Obviously, in the explanatory memorandum, the set-up costs are £450,000, and then, after that, you go on to say that the running costs will be £300,000 a year. Is that £300,000 on top, in the first year, of the set-up costs?
- [43] **Ms Leadbitter:** It is a worst-case scenario. We have had to look at that. It is no good saying it is only going to cost £100,000 and then finding that we have to set up a huge facility, because we have 1,000 horses coming through the system. Really, to be fair to everybody, we had to put down the worst case. We do not actually envisage it costing anything like that. It is possible that we would be able to make use of the facilities that local authorities are currently using, but, at the time that this was all brought about and we had the discussions, we felt that we had to put down finding our own facility that we would be able to use; so it is definitely the worst-case scenario, and, hopefully, we will not have to spend anything like what we have stated. To be fair to everybody, we have to do it—we have to say this.
- [44] **Paul Davies:** I appreciate that it is the worst-case scenario, but may I just clarify again: obviously, the set-up costs are £450,000, and you then go on to say that it will cost £300,000 per annum to run. Will there be an additional £300,000 added to the £450,000 in the first year? That is, basically, what I am asking you.

[45] **Alun Davies:** In terms of where we are going, we are actually rationalising the costs of dealing with fly-grazing in Wales.

[46] **Paul Davies:** I appreciate that.

[47] **Alun Davies:** We are actually now putting down on paper costs that are already being incurred, Paul, so, in terms of where we are, the purpose of this legislation, as I said, is to simplify, streamline and provide consistency for dealing with fly-grazing across Wales. So, those costs are already being incurred and absorbed into existing budgets. What we have not done before now is actually tabulate and analyse those costs.

[48] **Jocelyn Davies:** So, those costs will be offset by savings.

08:45

[49] **Alun Davies:** The bulk of savings will be for local authorities, of course, and enforcement agencies such as the police and charities. What the Welsh Government does not do, of course, is stable horses, although we support those who do so. What we see ourselves doing is very much acting as a facilitator for local government, delivering the solutions that local government requires to deal with this. One of the key challenges that we faced over the last two years in dealing with this has not simply been in providing stabling facilities for horses that have been impounded, but providing secure facilities for horses that have been impounded. One of the issues around fly-grazing, as you will be aware, has been an unacceptable level of criminality. That has included a great deal of intimidation and various other matters that have been dealt with by the police. One of the issues that we may have to face is working with local government to deliver not just stabling, but a secure facility to deal with horses that are going through this process. So, we need to ensure that we are able to find the funds to do that. We envisage that the funds that will be required in order to deliver this policy will be met from within our existing agricultural budgets.

[50] **Paul Davies:** May I ask how you have arrived at these particular figures, because it seems to me that you have based these figures only on two local authorities, so, how have you arrived at these particular figures?

[51] **Alun Davies:** I will ask Fiona to come in in a moment. In terms of where we are now, we know the average cost of stabling a horse for a day. I think it can vary from, probably, something just above £500.

[52] **Ms Leadbitter:** That is what has been quoted by one local authority—anything from £500 to £1,500.

[53] **Alun Davies:** I think that Swansea's example of £1,500 is very much at the north end. Most local authorities will do it for far less than that. So, we know what those costs represent. We also know how much it would cost to provide security for that facility. A lot of these costs are very well-known, and we have done is to try to amalgamate those costs and then build in a worst-case scenario.

[54] **Jocelyn Davies:** Julie, did you want to come in?

[55] **Julie Morgan:** I am just slightly confused about what Fiona said, which was that we may need a huge facility, in the worst-case scenario, for 1,000 horses. Would that be for horses from all over Wales?

[56] **Alun Davies:** It is a worst-case scenario, but we would mainly be talking in those terms about the southern part of Wales, shall we say, not just what we would regard as south

Wales, the Valleys and Cardiff, but the southern part of the country. However, that is very much a worst-case scenario. What we are doing is looking at what the equine population is—what we think the equine population is—across different parts of the country and then trying to rationalise within that population what horses or equines may be dealt with in this way. So, when we are talking about 1,000 horses, we are talking very much about a worst-case scenario. I do not think that we anticipate seeing that situation, although we know that difficult instances have been dealt with in the last few weeks.

[57] **Julie Morgan:** Yes, but the money is there for that, if it is needed, for the worst-case scenario, is it?

[58] **Alun Davies:** The worst-case scenario we can meet from existing budgets, yes.

[59] **Jocelyn Davies:** The explanatory memorandum mentions vet fees. I am talking about what can be reclaimed from the owner, because, obviously, some of the costs will be offset from what can be reclaimed from owners, although good luck trying to do that, I guess. Vet fees are mentioned, because I assume some horses are going to have injuries and other acute medical needs that need immediate attention, but the legislation does not mention the reclaiming of vet fees. Minister, can you explain that? Also, in the legislation, only the costs incurred by local authorities are reclaimable, although you have already said that there are considerable costs that fall on others. Why are the costs that fall on others not reclaimable from the owner in the same way as those incurred by local authorities?

[60] **Alun Davies:** If you look at the legislation, section 4 discusses costs of seizure and vet fees are, clearly, part of that.

[61] **Jocelyn Davies:** So, Minister, where it says ‘maintain’, vet fees are included in the word ‘maintain’, are they? The interpretation of ‘maintain’ also includes vet fees. Would you put that on the record?

[62] **Alun Davies:** I think the key phraseology or the key words there are

[63] ‘costs reasonably incurred in the seizure and impounding of the horse and in feeding and maintaining it while it is impounded’.

[64] Clearly, while the local authority, in this case, is responsible for that horse, it is responsible for it in terms of its welfare, as well as its security and other matters, and vet fees fall under that. You are absolutely right in your analysis of the situation. Many if not most of the horses that are impounded are fly-grazing, and fly-grazing occurs because of irresponsible ownership. It is very rare for an owner to be irresponsible in one area and not in all areas. We know that. Some of the most distressing scenes that we have seen in the media over the last few years have involved horses that have died because of malnutrition and who have been significantly maltreated in their lives, and whose welfare has not been dealt with by their owners. Vet fees are a critical part of that. We try not to list on the face of the legislation what costs would be reasonable, but—

[65] **Jocelyn Davies:** I am quite satisfied if you are saying that ‘maintain’ also includes those costs. My other question, of course, was about the fact that only the costs that fall on local authorities are reclaimable from the owner under this legislation. Why have you left out the costs that fall on the police, landowners, charities and the public, because a horse could damage my car or something when it is running around? Why have you left out everybody else who has costs?

[66] **Alun Davies:** The purpose of this legislation is to provide a power for local authorities to deal with this issue. Clearly, if local authorities choose to exercise that power—

and we anticipate that they will—they need to have a means of reclaiming the cost of that action.

[67] **Jocelyn Davies:** So, you wanted to narrowly focus the legislation on local authorities, rather than—

[68] **Alun Davies:** What we are not doing is changing the wider law on ownership. That would be a very different piece of legislation, and there would be significant questions of competence on that matter as well.

[69] **Jocelyn Davies:** Okay. I know that we do not have a lot of time left. Mike, shall we come to your questions?

[70] **Mike Hedges:** I will preface this by saying that this is one of the top five problems in my constituency, in terms of people contacting me about it. It is something that I feel very strongly about, and I am very pleased to see this happening. The question that I have is this: have you made an estimate of the net total cost that will fall on local authorities as a result of the Bill? Also, how many local authorities do you expect will have to spend more, and will the rate support grant in future years have a means of dealing with that in the formula?

[71] **Alun Davies:** I will ask Fiona to come in on some of these matters. You are right in your analysis of this, Mike. This is something that affects my constituency as well. We have had many tens of horses on the commons above Tredegar and Ebbw Vale that have been subject to abandonment and fly-grazing. I know that my own local authority, Blaenau Gwent, spends a great deal of money, time and resources at the moment in dealing with these matters.

[72] The purpose of this legislation is to rationalise the way that we deal with things. It is not to impose a new duty; this is not a duty being imposed on local government. So, I do not anticipate that it would be reflected in additional funding through the RSG. It is not a new duty; it is a power that we are providing to local government, at its request and at the request of the police and the wider taskforce that has been dealing with this, in order to deal with the problem in a more rational and consistent manner. One issue that we have had to face—and you know this in Swansea, as much as anyone, if not more so—is that, when you deal with the issue in one place, you tend to move it somewhere else. You are seeing that happen in the Gower. What we are looking at doing is to provide consistency. The old local government Acts that have governed the law in this place have failed in a number of different ways. First of all, they have not provided consistency. The law for Swansea is different to the law in Blaenau Gwent, and the law in Cardiff is different to the law in Bridgend, and the law in Bridgend is different to the law in Llanelli. That is a ludicrous position to be in, so we need consistency. This is providing the consistency.

[73] This piece of legislation is three or four pages long. It is not a significant new piece of legislation that seeks to change the ways of dealing with animal welfare and all the rest of it. I think that we would not seek to use an expedited process in order to do that. This is a law that seeks to rationalise how we currently do business. It is a law that is being requested by the committee for the reasons that Mike gives. It is a law that has been sought by the taskforce and the equine community in order to deal with these matters.

[74] **Jocelyn Davies:** We are not questioning the policy intentions, Minister. We are just trying to test the robustness of the financial aspects of the legislation.

[75] **Alun Davies:** I accept that completely. What we are seeking to do—and this is why that preface was important—is to rationalise how we do things, and, in rationalising, to reduce the cost impact on those organisations that are currently dealing with this. When I spoke to the all-party group on the horse on Tuesday evening, there was a recognition by all of the

stakeholders present—from charities and local government—that what this will do is reduce their costs, not increase them, and rationalise the resources available to them to deal with the issue and also ensure that collaboration is a live activity that takes place in dealing with the fly-grazing issue.

[76] **Jocelyn Davies:** Simon, shall we come to your question?

[77] **Simon Thomas:** Diolch, Gadeirydd. Weinidog, wrth edrych ar y ffordd rydych chi'n rhesymoli'r gyfundrefn dros Gymru, rydych wedi rhoi hawl yn y Bil hwn i awdurdodau lleol bennu costau rhesymol a hefyd i adennill y costau hynny. Mae hawl ganddynt i wneud hynny yn y Bil. A fedrwn chi ddweud ychydig mwy am hynny, oherwydd fe wnaethoch chi sôn amdano wrth basio tua phum munud yn ôl? Sut fedrwn ni fod yn siŵr beth yw'r costau rhesymol y mae'r awdurdodau lleol yn gallu eu gosod, achos nid yw hynny ar wyneb y Bil?

Simon Thomas: Thank you, Chair. Minister, in looking at the way in which you are rationalising the system in Wales, you have given the right in this Bill to local authorities to determine reasonable costs and to recover those costs. They have the right to do so in the Bill. Could you say a bit more about that, because you mentioned it in passing about five minutes ago? How can we be sure what the reasonable costs are that local authorities can set, because that is not on the face of the Bill?

[78] **Alun Davies:** I will ask Julia to come in, or perhaps correct me on some of these matters—

[79] **Ms Hill:** Okay, well—

[80] **Alun Davies:** I am sorry; I will just give an initial answer first. Clearly, a reasonable cost can be tested in law. For argument's sake, if a person has been shown to be the owner of an impounded horse and the local authority has claimed costs from that person, and if those costs are unreasonable, that person will have redress through current legal means and mechanisms. So, that is available to be tested by law.

[81] What we do not want to do—and this was part of a long debate that we had on Tuesday evening in the all-party group—is to impose punitive costs; these are reasonable costs, not punitive costs. So, it is not imposing penalties by the back door. It is about ensuring that there are means of seeking redress in terms of the costs that local authorities are currently incurring in dealing with this issue. So, these are reasonable costs, not punitive costs. Is that a fair way of putting it?

[82] **Ms Hill:** Yes. Obviously, as a public body, the local authority is under a duty to act reasonably. So, it would involve invoiced costs, including, as mentioned, veterinary fees. We envisage that they would have to conform to duties under the Animal Welfare Act 2006 in ensuring the welfare of animals. So, it is about whatever costs it took to do that and then, hopefully, to seek reimbursement from the owner.

[83] **Simon Thomas:** Yn y nodyn esboniadol, mae sôn am y tri awdurdod lle mae rhyw fath o is-ddeddfwriaeth ar gael eisoes—

Simon Thomas: In the explanatory memorandum, there is mention of three authorities where there is some kind of subordinate legislation available—

[84] **Alun Davies:** Deddfwriaeth *primary* ydyw.

Alun Davies: It is primary legislation.

[85] **Simon Thomas:** *Local government Acts*, felly. Os felly, a oes sail yn y

Simon Thomas: Local government Acts, therefore. If so, is there a basis in that

ddeddfwriaeth honno ar gyfer adennill costau fel hyn? A yw'n digwydd eisoes? Pa fath o wersi ynglŷn â chostau a allwch chi eu dysgu o hynny?

legislation for recovering such costs? Is it already happening? What kind of lessons about costs can you learn from that?

[86] **Ms Hill:** There is provision in the Mid Glamorgan County Council Act 1987 for the recovery of costs. However, the other two—well, the Cardiff one only concerns horses and the other is to do with livestock and is more general. It is only the mid Glamorgan Act that gives that power to any of the local authorities captured within it after the formation of the new 22 unitary authorities. So, whichever fall within that Act can do that. I am not aware that that power has been exercised by them to recover costs, though. Sorry.

[87] **Simon Thomas:** Dyna pam y gofynnais y cwestiwn, achos nid wyf yn ymwybodol ychwaith bod hynny wedi digwydd yn y gorffennol gyda defaid, merlynnod neu beth bynnag. A ydych yn hyderus bod y pŵer hwn sydd yn y Bil yn bŵer y gall awdurdodau ei ddefnyddio er mwyn adennill costau, neu, i bob pwrpas, i beidio â thalu am y costau hyn ar draws Cymru?

Simon Thomas: That is why I asked the question, because I am not aware either that that has happened in the past with sheep, ponies or whatever. Are you therefore confident that this power in the Bill is a power that authorities can use to recover costs, or, to all intents and purposes, to not have to pay for these costs across Wales?

[88] **Alun Davies:** Mae'r hawl ganddynt os allant brofi pwy sydd biau'r ceffyl neu'r equine sydd o dan sylw. Rwy'n cydnabod bod hynny'n gallu bod yn gwestiwn anodd iawn i'w ateb.

Alun Davies: The right is there for them if they can prove who owns the horse or equine in question. I recognise that that can be a very difficult question to answer.

[89] **Simon Thomas:** Mae hynny'n dod â ni at ail ran hyn, sef bod yr hawl i adennill costau hefyd yn hawl sydd yn amrywio. Hynny yw, mae'n cael ei bennu fesul awdurdod. Mae *discretion* ganddynt o ran hynny. Ym mha ffordd fedrwch chi fod yn siŵr nad yw Blaenau Gwent yn gosod un set o gostau, a fyddai'n dod yn gyfarwydd i bobl ym Mlaenau Gwent, ond a fyddai'n wahanol i'r rheini yn Nhorfaen neu le bynnag? Rydych chi wedi disgrifio pori anghyfreithlon a'r gweithgareddau anghyfreithlon eraill sy'n dod yn ei sgîl, megis y posibilrwydd o geffylau'n cael eu symud o gwmpas. Mae hynny'n digwydd eisoes, wrth gwrs, a dyna'r broblem. Felly, efallai byddai *perverse incentive* wedyn i symud ceffylau i awdurdod nad yw mor gyfarwydd â delio â'r mater ag awdurdod arall. Onid ydym yn symud y broblem o le i le?

Simon Thomas: That brings us to the second part of this, which is that the right to recover costs is also a right that varies. That is, it is set according to each local authority. They have the discretion in those terms. How can you be sure that Blaenau Gwent does not set one set of costs, which would become familiar to the people of Blaenau Gwent, but which would be different to those in Torfaen or wherever? You have already described fly-grazing and the other illegal activities that come in its wake, such as the possibility of horses being moved around. That is already happening, of course, and that is the problem. Therefore, there might then be a perverse incentive to move horses to another authority that is not as familiar with dealing with the problem as another authority may be. Are we not just moving the problem from place to place?

09:00

[90] **Alun Davies:** Ddim o gwbl. Dyna'n union beth rydym yn ei stopio. Mae

Alun Davies: Not at all. That is exactly what we are stopping from happening. There is a

posibilrwydd y byddwn yn symud y broblem dros y ffin, wrth gwrs, ond rydym yn trafod hynny gydag Adran yr Amgylchedd, Bwyd a Materion Gwledig. Dyna'r union broblem rydym yn ceisio'i datrys drwy'r ddeddfwriaeth hon. Ar hyn o bryd, nid oes cyfraith ym Mlaenau Gwent neu yn Llanelli, ond mae cyfraith ym Mhen-y-bont, yma ym mae Caerdydd ac yn Abertawe. Rydym yn trio cael cysondeb ar draws Cymru fel bod pobl yn gallu gweithredu'r gyfraith yn gyson ym mhob man. Rydym wedi gweld—ac rydych yn hollol gywir yn eich dadansoddiad—bod y broblem hon yn dueddol o symud o le i le. Fodd bynnag, rydym hefyd wedi gweld, yn ystod dwy flynedd y tasglu hwn—sef yr heddlu, awdurdodau lleol, elusennau a Llywodraeth Cymru yn gweithio gyda'i gilydd—y broblem yn lleihau.

[91] Rydym yn disgwyl gweithredu'r polisi drwy'r ddeddfwriaeth hon. Mae'r cynllun gweithredu yn *subset* o hynny; nid yw'n gorwedd ar y top. Rydym yn gobeithio, felly, drwy roi'r hawl hwn i awdurdodau lleol, y byddwn yn eu galluogi, gyda'r heddlu ac elusennau, i ddelio â'r broblem mewn ffordd gyson ar draws Cymru. Mi fydd canllawiau, ond ni fyddant yn ganllawiau statudol. Fodd bynnag, rwy'n hapus i drafod hynny os yw'r Cynulliad yn meddwl y dylent fod yn rhai statudol. Byddem yn hapus i dderbyn hynny; nid oes gennyf deimladau cryf ar hynny, o ran sut ddyla'r costau gael eu gweithredu.

[92] **Simon Thomas:** Dyna'r cwestiwn roeddwn yn mynd i'w ofyn. Rwy'n derbyn rhai o'ch pwyntiau, oherwydd maent yn bwyntiau digon teg. Fodd bynnag, oni ddylid cael canllawiau statudol sy'n ei gwneud yn glir iawn ar draws Cymru beth yw'r taliadau sy'n debygol o gael eu pennu gan awdurdodau lleol, fel bod gwybodaeth ar draws y ffiniau? Mae yna ambell awdurdod nad yw'n wynebu gymaint o broblem o ran hyn; efallai eu bod ond yn delio ag ychydig o geffylau bob blwyddyn, felly ni fyddent *really* yn mynd drwy'r broses ac efallai y byddent yn dod yn *soft touch*. Bydd y broblem wedyn yn amlygu'i hun mewn un man mewn un flwyddyn ac mewn man arall mewn blwyddyn arall. A wnewch chi ystyried rhyw fath o ganllawiau statudol sy'n

possibility that we could move the problem across the border, but we are discussing that with the Department for Environment and Rural Affairs. That is exactly the problem that we are trying to deal with through this legislation. At present, there is no law in place in Blaenau Gwent or in Llanelli, but there is in Bridgend, here in Cardiff bay and in Swansea. We are trying to establish consistency across Wales so that people can implement the legislation consistently everywhere. We have seen—and you are quite right in your analysis—that this problem tends to move from place to place. However, we have seen already, over the two years of having this taskforce in place—which is the police, local authorities, charities and the Welsh Government working together—that the problem has been reduced.

We expect, through this legislation, to implement the policy. The action plan is a subset of that; it does not lie on top. We therefore hope that, through giving local authorities this right, we are enabling them, alongside the police and charities, to deal with this problem in a consistent way across Wales. There will be guidelines, but they will not be statutory guidelines. However, I am happy to discuss that possibility if the Assembly thinks that they should be statutory. I am happy to discuss that; I have no strong feelings about that, in terms of how the costs should be implemented.

Simon Thomas: That is the question that I was going to ask. I accept some of your points, because they are fair points. However, there should surely be statutory guidelines that make it very clear across Wales what the charges set by local authorities are likely to be, so that there is information across boundaries, should there not? There are some authorities that do not face such a problem with this; perhaps they deal only with a few horses every year, so they would not really go through the process, and they may become a soft touch. The problem would then evidence itself in another place in one year and in another place in another. Will you consider some kind of statutory guidelines that set the likely charges and the likely reasonable cost and so on, as a means of

gosod y taliadau tebygol a'r gost resymol debygol ac ati, fel modd o helpu lledaenu'r neges hon?

helping to spread this message?

[93] **Alun Davies:** Mae'r galw am y ddeddfwriaeth hon wedi dod o'r gymuned, gan gynnwys awdurdodau lleol. Nid yw wedi ymddangos yn rhaglen Llywodraeth Cymru. Mae wedi dod o Gymru ac rydym yn gweithredu'r ddeddfwriaeth ar ran y gymuned. Y cytundeb o ran y galw am y ddeddfwriaeth hon yw bod awdurdodau lleol eisiau'r ddeddfwriaeth ond nid ydynt eisiau canllawiau statudol. Rwy'n gyfforddus iawn â hynny. Nid oes gennyf safbwynt athronyddol ar hyn o ran dweud ein bod eisiau canllawiau statudol ai peidio. Felly, dyna beth y mae llywodraeth leol yng Nghymru eisiau ei weld a dyna beth rydym yn delifro drosti. Fodd bynnag, o ran dy bwynt—

Alun Davies: The demand for this legislation has come from the community, including local authorities. It did not appear in the Welsh Government's programme. It has come from Wales and we are acting on behalf of communities. The agreement in terms of the demand for this legislation is that local authorities want this legislation but do not want statutory guidance. I am comfortable with that. I do not have a philosophical viewpoint on this as to whether there should be statutory guidelines. Therefore, that is what local government in Wales wants to see and that is what we are delivering for it. However, in terms of your point—

[94] **Jocelyn Davies:** I think that you have made the point on local government. We have run over time and we have several other questions, Minister. This will be reviewed in the future in two years' time, and if you find that there is a huge disparity and that this is a problem, I am sure that you would undertake to solve that.

[95] Peter, you wanted to come in on this point and then we will come to Ann's question.

[96] **Peter Black:** One of the situations in the explanatory memorandum that has occurred in the past is where a local authority has impounded horses then sold the horses on and the owner has bought them back and fly-grazed them again. Have you considered putting anything in the Bill to enable a local authority to impose punitive costs in those sorts of situations to act as a deterrent and also to help local authorities recover those costs?

[97] **Alun Davies:** That is the point that I was making earlier in answer to Simon's question. We have considered the issue of punitive costs. The legal advice that we had is that the more straightforward and best fit in terms of law is to go down the route of reasonable costs. If we tried to impose punitive costs through the back door in that way, by punishing people through a cost regime, then there would be significant questions about other aspects of this particular law.

[98] **Peter Black:** Or even fines, or—

[99] **Jocelyn Davies:** [*Inaudible.*]—cited that this was the most effective.

[100] **Alun Davies:** Peter is tempting me into the path of criminal law, I suspect. What I am trying to do in this is to be quite conservative in what we are delivering for people. Paul quite likes that. We are seeking to introduce—

[101] **Jocelyn Davies:** I think that the Assembly has passed legislation in the past that imposes fines.

[102] **Alun Davies:** Sure it has, but in terms of delivering—and I would not challenge issues of competence on this—we are seeking to provide a process by which this might be

dealt with. There are existing legal alternatives to local government and to others under existing legislation, should they wish to go down the road of imposing punitive penalties upon people.

[103] **Peter Black:** Essentially, your Bill does not stop that behaviour from repeating itself.

[104] **Alun Davies:** It does in the sense that it provides means of disposal that go beyond the sale.

[105] **Jocelyn Davies:** Yes. The next question is from Ann.

[106] **Ann Jones:** How have you quantified the total cost to the Welsh Government that will arise from your subordinate legislation that will create a right of appeal?

[107] **Alun Davies:** We expect the right of appeal to be very limited. If we look at what we are dealing with here, the right of appeal would be essentially around issues of ownership and costs. So, we expect the rights of appeal to be quite limited. We are putting it in there to provide for that need should it be required, but our expectation is that it is a very narrow right of appeal on very narrow grounds and, as such, we do not see the costs of delivering such an appeals structure to be very great.

[108] **Ann Jones:** Okay, but you have not really quantified the right of appeal, because you do not know what your right of appeal process is, do you? That is going to come later, is it not?

[109] **Ms Hill:** It is, but a simplified process is what we have in mind. As the Minister has just said, there are going to be limited grounds for factual disputes, so, we do not envisage that there will be that many disputes under any of the Act's provisions as executed by the local authorities.

[110] **Ann Jones:** Okay. Thank you, that is fine.

[111] **Alun Davies:** We do, of course, currently run a number of different appeals structures within Welsh Government dealing with agricultural matters. We, certainly, do not see anything in terms of that sort of process.

[112] **Jocelyn Davies:** You imagine that because this is a behaviour-change piece of legislation—

[113] **Alun Davies:** It is a what, sorry—

[114] **Jocelyn Davies:** It is a behaviour-change piece of legislation. You imagine that once horses are impounded, they will very soon be destroyed, owners will not try to reclaim them and rights of appeal will not be exercised anyway. You imagine that or that owners will act responsibly.

[115] **Alun Davies:** I, certainly, would join you, Chair, in that wish. I would not wish to speculate on what will happen after a horse has been impounded. That is a matter for local authorities and others to deal with.

[116] **Jocelyn Davies:** I think that the legislation does appear to envisage that those horses will be destroyed.

[117] **Ms Leadbitter:** It is one of the options.

[118] **Alun Davies:** It is one of the options.

[119] **Jocelyn Davies:** It is one of the options.

[120] **Alun Davies:** It is one of the options available to people. You are absolutely right in your analysis: this is about driving behavioural change; it is about delivering responsible horse ownership. That is the key outcome that we want to see from this legislation.

[121] **Jocelyn Davies:** Julie, you wanted to come in.

[122] **Julie Morgan:** I think my question has been covered earlier.

[123] **Jocelyn Davies:** Chris, do you want to come to your question?

[124] **Christine Chapman:** You have sort of touched on this, Minister, but I just wanted clarity on the issue. Do you believe that the overall costs to local authorities will decrease as a result of a reduction in fly-grazing following the introduction of the Bill?

[125] **Alun Davies:** Yes, I believe that and we are working with local authorities and the Welsh Local Government Association in order to deliver that.

[126] **Christine Chapman:** Right, okay. In that case, have you any figures on the total value of the benefit to local authorities being able to recover their expenditure from identified owners of fly-grazing horses?

[127] **Ms Leadbitter:** No, we have not. What we need to say on this is that the current system that local authorities have had to use is very time-consuming. They have to put up notices and seize the horses after 14 days if nobody comes forward. The only process that they can go through is passporting and microchipping them, making sure that they are entered for a sale and taking them there. I think, as one of the Assembly Members has already said, these animals are then recycling back into the system, as those who are perceived to be the owners are turning up at the sales and purchasing these horses, and the whole process starts again, probably, in a different authority. So, the idea of this Bill is that we can permanently remove them. That will, hopefully, in the long run, change behaviours. It seems that very few people have actually come forward to claim these fly-grazed or abandoned horses that we are seeing on the commons. Therefore, we have not had any figures from local authorities as to—

[128] **Alun Davies:** We should also say that, in some ways, the current system provides a perverse service to some of the worst offenders.

[129] **Jocelyn Davies:** Of course it does, because you return the horse back to them in very good nick, probably. Chris, did you want to come back?

[130] **Christine Chapman:** No, that is fine.

[131] **Jocelyn Davies:** Mike, you have a very quick question.

[132] **Mike Hedges:** It is really very quick. Is there not a likely problem, though, in that a lot of it falls on the housing revenue account? What you are doing is moving it from the housing revenue account into the main budget of local authorities.

[133] **Alun Davies:** Once a council leader—[*Laughter.*] In terms of how local authorities deal with this matter, it is clearly a matter for them and not a matter for me.

[134] **Jocelyn Davies:** That is a very good answer. Peter, you have the final question. Then

we must get on.

[135] **Peter Black:** How will you measure the value for money delivered by the Bill in your post-legislative evaluation? Have you considered the likely cost of that evaluation?

[136] **Alun Davies:** Have we considered the likely cost of it? I do not think we have.

[137] **Ms Leadbitter:** We will wait for the Bill to come in. I think the proposal is that, after three years, we would do an evaluation to see how effective it has been.

[138] **Peter Black:** Okay, so what is the methodology for that evaluation?

[139] **Ms Leadbitter:** That will be worked up once we have gone through the process. We have not—

[140] **Alun Davies:** I think it is—

[141] **Jocelyn Davies:** The Minister has an open mind on it. [*Laughter.*]

[142] **Alun Davies:** I do have a very open mind—an open mind, not an empty mind. I would say that trying to define a methodology for an evaluation three years hence would perhaps be misleading the committee.

[143] **Peter Black:** Presumably you have a methodology in terms of evaluating the cost of the Bill, which would form the basis of that evaluation.

[144] **Alun Davies:** Clearly so, but what I would not want to do now is to commit a Minister, probably in the next Assembly, to following a particular methodology.

[145] **Jocelyn Davies:** I am sure that this is something that we can pursue at another time. Minister, thank you very much.

[146] **Alun Davies:** In closing, I recognise the points that were made at the beginning of this session. I am happy to return to this committee subsequent to the committee hearings that we will be having with the Environment and Sustainability Committee in mid November and prior to the Plenary discussions that we will be having in December, should the committee wish to invite us back to give further evidence.

[147] **Jocelyn Davies:** Thank you very much for that kind offer.

09:12

Craffu ar Gyllideb Ddrafft Llywodraeth Cymru ar gyfer 2014-15—Tystiolaeth gan Gyngor Gweithredu Gwirfoddol Cymru, Community Links a Gofal a Thrwsio

Scrutiny of the Welsh Government Draft Budget 2014-15—Evidence from the Wales Council for Voluntary Action, Community Links and Care and Repair

[148] **Jocelyn Davies:** We now turn to the next item on our agenda, which is the voluntary sector on the Government's draft budget. We spent a little bit more time on the previous item than I had envisaged. I ask Members to be brief with their questions, and encourage witnesses to be concise with their answers. Thank you very much; we have got our witnesses before us. Before I go to the first question, would you like to introduce yourselves for the record? I will start with you, Mr Jones.

[149] **Mr Jones:** I am Chris Jones, chief executive of Care and Repair Cymru.

[150] **Mr Coles:** I am Gareth Coles, public service delivery officer for the Wales Council for Voluntary Action.

[151] **Mr Robinson:** I am David Robinson, and I lead the early action taskforce.

[152] **Jocelyn Davies:** Thank you. You also have connections with Community Links, do you not?

[153] **Mr Robinson:** I work for Community Links; that is right.

[154] **Jocelyn Davies:** I will start with the first question to you, Mr Coles. You produced your paper before you had had a chance to see the draft budget. Is there anything that you would like to say to us briefly at this point that you would have included in your paper had you seen the draft budget in advance?

[155] **Mr Coles:** There are a couple of things to say. One is that, from a general, third sector point of view, it is always hard to understand the implications for individual organisations because of access to information below the action line. So, in an analysis of the budget, that makes it a little tricky. However, I would remind you that Welsh Government spends 2.4% of its budget on the third sector, local authorities spend 2.6% of their budgets on the third sector, and local health boards spend 0.3% of their budgets on the third sector. So, our broad arguments, I suppose, are that, in many ways, it could be deemed that these figures are so small that there are no efficiency savings to be made by cutting third sector services. However, on the flip-side, there is a lot of added value that the sector can get, leveraging in additional resources and, of course, deploying volunteers.

09:15

[156] **Jocelyn Davies:** Okay. I will come to you, then, Mr Jones, on the intermediate care funds, which we heard about from the Minister last week when we questioned her about the cut to your budget. Do you see that as a form of compensation for the money—is it £500,000—that you have lost from your core funding?

[157] **Mr Jones:** Yes. Clearly, my evidence is very much focused on Care and Repair as an individual organisation, as opposed to the whole sector.

[158] **Jocelyn Davies:** Do you see the setting up of that fund being able to compensate?

[159] **Mr Jones:** I just do not think that it is clear how that fund will work. From our perspective, there is a danger, if we get into a long process or a beauty contest for bidding for that money, that, at a time when what we want to be doing is delivering front-line services, we will be distracted, with the 22 Care and Repair agencies making a case for why they should be part of the equation of delivering that, and it might not happen. So, I just think that it is unknown at the moment as to how that money will be allocated. However, I would certainly see Care and Repair as delivering real value as an organisation that can deliver the objectives of that fund.

[160] **Jocelyn Davies:** I have to say that I think your paper definitely made that point. Peter, you wanted to come in on this point.

[161] **Peter Black:** The Minister, in the Communities, Equality and Local Government Committee yesterday, made the point that Care and Repair needed to change the way that it

worked, and that he could not see a justification for having 22 agencies when many local authorities are now working on a regional basis. Have you looked at that particular aspect in terms of how you deliver your services to try to make some savings?

[162] **Mr Jones:** Yes. Three years ago, we produced a five-year strategy, which projected the difficult times ahead. Part of that was to consider how we become more robust and how we sustain services. Part of that journey is about looking at mergers, collaboration and developing social enterprises, where profits go back into delivering services, and, in some agencies, that has already happened. Cardiff and the Vale of Glamorgan Care and Repair agencies are currently going through a process of collaboration, which might end in a merger; Gwynedd and Ynys Môn work under a group structure; Monmouthshire and Torfaen now sit under one roof. All of those have realised efficiency savings. The issue here is that, where there is a 10% cut that is immediate, it is not about efficiency savings, but about impacting front-line services. The real danger that I can see is that, while we are on that journey—and we totally recognise the need to be more efficient—you can only do so much in the space of time available, which we are doing. However, to realise those savings, what we will have to do is to reduce the services, which really concerns me.

[163] **Paul Davies:** With the shift in funding priorities from local government to health in the current draft budget, what sort of impact will this have on your organisations?

[164] **Mr Jones:** I suppose I would turn that on its head. I am here to emphasise the preventative agenda. What we want to try to do through all public services is to improve how smart we are in spending the reduced amount of money that we have and to consider how we can make that money go further. The way that we can make that money go further is to stop people—in our case, older people—from going into hospital. There are huge issues around unscheduled care, winter pressures and delayed transfers of care. A lot of the services that we provide can stop people from going into hospital and get them out of hospital quicker into a safe home environment.

[165] **Mr Coles:** We absolutely support that. From our members' point of view, there are a number of examples of those approaches. The Welsh Sports Association gave us some examples of approaches to leisure and health services that would yield direct savings for health budgets. So, again, we would make the case for a preventative spending approach, and we are working with health boards, and there is a mention of this in our submitted paper. We would also make the case for the role of the third sector in those sorts of services. As it is rooted in communities, it is a powerful advocate for services and communities, and has experts in certain conditions and localities. I suppose that, historically, its very nature has come from providing additional non-statutory services and testing out the sorts of interventions that will yield savings for the public purse, somewhere along the line.

[166] **Mr Robinson:** I think that the challenge is the space between local authorities and the health service, where social care connects with the health service. I think that that is the space where preventative activity is particularly powerful. In our work with the taskforce, we talk about communities being ready for everything, by which we mean quite simple ideas. It is not adequate just to be resilient, to be capable of coping with difficulties; it is also about seizing opportunities. So, what do we need to do as a society to ensure that our three and four-year-olds are ready to start school, to form relationships with other children and to begin to learn? What do we need to do in advance for children of nine, 10 and 11 to ensure that they are ready to move on to the next stage and so on throughout our lives, and, because bad things happen as well, are ready to cope with adversity?

[167] In order to move to that way of thinking about public services, we need both to understand where we spend at the moment and to think more carefully about how we move, as we would say, up the cliff face. If you imagine that ready-for-everything community at the

top of the cliff and fences at the top that are the primary prevention activities that prevent you from coming down the cliff and then there is increasingly expensive provision until you get to the bottom of the cliff where, essentially, it is just warehousing need, the trick in all this is not to say, 'We're going to leap from the bottom of the cliff to the top', but to ask how, in everything that we deliver, do we push up a bit and reduce that need, because, of course, the further down that we get, the more expensive it becomes. The really interesting territory around all this is where services connect, and where the health service connects with social care and with the kinds of things that the local authority does, and, particularly, the kinds of things that the community does best for itself, organised through the third sector and through co-production.

[168] **Jocelyn Davies:** Mike, did you have a question?

[169] **Mike Hedges:** I will pick it up later.

[170] **Jocelyn Davies:** Okay. Paul, shall we come back to your question?

[171] **Paul Davies:** Yes. The Government has made it clear in its draft budget what its strategic outcomes are. How do you think, as the third sector, that you will be able to help the Government to achieve those objectives? What role will you play in achieving those objectives?

[172] **Mr Jones:** I can talk a lot about a lot of the services that we provide aligning with a lot of the policies—the strategy for older people in Wales, 'Together for Health' and the Social Services and Well-being (Wales) Bill. All these policies' direction of travel is towards greater service provision in the community at that end where you can prevent people from needing acute services in hospital or in residential care. That is absolutely what we do. The way in which we do it is through co-production. None of the money that goes to Care and Repair is spent without the local strategy for how that money is being spent being signed off by health, by local government, which includes social care and housing, and by colleagues in the third sector. So, everything that we do locally is done in a way whereby everybody has a say in how the services are delivered. However, it is very much about delivering those sorts of strategies that the Social Services and Well-being (Wales) Bill is talking about.

[173] **Mr Coles:** We would absolutely support that. There is just one point that I would like to make, which is that, in preparing for this, we obviously consulted with our members.

[174] The third sector is recognised in each chapter of the programme for government, and we would absolutely support and welcome the recognition in, for example, the social services Bill of the role of the third sector in that. Over recent years, we have seen, I think, a real growth in third sector delivery of public services and that is, in part, due to Government policy recognising the characteristics of the role of the third sector and what it can bring to public services. What has changed, I think, is that there has been a huge shift in recent years from grants to contracts, and, more recently, to fewer and larger contracts—so a culture of competitive tendering and procurement. That is fine; there are a lot of third sector organisations surviving and thriving in a culture of competitive tendering when things do go out to the market. However, we think that the long-term implications of procuring everything—of the funding mechanism of procurement—would be, potentially, the loss of local contacts, infrastructure, representative groups, and specialist knowledge, and that could, in fact, lead to an erosion of the defining characteristics of the third sector. So, we would like to make the case that, in an analysis of the budget, an analysis of the particular funding mechanisms, as to whether they are appropriate to the nature of what is being secured, should also be undertaken.

[175] **Jocelyn Davies:** Simon, you wanted to come in on this point.

[176] **Simon Thomas:** Yes. It follows on from that point, in a sense. I wondered how you view this budget, given what Mr Robinson has said about getting people up the cliff and what you have just said about the way that the third sector has had greater recognition. We will have to see what develops from the local government settlement yesterday, but, looking at this as a whole, the third sector, in the widest sense of the term, looks to be having a greater squeeze than health, certainly, and even than local government. So, in a sense, if you are aligning yourself with what the Government says it should be doing in terms of preventative spend and early intervention in terms of stopping people falling off the cliff, why is that message not reflected in the Government's budget? Do you think the fault lies with you in not getting your message across about the value of what you do? Is it that the Government is not listening to you, or is it that we do not have the evidence that what you do can be quantified in financial terms that are robust enough to affect a budget of £15 billion? Which do you think is the most dominant of those factors?

[177] **Jocelyn Davies:** Which one of you would like to take that? I would like a very brief answer, because we have a lot of other things to cover. Mr Robinson, I am going to ask you.

[178] **Mr Robinson:** I think that the whole challenge around prevention is that a local authority cannot stop doing the kinds of things that are its mandatory responsibilities. So, if a child is a danger to himself and others, something has to be done about it, and that child is well down the cliff. Activities like detached youth work, for instance, that might have been the fence that I described, you can stop doing. The argument that we have to understand is that that is a false economy, and, if we take the fence out now, we might save a few bob this year, but we will pay the price in subsequent years. I think that, in the delivery of the budget, as the spending lines work their way out into spending plans, we have to keep in mind the costs and benefits of spending in this way, not just this year, but over a longer timeframe. Ideally, we were arguing in the taskforce for a 10-year test. We are not suggesting that the budget is in place for 10 years, but what we are asking is: if we spend the money in this kind of way this year, what will the costs and consequences be over 10 years? If we did not apply that already in some aspects of our lives, we would not have child immunisation, for instance. The economic case for immunising our children does not stack up in six months or a year, but, looked at over a lifetime, of course, it does, as well as all of the social benefits.

[179] **Jocelyn Davies:** Chris, you wanted to explore this particular aspect.

[180] **Christine Chapman:** Yes. I have quite an interesting statistic from the National Audit Office in Westminster. It says that only 6% of spending across four UK Government departments was devoted to early action, so, obviously that is quite a low figure. Do you have a view—I think that everyone agrees that preventative spending is a good thing; I do not think that anyone would disagree with that—on the proportion of the Welsh Government budget that is preventative spend? Are we just talking about it and not doing anything? Do you see evidence that the Welsh Government is shifting its approach towards more preventative spending?

[181] **Mr Jones:** I think that there is an issue here about dealing with the here and now. I think that what the Government is doing, mostly, is dealing with the here and now—the real acute pressures faced by services. What I often hear is that there are no cashable savings from what we do, which is a pretty pointless argument, I think. What I would emphasise is not that we save money for the NHS, but that we reduce demand in the NHS—if we stop somebody going into a hospital bed, there is somebody else who is going to go into it, so that issue about cashable savings is quite a difficult one.

9:30

[182] However, what we undoubtedly do is that we would reduce demand for people going into hospital beds, going into accident and emergency, and going into residential care homes. You make savings only if you reduce the number of hospital beds, and I am sure that a lot of work is being done on that. However, I suppose my answer to that question about whether Government is listening is that it is really hard when you are faced with the sort of acute problems that you have to deal with in the here and now. I suppose changing that approach is a bit like turning a big tanker around. From that point of view, looking at the intermediate care fund, it was really quite pleasing to see that. I suppose, just to repeat myself, from my point of view, what is worrying is whether that will be delivered by the third sector—will it be delivered by Care and Repair people who are really close to these issues already?

[183] **Christine Chapman:** Do you agree that the strategy is actually different from what it was a few years ago, and do you think that it is enough in preventing—

[184] **Mr Jones:** No, I do not think it is enough.

[185] **Christine Chapman:** From what you were saying in terms of your own organisations, how much more would you need to see the figures increase by? If you are looking at 6%, which has been spent across the UK, have you any ideas of what increase would be needed to actually achieve this?

[186] **Mr Jones:** I do not have an academic or a researched answer for that question, but the other gentlemen here might. I suppose that all I know is that, where you can see in the communities where you provide services—and we provide services in communities for 40,000 older people every year—the impacts on those people and the real difference you make to their health and wellbeing, and where you can see that there are professionals in the NHS and in social care who want you to deliver more of that, for example through the rapid response adaptations programme, but you cannot because you do not have enough resources, it is quite clear that we are not doing enough of it.

[187] **Jocelyn Davies:** I think that we have questions on that. Julie, shall we come to your questions?

[188] **Christine Chapman:** I do not know whether Mr Robinson wants to say something.

[189] **Jocelyn Davies:** I am sorry, Mr Robinson.

[190] **Mr Robinson:** I was just going to say that we were involved with the National Audit Office and the production of that figure, and the answer to your question is that I would be very surprised if Wales was very significantly different from that; it might be a little bit different, but I would be surprised if it was very significantly different. Rather than the absolute figure, two things were particularly interesting about it: one is that you needed to ask the question and that Westminster needed to ask the question 18 months ago, and that we did not already know despite talking about this for a long time. How do we know where we want to get to if we do not know where we are at the moment? So, establishing some sort of base measurement seems to me to be a priority. If we think that prevention is a good idea, we need to do that classification in the first place, otherwise we will never know if we are getting there.

[191] The other interesting thing about the 6%, although you could argue whether it really was 6% or 8% at the margins, is that it was pretty clear that it had been the same for a very long time despite the fact that there had been Government report after Government report in a whole range of different service areas saying, 'We ought to get better at prevention'. So, doing the Government report and broadly agreeing that it is a good idea is not in itself adequate. It is down in the dirty detail that we have to get much better at it. The key thing

about this is thinking about earlier action rather than just 'earlier'. How do we, service by service, get a bit better at reducing all the way up the cliff rather than just trying to take this huge jump from bottom to top?

[192] **Julie Morgan:** I was going to ask Chris Jones about the rapid response adaptation programme. You say in your submission that for every £1 spent on that programme £7.50 is saved. How did you reach that estimate in terms of money, and is that a yearly calculation?

[193] **Mr Jones:** That calculation has been made having regard to the experience of 10 years of delivering rapid response adaptations programmes in Wales, which has been seen as innovative and best practice, and which was copied in England a couple of years ago. The calculation is based on—I can send you information on how we came up with the calculation—the number of hospital bed days it prevents, having already spoken earlier about cashable savings, the cost of the hospital bed day and information from the Royal Society for the Prevention of Accidents about preventative spend and how, if you keep people out of hospital, it results in a reduction in cost. So, there is a formula behind that that talks about all of those things compared with the cost of delivering the programme. On average, we spend about £118 per person to keep them out of hospital or to prevent them from going into hospital.

[194] **Jocelyn Davies:** So, if you prevented my mother from breaking her hip, that bed might be taken up by somebody having a hip replacement, but it would be somebody electing to have a hip replacement rather than my mother with the broken hip. You talked about cashable savings, but even though somebody else might be having a hip operation, it might not be because of a fall.

[195] **Mr Jones:** I suppose that there is an implication there for waiting times and speeding those up within the system where people are already waiting.

[196] **Jocelyn Davies:** So, when you say 'that is £7.50', you are not claiming that that £7.50 is not spent; it is still spent. I am sure that Mike Hedges was going to make that point.

[197] **Mr Jones:** Mike and I have chatted about that. [*Laughter.*]

[198] **Mike Hedges:** Yes; we have had these discussions lots of times.

[199] **Jocelyn Davies:** However, it is, in fact, spent on somebody else.

[200] **Mr Jones:** It is, yes, which is why I suppose the emphasis is that we reduce demand and reduce the numbers of people who have falls. Do not forget that this is an ageing society, so demand is going to increase. The more you can prevent and reduce the demand for those more acute services, the better it is for public services, I think.

[201] **Julie Morgan:** Is this calculation actually made on individuals?

[202] **Mr Jones:** No, it is not a case study-based calculation but a calculation that is based on a formula. We know how much a hospital bed costs. We know that if somebody is moved into hospital, on average, they are there for eight days. We know how much it costs to deliver this programme. All of that has been put into an equation that has come up with that figure.

[203] **Jocelyn Davies:** Could you send that to us, Mr Jones?

[204] **Julie Morgan:** That would be good. The other thing that you referred to is the human cost that the impact of the reduction in your budget would cause. You have referred to that briefly, so could you explain what exactly you think that the reduction in your budget is going

to result in, in terms of the human cost?

[205] **Mr Jones:** In the paper, I have given evidence about what a 10% reduction means in terms of the numbers of people we see. We will be able to provide our casework service to 3,000 fewer people, because we provide it to 30,000 with the budget that we have. For our clients, it makes a huge difference to their lives. There was a gentleman from Monmouthshire who thought that he was going to be in hospital over Christmas—I think that it was a couple of years ago—and that there was no prospect of him coming out, but the independent living grant gave flexibility and, through Care and Repair, we were able to get him out of hospital and home for Christmas. Actually, he was home for good a lot quicker. That is what I mean, I suppose, by the human cost—the impact on people’s lives.

[206] Another example is that we do a lot of work around fuel poverty and affordable warmth. Living in cold homes has a huge impact on older people, with all sorts of illness, including respiratory disease and circulatory disease. On excess winter deaths, it is a bit of a scandal that, in a western society, an additional 1,900 older people die in the winter months as compared with the summer months. Those sorts of impacts are what I mean by the human cost.

[207] **Mike Hedges:** I am looking at it only from the financial point of view, rather than any moral, or other, point of view. I look at things like Designed to Smile, where money is spent on getting children to brush their teeth. It is now showing a reduction in the number of fillings et cetera. Is there any expenditure by the third sector where money is being saved, as opposed to doing good?

[208] **Mr Coles:** We have some examples. Reflecting on an earlier question, to a large degree, they are cost-avoidance examples, based on an average point. So, neighbourhood watch schemes have a cost-avoidance element of about £10,000, on average. That is similar to Care and Repair’s work. Safer Wales does work to make the homes of victims of domestic and sexual violence more secure, so that they can remain in their homes. There is a comparison there, obviously, with the cost of being in a refuge or secure accommodation. However, I do not think that it is easy to separate that from the social benefits and outcomes.

[209] **Mike Hedges:** Is there anywhere where you can show that money is being spent and that there are savings for someone else’s budget at a later date? We have, in ‘Designed to Smile’, an example of that, where the number of fillings has gone down. Are there any examples—and I think that we would be happy to have a note on this, Chair—where there is a financial saving identified in someone else’s budget because of this expenditure?

[210] **Mr Coles:** Mike used the admittedly early-stage example of the work that we are doing with Cwm Taf Local Health Board, which is facing a year-on-year increase in its prescription bill for anti-depressants. It has done what it can in terms of moving from branded to generic drugs, but the increase is quite dramatic. At a very small scale at the moment, third sector community-based organisations working in mental health provide different kinds of interventions. The intention is to reduce or flatline that cost. We could probably look at some evidence there, where we could get you some facts and figures.

[211] **Jocelyn Davies:** Mr Robinson, would you be able to help us with this?

[212] **Mr Robinson:** Across the UK and elsewhere in the world, there certainly are examples. I would be very happy to send you our reports on them. There are a couple of points on cashable savings, as well. It is only by getting better at care and repair, supporting the work of Care and Repair and reducing the number of people who need those hip operations that you were talking about, Chair, that, over time, we will get to a point where we begin to close wards and hospitals. Although, one by one, we are not making instant savings,

you can see how that builds a different kind of society where, ultimately, we would make savings. The second point on cashable savings is that there are some areas of preventative spend where we see a saving immediately. For instance, with a family being made homeless, if we need to move someone into temporary accommodation, we know what that costs overnight. So, providing the advice and support that prevents that from happening produces a day-by-day saving. The third thing is that there are some programmes—and Flying Start would probably be a good example of this—where the long-term objective is successful adult or adolescent lives. We are investing in very young children, so, pretty much by definition, the big saving is further down the track. Nonetheless, there are milestones on the way, so you know whether the child is doing a bit better at primary school or needs additional support. So, we need a variety of ways of thinking about savings. However, the short answer is that, yes, there is evidence on all three. Probably, the evidence is not as good as it needs to be, but there is evidence and there are examples.

[213] **Mike Hedges:** I will now ask my final question. We have talked about Care and Repair for 10 years. We have talked about reducing the number of hip operations. When am I going to see a reduction in health budgets that will start to reflect that?

[214] **Jocelyn Davies:** That is not a question for these three; that is a question for the Finance Minister, I suspect.

[215] Mr Jones, do you ever have health boards investing in your services in order to save money in their budgets?

[216] **Mr Jones:** Yes, but not at particularly high levels.

[217] **Jocelyn Davies:** However, there is an acknowledgement, even within the health service, that spending with you saves money. Otherwise, why would they do it?

[218] **Mr Jones:** Yes. I would just like to make a point about this. Again, this is about the rapid response adaptation programme and winter pressures, and it links to the question earlier about what we are doing around collaboration and efficiency. In terms of what we have been doing better over the last couple of years, for example, there are seven Care and Repair agencies in north Wales that, over the previous 20 years, would go individually to speak to health bodies about their services, but which are talking to them collectively now. So, we are talking about single points of entry into the Care and Repair service, which is a much more efficient way of doing it in relation to a regional footprint. I think that has been acknowledged by the fact that there is now more investment locally from a health point of view in the rapid response programme. It not a huge number, though.

09:45

[219] **Jocelyn Davies:** No, but there is some acknowledgement.

[220] **Mr Jones:** Yes.

[221] **Jocelyn Davies:** I was going to ask you whether you would have preferred this sort of preventative agenda to be done on a national level, but I am not going to waste your time with that, because I think I know what the answer is. Mike, are you happy?

[222] **Mike Hedges:** Yes, I am happy.

[223] **Jocelyn Davies:** Peter, shall we come to your questions?

[224] **Peter Black:** Yes. Can you expand on the evidence that you provided the committee

in relation to how preventative spend and early action could be built into long-term financial planning?

[225] **Mr Robinson:** Yes. Take, for example, the numbers of young people who at 11, 12 or 13 do not have basic literacy skills. We have a pretty good idea of the likely number of those and we also have a fairly good idea of the number of young people who are likely to come out of school in four or five years' time without those basic skills and will, therefore, struggle to enter the workforce. So, we can do some fairly basic arithmetic on what the likely costs of that generation will be in four years' time. Weigh that against the costs of reading recovery work with that age group now, and the simple arithmetic will show that it will be much more sensible to be investing money now in reading recovery work than it would be to wait four or five years for that liability to hit the balance sheet. Unfortunately, governments do not think, as other organisations would and as we as individuals would, about that looming liability. They just think about the costs now. They also think about the fact that the work with the 12 and 13-year-olds on literacy would need to be paid for out of a different budget—from the budget to support those unemployed youngsters when they are 17 and 18.

[226] I think that that example illustrates two really big problems that we have around prevention. One of them is around aligning the costs and the benefits. So, it has to be the same agency that invests the benefits further down the track and we have to find ways of sharing costs and benefits. The second problem is thinking in the longer term. That is exactly the point that you made about the importance of the longer-term thinking. We are not arguing for a kind of Stalinist 10-year plan on spending—allocating money now that is going to be spent over the course of the next 10 years. What we are saying is that in terms of every budget, including this one, when each spending line comes into play we will have to think about the costs and consequences of spending it in this kind of way. Do we want to spend that money on those unemployed 17-year-olds or do we want to spend it on increased literacy and numeracy work with those 12 and 13-year-olds, because we know that we will yield a saving in five years' time? If you can take that example in your head, you can see how we would shift money. We would do it differently if we took that longer-term perspective.

[227] **Peter Black:** So, what incentives could we put in place to encourage departments and others to invest in early actions?

[228] **Mr Robinson:** I think that there has to be some sort of shared profit around it. In New Zealand, for instance, they are doing work on shared savings. So, it is about the identification of those budget lines—what we anticipate the savings to be over that longer-term time frame and where they will fall. There has to be an arrangement for the shift of those budget headings from one to the other. We are enormously excited by the potential of the future generations Bill, but unless it begins to think at some point in the process about the mechanics, it will struggle to move from being rhetoric to being really played out on the ground.

[229] **Jocelyn Davies:** Simon, do you have a question on this point?

[230] **Simon Thomas:** Yes, because I think that we have an example of what you have just said in that this Government has produced a youth guarantee but has no extra resources to deal with those needs. So, it is thinking that it can deal with the issue without any extra resources, aligning with more efficiencies in the third sector, while also thinking about investing in those in the 11 and 12-year-old age group who have poor reading and writing skills. That is just an example—which I do not necessarily want you to comment on—that leads me to ask this: how can we reflect what you have just set out in financial planning? Political decisions will be taken, particularly in local government over the next few months—these decisions are being taken on a definite level in terms of protecting the front line, and we will see the evidence from local government after you—and the way that it views which

services should be cut in order to preserve the statutory level of provision is pretty horrendous. So, how can we build that into financial planning? How do you get sharing between departments, for example if the education service saves some money further down the line because of the intervention? How does that physically get shared? Are there any examples in public services around the world where that happens?

[231] **Jocelyn Davies:** You can send us details of that.

[232] **Mr Robinson:** Yes. In terms of how to build that into financial planning, I think that there should be a 10-year test added to the small print of the future generations Bill that for every significant spending line we need to ask and answer those questions and publish the answers, in much the same way as there might be an equalities assessment on any given policy. So, we need to provide the same evidence and that ought to be open to challenge. If that evidence is not provided, is inadequate or does not show that the balance has been struck in the right place, then it ought to be open to challenge. So, I think that the 10-year test should be built in.

[233] There are examples of better thinking around shared budgets at a much more local level, for instance the community budgets programme. Community budgeting has a long history, going back to Total Place under the previous Government. There have been lots of Westminster Government interventions around this, but they have never really been scaled up. We know how to do it at a very local level, but getting better at doing it in terms of national budgets or even regional budgets is more challenging. There is work in other places, for instance the work in New Zealand. We need to think much more carefully about the outcomes that we want to achieve, who is making the investment in achieving those, and how we share the savings. It is a simple profit measure.

[234] **Jocelyn Davies:** Chris, did you want to come in on this?

[235] **Christine Chapman:** That was an interesting question from Simon. Have you got any evidence of indicators used, say by New Zealand? Off the top of my head, I am thinking of things like wellbeing, or in the past people have talked about happiness indicators, although there has been a lot of criticism of those. Are there any indicators that could be used by Government to look at the potential, 10 years down the line, and how it would measure that? Do you have any evidence of that?

[236] **Mr Robinson:** On those high-level indicators, I am not sure how helpful they are in helping to measure the savings. You can have very clear figures in terms of indicators like literacy levels and reoffending rates and you can base some idea of savings around those. That is much more helpful and fine-grained than those higher-level wellbeing-type indices.

[237] **Christine Chapman:** I am thinking of the voluntary sector. In your paper, you talked about befriending services et cetera. How would you measure the effect on an older person if that service was taken away? How would that be measured? It is quite difficult, is it not? However, on the other hand, it is obviously very beneficial to communities. I wonder whether we should have firmer indicators that would help you in many ways.

[238] **Mr Coles:** Yes, absolutely. There are probably some indicators there. If a preventing service enables something, such as enabling someone to live independently in their home—Chris will talk about this, because there are probably some cost avoidances that we can talk about there and some indicators—then that will not separate them from the massive social benefits and the sense of wellbeing. Often, what is interesting with those examples is the reciprocity and how the befriender has the social benefit as well. There are probably a lot of hard economic and soft social indicators along that route.

[239] **Ann Jones:** On future funding, and in particular the intermediate care fund, I have said before that Care and Repair was an oasis of calm in my turbulent quest to get my husband's care sorted out. That is not just my view; a lot of people will bear testament to that. Would you be able to bid for the money in the main expenditure group on local government? Given that it is only for one year, do you think that local authorities should be looking at their Care and Repair organisations and offering them to come on board?

[240] **Mr Jones:** Yes.

[241] **Ann Jones:** Sorry, that was a bit of a leading question.

[242] **Mr Jones:** I think that it is going to be really difficult. You will hear evidence from local government today, as you have just said, about the difficult settlement that it is facing. My experience is that part of the pain of local government funding reductions will be shared by the third sector in terms of how much is given to the third sector locally. It is a double whammy in that respect. I guess it remains to be seen whether there will be a bidding mechanism for the intermediate care fund and how it will work and how inclusive local government will be. All I will say is that we would be absolutely happy to have 22 individual conversations about that, but it is extremely resource-intensive at a time when you are required to be more efficient and deliver more front-line services.

[243] **Ann Jones:** Is there a danger, because it is a new fund, that health and local authorities would want to set up a task group to decide how to administer this fund? In your paper, you say quite clearly that you welcome this fund because it is something that you have been doing over the past 10 years very successfully. Is there a danger that that will happen?

[244] **Mr Jones:** There is a danger that it will be considered—this is new and, with good intentions, people will ask how they are going to make sure that they do this in an inclusive way. You can see a bit of bureaucracy developing around that. What I am saying is that, for 25 years, Care and Repair has been doing this, but we have not been doing it on our own, we have been doing it in partnership. We have been doing it in a really strong partnership with local government historically and, more recently, in partnership with health. There is an infrastructure there; there are local contacts with people who have been talking about this from the point of view of independent living grants, rapid response adaptations, and the core Care and Repair service and how it is best delivered. So, I suppose that there is a danger that a new bureaucracy could be set up around the process.

[245] **Ann Jones:** Generally across the third sector—the recent Welsh Government consultation has been out there looking to refresh the relationship with the third sector. Is that relationship going to be a strong relationship or is it going to be very fragile at times of constrained finances?

[246] **Mr Coles:** It is a little tricky to say. The consultation has closed and my understanding is that the third sector unit is now analysing the 240-odd responses. Having seen and talked to the head of the third sector unit yesterday, that was the response; it is analysing the responses. There are some absolute points in terms of the mechanisms that fall out of the third sector scheme that we regard as sacred and would want to see retained so that there is always a fallback for engagement between the third sector and the Welsh Government.

[247] **Jocelyn Davies:** Mike, did you want to come in very briefly?

[248] **Mike Hedges:** Yes, very briefly. As Chris knows, I am very supportive of Care and Repair when we talk about it in general. Do you know how you could bid for a share of the £50 million? How much of it do you actually need to carry on with what you are currently

doing?

[249] **Mr Jones:** The answer to the first bit is that I do not think anybody knows what the process is yet. The answer to the second bit is that we would love £500,000 for core funding to replace what we have lost, to deliver what we are currently delivering.

[250] **Ann Jones:** And a little bit more as well.

[251] **Mr Jones:** Yes.

[252] **Mike Hedges:** That was a leading question.

[253] **Jocelyn Davies:** Chris, shall we come to your question on social impact bonds?

[254] **Christine Chapman:** I want to ask Gareth Coles about the social impact bonds. How would you rate the success of the social impact bonds? What success has the Wales wellbeing bond had in shifting service provision?

[255] **Mr Coles:** It is early days, I am afraid. It was launched last year and there is one live example now, which is the Cwm Taf one, which I alluded to regarding early intervention on mental health initiatives. The WCVA has had an awful lot of conversations with local authorities and local health boards about it and there is an awful lot of interest. However, in those conversations, some of the difficulties and barriers are emerging, which we are trying to address. One of those is a perception that it would need to lead to wholesale transformation of services, that is that we are at this point but we need to be at that point there. There are probably some intermediary measures along that route that can shift a focus towards preventative measures, and there are probably some short-term indicators along the way. The other issue is that the Cwm Taf example is neater, because they are all external costs; its prescription drugs bill is going elsewhere. It will be much more difficult when it impacts on redeploying staff and internal costs of public bodies. So, the debate and the interest have definitely escalated and a lot of people are looking to this one as an example. We have certainly had interest from England as well. However, there are still some issues to play through.

[256] **Christine Chapman:** What level of overall funding has been provided through the Wales wellbeing bond?

10:00

[257] **Mr Coles:** So far, it is only the grant for the feasibility study, which is about £20,000, but there is a lot of loan finance available through the communities investment fund, which the WCVA ran. So, that is ready to go.

[258] **Jocelyn Davies:** Simon, we will finish with your questions.

[259] **Simon Thomas:** Byddaf yn gofyn fy nghwestiwn yn Gymraeg. Roddwn i eisiau gofyn ynglŷn â bwrw ymlaen â gweddill y gyllideb hon a'r hyn sy'n debyg o ddigwydd dros y ddwy neu dair blynedd nesaf. Rydym eisoes wedi cael adroddiad gan yr *Institute for Fiscal Studies* yn ddiweddar iawn yn dweud bod y wasgfa ar y gyllideb yng Nghymru heb ddod yn llawn eto. Rydym wedi gweld storïau megis y treblu yn y nifer

Simon Thomas: I will ask my question in Welsh. I want to ask about pushing forward with the rest of this budget and what is likely to happen over the next two or three years. We have already had a report from the Institute for Fiscal Studies recently, stating that the pressure on the budget in Wales has not come into full force yet. We have already seen stories such as the trebling in the number of those who use food banks and so

sy'n defnyddio banciau bwyd a phethau felly. Felly, mae'n amlwg bod y trydydd sector yn wynebu rhai o'r heriau hyn. Yn gyntaf, pa dystiolaeth sydd gennych, yn eich profiad chi a'ch mudiadau chi, o gynnydd sy'n deillio'n uniongyrchol o'r dirwasgiad yn nechrau 2008 a'r sefyllfa economaidd a'r wasgfa ar arian cyhoeddus ar hyn o bryd?

[260] **Mr Coles:** Diolch yn fawr am y cwestiwn. Rwy'n siŵr y bydd enghreifftiau fel Citizens Advice ymysg y cyntaf i weld hynny, ac rydych chi wedi sôn am y *food banks* hefyd, a bod cynnydd enfawr yn hynny o beth. Mae'r wasgfa'n dal i ddod. Mewn meysydd fel cyngor, mae'r wasgfa yn glir iawn ar hyn o bryd, ond rwy'n siŵr bydd mwy i ddod ledled y trydydd sector. Rwy'n siŵr bydd gan fy nghydweithwyr enghreifftiau.

[261] **Mr Jones:** On the ground, the impact on people is being felt pretty sharply. Fuel poverty is a real big one for us. In terms of people's financial situations and disposable income, there are 140,000 fuel-poor pensioners in Wales, and that figure has not gone down over the many years that we have had investment in energy efficiency schemes. Very often, I ask myself why that is, and I do not think that it is because money has not been put into energy efficiency schemes; I think that it is because we have not been very good at targeting the people who need that help. That is a real challenge for the third sector, and we can help by getting to the people who need that help in communities in an efficient way. The other big impact for us is in terms of finding financial solutions to people's problems, because part of what we do is a casework service. So, we look everywhere for solutions, and one of the ways in which we find solutions is through charitable fund raising and what we find is, because there is more demand for that limited charitable funding, that it is more and more difficult for us, as third sector organisations, to access that sort of benevolent funding for our clients, and that is two examples of where it is sharply felt.

[262] **Simon Thomas:** Roeddwn i'n gofyn y cwestiwn hwnnw er mwyn dilyn gyda chwestiwn arall, mewn ffordd. Rwy'n ymwybodol, fel Aelod Cynulliad, o bethau fel cost tanwydd, yn enwedig *off-grid*, benthyciadau diwrnod pae ac ati, ac felly mae'n amlwg ei fod yno. Roeddwn i am ofyn a oeddech chi mewn lle i fesur hynny, a thrwy fesur hynny, rhoi cais i'r Llywodraeth a llywodraeth leol, yn sgîl y gyllideb, gan ddadlau am yr angen nad yw'r gyllideb yn cwrdd ag ef. Oni bai bod rhyw fath o dystiolaeth gadarn, bydd pobl yn cael eu hanwybyddu, oherwydd mae tystiolaeth arall, megis cost plant amddifad mewn ysgolion a'r grant amddifadedd disgyblion, ac ati, yn amlwg ac yn hawdd i'w mesur mewn cyllideb. Gyda'r hyn rydych chi'n ei ddisgrifio, mae'n anodd gweld bod mesur o'r

on. Therefore, it is obvious that the third sector is facing some of these challenges. First, what evidence do you have, in your experience and that of your organisations, of the increase that emanates directly from the recession at the beginning of 2008 and the economic situation and the pressures on public finances at the moment?

Mr Coles: Thank you for the question. I am sure that examples like Citizens Advice will be the first to see it, and you have also mentioned the food banks, and there has been a great increase in that regard. The pressure is still coming. In areas such as advice, the pressure is very clear at present, but I am sure that there will be more to come across the third sector. I am sure that my colleagues will have examples.

Simon Thomas: I asked that question to follow up with another question, in a way. I am aware, as an Assembly Member, of things such as the cost of fuel, particularly off-grid, pay-day loans and so on, and therefore it is clear that it is all there. However, what I wanted to ask specifically was whether you were in a position to somehow measure that, and in doing so, put a request in to the Government and local government, in the light of the budget, arguing the case for the need that has not been met in the budget. Unless there is some sort of robust evidence, the problem will be ignored, because other evidence, such as the cost of deprived children in schools and the pupil deprivation grant, and so on, are more visible and easier to measure in the budget. As you describe it, it is hard to see that there is a measure of the

holl beth, sy'n gallu wedyn effeithio ar y gyllideb.

whole thing, which could then affect the budget.

[263] **Mr Coles:** Un o'r problemau, fel roeddwn i'n dweud ar y dechrau, yw gweld y wybodaeth o dan yr *action level*. Fel enghraifft arall, byddwn i'n cynnig cludiant cymunedol hefyd. Mae'r *cuts* yn y fan honno wedi bod yn eithaf mawr. Byddwn i hefyd yn dweud bod rhywbeth fel hynny'n galluogi cymaint arall hefyd, felly o'r toriad hwnnw, bydd *knock-on effect*, fel enghraifft arall.

Mr Coles: One of the problems, as I said at the outset, is seeing the information under the action level. As another example, I would offer community transport as well. The cuts there have been quite severe. I would also say that something like that enables many other things as well, so from that cut, there will be a knock-on effect, as another example.

[264] **Jocelyn Davies:** We have run out of—. I am sorry, Mr Robinson, do you have something to add to Simon's point, briefly?

[265] **Mr Robinson:** I am not answering the question about Wales; I am just giving you an example of work in London. Trust for London, last week, published a report that got at exactly those kinds of figures for London. It reveals that there are also two other interesting things. In addition to those immediate cuts and the impact of them, two other things happen a bit further down the track. One is that the removal of that cash and that pressure on family finances result a bit further on in increased mental illness, physical illness, and family breakdown and so on. So, there is a kind of second wave of expenditure for the state. The third dimension to it all is very much related to the discussion that we have had this morning about prevention. If the temptation is for local authorities to take out the fences—to continue the analogy—more and more people come tumbling down and, therefore, the costs increase. So, there is a direct impact on the cost just from the way in which money is now being spent. We need to reverse that; we need to be reducing need, rather than, as we are doing now, spending in ways that increase need.

[266] **Simon Thomas:** I wonder if we could have a reference to that report; that would be interesting.

[267] **Jocelyn Davies:** Yes. We have run out of time. We could have spent more time with you actually; it has been a very interesting session. Thank you for your written evidence and for the evidence that you have given us today and will be providing to complete that. There is no doubt that you will be featuring in our report. Members, shall we break for five minutes? Could we all come back as quickly as possible, because we are running a little late? Thank you.

*Gohiriwyd y cyfarfod rhwng 10:07 a 10:13.
The meeting adjourned between 10:07 and 10:13.*

Craffu ar Gyllideb Ddrafft Llywodraeth Cymru ar gyfer 2014-15—Tystiolaeth gan Gymdeithas Llywodraeth Leol Cymru a Chyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

Scrutiny of the Welsh Government Draft Budget 2014-15—Evidence from the Welsh Local Government Association and Bridgend County Borough Council

[268] **Jocelyn Davies:** We come to the next item on our agenda, which is the evidence from local government in relation to the Government draft budget. Would you like to introduce yourselves for the record, and then we will go straight into questions?

[269] **Mr Hunt:** I am Anthony Hunt, and I am the resources executive member from

Torfaen County Borough Council.

[270] **Ms Young:** I am Ness Young, and I am corporate director for resources from Bridgend County Borough Council.

[271] **Mr Rae:** I am Jon Rae. I am director of resources at the Welsh Local Government Association.

[272] **Jocelyn Davies:** I will start with the first question, then. Do you think the draft budget meets your needs adequately? [*Laughter.*] Mr Hunt, I will start with you while the other two think of diplomatic answers.

10:15

[273] **Mr Hunt:** To be diplomatic, there is a two-part answer to that, really. Do I think that it meets the needs of local services going forward? No, I think it is a big challenge. Given the situation that the Welsh Government was placed in by the UK Government's budget, I think that it has done a reasonable job of trying to protect local services, as it has done in the previous three years. Obviously, a decision has been made with regard to health that inevitably has a knock-on effect on local government. However, certainly, if you were to ask me whether I would prefer to be a finance cabinet member in England, the answer would be 'no'; and as to whether I would prefer to be dealing with Eric Pickles and George Osborne, the answer would be 'certainly not'.

[274] **Jocelyn Davies:** I do not think that that is on our list of questions, actually. [*Laughter.*]

[275] **Mr Hunt:** Answer the question that you want to answer is always my rule.

[276] **Jocelyn Davies:** Shall I repeat the question? Do you think that the resources being made available to you are adequate?

[277] **Mr Hunt:** Well, given the situation that the Welsh Government finds itself in, I do not blame it for the shortfall in funding for local services, but there will inevitably be a shortfall of funding for services that will have consequences.

[278] **Mr Rae:** In the written evidence that we submitted to the committee, I think we were pretty clear that there is a significant shortfall. At the time that we were drafting the written evidence, we obviously did not know what the Welsh Government draft budget would look like, or what the local government budget settlement would look like. However, we modelled what we term the 'Council Cymru' example, based on a number of different scenarios, for reductions in our funding ranging from 1% up to 4% for each of the years 2014-15 and 2015-16. In the most pessimistic scenario of 4% reductions in both years, we clearly showed in that paper that the 'Council Cymru' example would face a cumulative shortfall of £25 million. If you aggregate that up 22 times, the shortfall becomes £550 million based on the funding reduction and assumptions about increase in demand. As it has turned out, we have not quite crunched the numbers yet. Obviously, the settlement was only announced yesterday. If you put the settlement figures into the 'Council Cymru' example and then aggregate it up, we think that the shortfall is somewhere in the region of between £400 million and £440 million.

[279] **Ms Young:** Just to add to that, there is quite a big range of settlements for individual councils, with some councils facing a settlement of -4.6%—that is the worst off—with the most favourable being -1.2%. That is a significant range and a significant challenge for those at the bottom in particular. The other point to note is that, within the settlement—as Jon said, we still need to do some number crunching and get into the detail, but we can see straight

away that it is actually masking some additional pressures, as things like the council tax reduction scheme are within that figure. We have to meet that, and what that means is that the true impact of the settlement is worse than the average -3.5%, because you need to take that out, in effect, to see what the real impact is. There are a couple of other adjustments within the settlement that actually exacerbate that in terms of the DWP administrative grant for the council tax reduction scheme, and also the funding for the local government borrowing initiative—the third year of the highway scheme. So, once you start to actually add those things into the average settlement figure, it looks considerably worse.

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

[281] **Simon Thomas:** Yes, I have a specific question. You talked about the range of cuts. There is a damping mechanism for the first time for three or four years. Was it agreed in advance with the WLGA that there would be a damping mechanism, or is that something that the Welsh Government has just done of its own accord?

[282] **Mr Rae:** There have been discussions over a long period between WLGA leaders and the Minister, going back to a meeting of the finance sub-group, which the Minister chairs, in July, where we said that, in broad terms, while we knew that the settlement was going to be tougher, ‘Let’s have some protection in there’. There were subsequent discussions in practitioner groups, such as the Society of Welsh Treasurers, for example, where we looked at some of the formula changes that were pushing through in the RSG formula that produced the range that Ness alluded to earlier, and we did get broad political sign-up with the WLGA at a meeting of the WLGA council back in July, so we could then say to the Minister, ‘Look, Minister, we’ve got broad agreement’. That was before the numbers were published and the cat was out of the bag, because, obviously, that may have created a few different views around the table. However, we think that it was the right to do to protect some of the smaller and, as it turned out, rural authorities from the worst ravages of the funding formula.

[283] **Mr Hunt:** As someone who represents an authority that does not directly benefit from the damping, I think that there was nevertheless a recognition that, given the scale of the figures that we were talking about, it was only fair to save some authorities. If you are talking about a normal year’s settlement, you can argue that some variation can be dealt with. If you are talking about -4% as the average and you are then putting councils into the -6% or -7% territory, it is recognised as the right thing to do to stop that sort of divergence.

[284] **Jocelyn Davies:** Miss Young, do you have something to add?

[285] **Ms Young:** I just wanted to talk about the timing of being advised of the settlement figures, which has added to the difficulty that councils face in being able to manage that, particularly for 2014-15. The original expectation was of a 0.5% average increase for local authorities, and it was around May or June of this year that we were advised that it was not going to be that figure, and that councils should expect English-style reductions to their budgets—to the settlement. However, over the past few months, clarity around that has not been forthcoming until, as I say, we had that settlement yesterday. When you think of the processes that councils have to go through in order to get a balanced budget position by February, it is incredibly difficult to—

[286] **Jocelyn Davies:** I know that Chris has some questions on timing. Can we move to Chris’s questions?

[287] **Ms Young:** Sure.

[288] **Jocelyn Davies:** Perhaps you can direct them to Ms Young, Chris.

[289] **Christine Chapman:** I just wanted to pursue that, because I know that you made statements about concerns around the timing. Did it come as a complete surprise to you, then, the level of cuts? I understood that there has been ongoing dialogue with the Welsh Government on this. Obviously, the figures came out yesterday.

[290] **Ms Young:** As I said, there has been dialogue since about June that we should expect English-style reductions, but there has been no real clarity about what that would mean. If you look at what happened in England, over the current spending review period, in one year in particular, authorities had something like an 8% or a 10% reduction, and in another year they had a 2% reduction. So, it was very difficult for local authorities to really gauge the extent of the difficulty that we were going to face. As a local government family, we have been looking since June at a figure of -4%, because, broadly speaking, if you take the English reductions over a three-year average, that is what they come out to be. So, we have been working towards that, but, as you can see from the figures yesterday, for some authorities, it is worse than that, and, if you add in the things that I mentioned earlier about council tax reduction, it is actually worse than the 4.6% that some authorities are facing.

[291] We talk about percentages, but it is important to think about what that means in numbers. For Bridgend, for example, 1% of aggregate external finance equates to £1.9 million. That is really difficult. Those sorts of numbers, however big your budget is, are really difficult to find in a short time, because they come down to services and jobs at the end of the day.

[292] **Christine Chapman:** Could I just follow that through? The other witnesses may like to come in. What would you have done differently in terms of planning to implement the cuts had you known a bit earlier? What changes could you have made or would you have made?

[293] **Ms Young:** Looking at my experience as the director of resources in Bridgend County Borough Council, we have been working on trying to find the budget savings that we need from the start of this financial year. We were working on an assumption of a budget gap of around £6 million for next year. We were working very hard with officials and Cabinet members to try to find that, and that was proving very difficult. In May/June we were told that it could be as much as -4%, which suddenly took us to a different scenario altogether. As we did not have certainty, it was very difficult to know the extent to which we could engage staff in the scale of the problem, because you do not want to be scaring people unnecessarily about potential job losses. It was very difficult to engage the trade unions in a meaningful conversation about what that means for the staff, because there is no certainty about what our budget is going to look like. We have been talking to the trade unions in Bridgend about measures to reduce the pay bill, but, until we knew what our settlement was, the discussion was always, 'Well, how do you know how bad it is going to be?'

[294] Similarly with members and the public, you are trying to engage in a debate but, unless you have the facts, it is really difficult to get to a point where you make decisions about what changes you are going to make, because what happens if you make too many cuts? We do not want to do that. So, we are just in a limbo land, if you like, until we get to the point where we know our figures, and then we have to work really hard and really quickly to make the changes that we need to balance our budget. As you know, legally, we have to set a balanced budget.

[295] **Mr Rae:** I think the important point in what Ness has just said there is the certainty of what is coming along. In some sense, it felt to me like we were feeling our way in the dark about the likely impact of the 2014-15 settlement, because, since the announcement of the 2012-13 settlement back in October 2011, the Welsh Government had published indicative allocations for 2014-15. Around about this time last year, when we were considering the 2013-14 settlement, we took another look at the allocations for this year, and whether it was

reasonable to assume that there will be an increase in 2014-15. I remember being in meetings with finance directors around about December time last year after the Chancellor's autumn statement came out and I think the Chancellor said, 'We'll be looking for something like £30 million of in-year savings on the Welsh budget'. Then, in his own budget announcement in March, there were indications that there would be £80 million in reductions to the Welsh Government. So, we started trying to model some of this back in December and in January earlier this year. When we were modelling that, we were just modelling those reductions coming from the UK Treasury, and by May, I think, we realised that we were underestimating the scale of the impact on the 2014-15 settlement. The WLGA leadership was saying to the Minister, 'We think it's going to be bad; please tell us bad how bad it's going to be and give us a number', because there are a number of ways to interpret 'English-style reductions'. As Ness said, it could have been as high as 10%. We took a simple average and it turned out to be 4%, which has turned out to be quite a reasonable estimate. All we were saying was, 'Please give us a figure; tell us early'. Scotland had not changed its allocations much in terms of its local government settlement; it stuck to the 2010 spending review plans. In England, where things have been a little bit worse, councils knew very quickly after the spending round announcement—back in July, I think—what the overall envelope looked like. Authorities have to wait for the individual allocations as much as we have to, but they did know what the overall envelope looked like, so had some fair warning of what was to come.

10:30

[296] **Jocelyn Davies:** We will go to Chris, and then to Mike.

[297] **Christine Chapman:** This is on another area really—

[298] **Jocelyn Davies:** Shall we have Mike on this area then, because it is on this specifically and then we will come back to Chris.

[299] **Mike Hedges:** You said that councils would have to set a balanced budget, but that includes movement in and out of reserves.

[300] **Ms Young:** Yes, if councils were to choose to do that, but it certainly is not something that I, as a section 151 officer for Bridgend, would recommend doing in terms of meeting a recurrent budget shortfall.

[301] **Mike Hedges:** I am just saying into or out of; you will have put money into reserves in the past when you had more money than you expected coming in from council tax for example.

[302] **Ms Young:** Yes, that is right. We would do that, in order to ensure our general fund was at the appropriate level, or into specific earmarked reserves to deal with particular future commitments.

[303] **Mr Rae:** The overall level of reserves, according to a paper published by the Wales Audit Office last year, is something of the order of around £1.3 billion. They are split into general reserves and earmarked reserves. From memory, the general reserves are something of the order of £155 million, which represents about 10 days' expenditure or income for councils.

[304] **Simon Thomas:** No good in the White House then. [*Laughter.*]

[305] **Mr Rae:** The point here is that, sometimes, many out there think that, underneath county hall, is a great big pot of gold, and there is not. According to the revenue outturn data for 2012-13 published by the Welsh Government yesterday, councils have drawn down from

their reserves for the first time since 1999-2000, by somewhere of the order of £30 million.

[306] **Jocelyn Davies:** So, the Minister would have been aware of the position in reserves in presenting the settlement.

[307] **Mr Rae:** Yes.

[308] **Christine Chapman:** With the prospect of further cuts in future years, what action will be needed to ensure that local government will be able to meet the EU, the UK and the Welsh Government's sustainability and environmental targets, and do you think that this is going to remain affordable?

[309] **Mr Rae:** I must admit that it is not my particular area of expertise, but I know that the targets for carbon emissions are 3% a year on areas of devolved responsibility. There is some kind of natural alignment here with some efficiency-type programmes, where councils, like many organisations in the public sector, will be looking at better asset management—better management of their buildings and more efficient use of their own fleets. So, it dovetails quite nicely into some aspects of the efficiency agenda. As you know, the Minister provides a driver for those, through the public service leadership groups and a number of other boards, but I do not think that you will see councils letting up trying to hit those targets because, as I said, there is a natural alignment there with the efficiency agenda.

[310] **Ms Young:** Just as an example, in Bridgend, we have a carbon reduction group of officers focusing on energy saving measures, and we are doing a lot of work in terms of our assets and trying to rationalise our asset base. Also, where we are investing in things like the twenty-first century schools programme, we are ensuring that we are building in the appropriate energy saving arrangements into those new buildings to minimise our carbon footprint. We are looking at things like photovoltaic panels on schools and, possibly, looking at biomass boilers, all of which will help to reduce our carbon footprint and, potentially, reduce our costs.

[311] **Jocelyn Davies:** Obviously, you need upfront capital to make those investments.

[312] **Ms Young:** In some cases, yes, but that is about looking at the invest-to-save case. If we have more efficient boilers for example, we may be able to reduce some of our maintenance costs.

[313] **Peter Black:** Just following on from that point—and I think I have to except Bridgend in this case—why do local authorities make so little use of the Government's invest-to-save fund? I know that Bridgend has made use of it.

[314] **Ms Young:** We have, but I can answer the question—

[315] **Mr Rae:** I think that Torfaen has made use of it as well. I guess that it goes back to the funding framework that local government operates in. What we were finding when we were looking at this—there has been a good evaluation of the invest-to-save fund—was that many authorities will use their own ability to raise finance themselves, including unsupported borrowing. If they have balances, you do not get a good return from banks these days, and sometimes you are better off investing in your own internal projects. Councils will be doing their own invest-to-save schemes.

[316] **Peter Black:** However, you do not pay interest on the Government's invest-to-save money, do you?

[317] **Mr Rae:** That is true, but you are not getting much down at the Public Works Loan

Board or from many banks these days, either.

[318] **Ms Young:** I think that the other aspect is the requirements that go with the invest-to-save process. If you are using your own funds, you do not have to go through that process. Also, the payback period requirements may not be ideal compared with what you can do internally. I think that local authorities are in a slightly different position in respect of the invest-to-save fund as compared with other public sector organisations, because of the nature of the way that we are funded and the fact that we have borrowing powers.

[319] **Peter Black:** Okay; that was a slight diversion from my question. What effect will the 2014-15 budget have on capital plans, particularly the Welsh Government's timescales for the development of fit-for-purpose schools in Wales?

[320] **Jocelyn Davies:** Who is going to take that question?

[321] **Ms Young:** I can take it. In terms of the twenty-first century schools programme in relation to Bridgend, first of all, we welcome the extension of the local authority business growth incentives scheme to twenty-first century schools, which we are looking at now. However, we have our programme clearly set out, and that, in broad terms, has been agreed, in terms of the timetable. The challenge that we have is about realising our element of the match, which is coming from capital receipts. We are also doing some prudential borrowing to make up that amount. It is about the extent to which we, in the current market, are able to realise the capital receipts that we need to provide that match funding. What we have done is earmark a number of capital assets that we know we are going to dispose of, or that we hope to dispose of, over the next couple of years specifically for that match. However, the issue is about what the market is like and whether we can realise those values.

[322] **Peter Black:** So, is this—*[Interruption.]*

[323] **Jocelyn Davies:** Sorry, Peter. There will be nothing exceptional about Bridgend—obviously, your evidence is about Bridgend—and other local authorities will be in the same position as you, generally. Do you think that that is the case?

[324] **Mr Hunt:** Very much so; yes. It is about relying on capital receipts, and our ability to save money from our revenue budgets from the education department, to fund the new and refurbished schools that we need.

[325] **Peter Black:** Does this settlement make it harder?

[326] **Ms Young:** I think that it is already hard. It is, more or less, as we have expected in those terms. The other point is that we have the modernisation programme on dealing with surplus places and building new schools. We have a significant backlog of maintenance on schools that are not necessarily in the twenty-first century schools programme. The impact of the budget on that certainly has an effect, because the pressure on revenue and capital to do the minor works that we need to do is not inconsiderable. The problem is that, when budgets are under pressure, this is one of those budgets where you think, 'Well, could we reduce that, because we can delay some of that work because we have pressures elsewhere?' However, that just creates a bigger problem down the road. Those are just some of the balancing decisions that we have to make around our revenue budget.

[327] **Peter Black:** So, in terms of your capital, the impact of this current settlement is roughly neutral in terms of what your plans were.

[328] **Ms Young:** Yes.

[329] **Peter Black:** The Welsh Government stated in last year's draft budget that it was exploring the potential for applying the local government borrowing initiative to other local authority assets. Are there areas where a similar system could be helpful in alleviating pressures? I think that we have roads and schools at the moment, do we not?

[330] **Mr Rae:** As an association, the WLGA has welcomed both of those borrowing initiatives, especially where they have quite an important impact over the long term. The highways initiative was about fundamentally addressing the highways infrastructure, so you were not spending lots of money filling up potholes every year. Obviously the twenty-first century schools initiative will start to address some of the surplus places issues. Potentially, there is a whole raft of areas where the same scheme can be applied. The problem will be that the Welsh Government will have to find the revenue stream that displaces the capital financing payment for councils. So, it will be more difficult going forward, I would have thought, for the Welsh Government.

[331] **Peter Black:** My last question is on innovative financing models. Are you planning to use any innovative way of financing capital next year or in the future, in terms of trying to deal with the impact of this budget?

[332] **Ms Young:** 'Innovative sources of finance' is an interesting phrase. Generally speaking, it is about finding revenue to fund capital when we talk about innovative methods. The key point is that, whichever way you do it, you have to pay for it. So, you are either paying for it from capital, which is under pressure, or you are paying for it from revenue, which is under pressure. We know what our priorities are. Every council will have a capital programme and a disposal programme. We have opportunities available to us through prudential borrowing and through schemes like the ones that we have talked about from the Welsh Government, such as the LGFI scheme. In Bridgend, we are doing a couple of things. We are investing in putting in place the infrastructure required to enable a retail site to be put in place. We are doing that work ourselves to encourage the supermarket sector to come and put a superstore on a site. We are bearing that risk, but we are getting the value of that investment back in the capital receipts that we will get. So, that is something that we have tried to do to facilitate regeneration in that particular area. In terms of schools, we have ring-fenced certain assets for generating the receipts that we need to match fund. We are trying to ensure that, where possible, we can develop the sites that we have. We have a significant number of sites within the county borough, so we are looking at all of those and not just saying, 'What can we dispose of?' We are also looking at what we can develop and the capital receipts that we can generate that way. However, it is difficult. Either way, we have to finance capital through revenue or capital, which is difficult.

[333] **Mr Rae:** I wish to draw on previous evidence that we have given to the committee. You had an inquiry, did you not, on borrowing and innovative approaches to capital financing? Regarding some of the things that we presented last time about the use of local asset-backed vehicles, securitisation, working more with organisations across public and private sectors, and European funding, we are hearing about more examples of the use of those types of approaches. The one that often gets quoted is tax increment financing, which sounds very whizzy and—

[334] **Jocelyn Davies:** It does here.

[335] **Mr Rae:** Yes. It requires us to work with the Welsh Government. In Scotland and England, it has usually been applied to business rates. We need to look at our business rates system and at the risks of having some form of retention around business rates. As Ness said, it is all very well being innovative, but you always need the income to pay it off.

10:45

[336] **Jocelyn Davies:** If you did prudential borrowing, you would require your full council, I suppose, to ratify and make any agreement. With any of these other new things that are around, would you also have to go through that process, because I guess that you would be committing the local authority way past the next election, perhaps the election after that? Sometimes, these are over very long periods of time.

[337] **Ms Young:** As part of the budget-setting process, we have to present our treasury management strategy as well as our budget, and as part of that we set out what we are seeking to do around prudential borrowing in subsequent years. We have to comply with various indicators and thresholds. That is aligned to our capital programme and so we will set out our plans over a number of years in that statement. However, if we want to change that in the course of the year we have to go back to council and get full council approval.

[338] I just wanted to pick up on another point. We have entered into a 15-year contract with a social enterprise in Bridgend in respect of our leisure facilities. As part of that, the social enterprise is putting significant investment into our facilities. So, that is another way that we have brought forward capital and the cost of that is built into the management fee that we pay to the social enterprise each year for the provision of the facilities.

[339] **Jocelyn Davies:** I see. Ann, shall we come to your questions?

[340] **Ann Jones:** Yes, thanks. My questions, I suppose, are around the Government's priorities and the way in which it wants to see those in the settlement. What impact does the protection of school funding have on other local government services and have you any hard evidence of this?

[341] **Mr Hunt:** I am very much in favour of protecting schools budgets. It is one of our key priorities. However, in terms of the impact that it has, if you take the £170 million revenue budget, you will see that, between schools and social care, it is about a £100 million. So, social care protects itself almost automatically because of the demand pressures on it. No council that wants to protect the vulnerable in its communities is going to be able to really look there for savings. You are, therefore, looking to achieve savings from a much smaller budget block than seems apparent at first. If you take the £100 million in our case from education and social care, you will see that about £20 million will be for fixed costs that are very hard to adjust; you are then left with quite a small pool from which to make savings.

[342] A figure of savings that might look to a member of the public to be quite achievable—let us say 4%—becomes a much larger percentage figure on the accessible area for savings. That accessible area for savings includes things such as roads and refuse collection that people value in society, especially, perhaps, people who do not have children—so education does not hit them in the first instance—and people who do not have people involved in the social care system. So, a 4% reduction can easily multiply into needing to take 12% out of some areas that are not very easy to get savings from, if you take into account your statutory duties. The idea of schools protection is much more difficult when the settlement is reducing. When it is increasing, you are effectively directing where the extra money goes. When the block as a whole is reducing and you are asking for areas to be protected, then it has a more drastic impact. I can understand why governments want to protect that money. I understand it completely. I would hope that our council, from a point of view of looking at its priorities, would go in that direction anyway. However, the effect that it has should not be understated.

[343] **Ann Jones:** Okay. Why do councils find it difficult to get experience in gaining efficiencies in protected budgets, which could then stay within that protected budget? There seems to be reluctance on the part of councillors now to say that they should look for

efficiency within the protected budgets, but any efficiency that you make you could put back into that protected schools budget. There has to be a right way, has there not? Why do they not do it? Why do they choose not to do it?

[344] **Mr Hunt:** This year we have been looking at efficiencies that we can recirculate within education and social care. That is something that we have tried to look at this year, recognising that we want to protect the quantum of money that gets spent on those services, yet spend it better. Maybe it is an impact of protection that service areas do not feel that they need to contribute to the corporate whole. I have not seen much evidence of that this year. Our social care department and education department have both looked at what they can do to make savings and spend their money better, while being protected overall.

[345] **Christine Chapman:** Simon, do you want to come in briefly on this?

[346] **Simon Thomas:** On this specific point, you have described this as protecting, but in fact it is not protecting but enhancing. You are giving an additional 1% to the schools budget on top of a cut. In previous times, it was 1% on a plus, but it is different now. So, it is not just enhancing, it is also protecting. To explore what you finished on there, is there a perverse incentive not to seek efficiencies within the school sector because schools are relatively better off than social care or culture and library services or whatever? How do local authorities deliver on this Welsh Government commitment? It is a Government commitment not a local authority commitment, but you have agreed to deliver on it, as I understand it. How do you deliver on that, while ensuring that its delivery does not penalise other services?

[347] **Ms Young:** One of the issues is that the protection or enhancement is around the individual schools budget. That is a delegated budget. It is delegated to individual schools. So, the extent to which they identify and drive out efficiency savings is within their control. It is much less within the council's direct control because of the way in which school budgets are delegated. Social services budgets and the rest of the education budget held centrally by the local authority are expected to deliver savings proposals in the same way as every other department. For schools, it is within the control of headteachers and governing bodies the extent to which they make the most of the resources available to them.

[348] The difficulty that protection creates, to be honest, is that there are perhaps decisions and policies in place in councils that were taken in the good times, which means that there may be elements of provision that are above the statutory minimum. It is then difficult. We are looking at all of our services and asking, 'Should we be looking to go back to the statutory minimum to make a saving?' For the schools budgets, there is no way to do that within the protection. It would be very difficult to say, for example, 'We could go back to the statutory minimum on early years' provision. That would be favourable for Bridgend'. How would we take that saving out to contribute to the budget shortfall that we have? That will be the same, maybe not on that policy, for similar issues in other councils.

[349] **Simon Thomas:** To follow up, and this may lead on to Ann's point, there is another way to apportion, accepting your point about getting up to 85% delegated funding for schools. It is to put the pressure on the system to improve outcomes. There are other ways of addressing the efficiency part. You still have a role in doing that. That probably leads into Ann's question.

[350] **Jocelyn Davies:** We did notice that that was not a question. Ann, we come back to you.

[351] **Mike Hedges:** He has caught my disease.

[352] **Jocelyn Davies:** Yes. I will have to crack down on this immediately.

[353] **Ann Jones:** There is a big issue about hypothecation. Is there a value to hypothecating funds to councils?

[354] **Mr Rae:** That is a perennial question. We have a long-standing position, as Ann knows, on specific grants.

[355] **Ann Jones:** [*Inaudible.*] [*Laughter.*]

[356] **Mr Rae:** I have two quick points on specific grants. It is difficult to estimate how much they cost to administer. Your colleagues on the Public Accounts Committee estimate somewhere between 5% and 10% of the overall amount, which could approximately be something in the order of between £40 million and £80 million, which is a staggering amount of money.

[357] **Jocelyn Davies:** This is what it costs to apply and administer—

[358] **Mr Rae:** This must be the overall, whole-system cost to the Welsh Government, which has to administer thousands of grant funding schemes, not just the 50 or so schemes that come to local government. Then, local government has to monitor these things. Most of these grants are about trying to manage the input, to be perfectly honest. As was just mentioned there, to be more efficient we have to be better at improving outcomes. So, what we are saying on the specific grants is essentially to follow the lead of Scotland and England, where hypothecated funding is now an anachronism. We are saying, ‘Put all the money in the settlement, tell us what the outcomes are and we will deliver them for you.’ That seems to be the most efficient way of making sure that we can recycle the administrative burden.

[359] **Jocelyn Davies:** Can I just interrupt you? I know that this is something that you raise at every opportunity you have. Ann will explain why and what the other argument is. Do you think, perhaps, in a country where there has been a lack of legislative powers, that the Government then uses conditions of grant as a way of laying those conditions down when there has been an absence of other policy levers to do it? That could be a possibility, could it not?

[360] **Mr Rae:** Yes, it is certainly one explanation.

[361] **Jocelyn Davies:** You mention that you like the way that the English local authorities are dealt with in this case, but this is probably the only aspect of the way that English local authorities are dealt with that you favour, bearing in mind the introductory comments made by Councillor Hunt. So, you want the best of both worlds. You want to be treated in the Welsh context in terms of some things and in the English context in terms of others. You do not have to comment, that was just me being a bit—

[362] **Simon Thomas:** That was another non-question.

[363] **Jocelyn Davies:** I am the Chair; I am allowed to do that.

[364] **Mr Rae:** The second aspect of this is that the whole specific grant regime makes it very difficult for councils to plan effectively. What tends to happen is that, around the time of the final settlement announcement in December, the Welsh Government has a better idea of what all the specific pots are going to look like, but it will not know anything about the allocation of those and the conditions that come with the money, possibly right up to and, in some cases, after the commencement of the financial year. So, planning becomes very difficult.

[365] **Ann Jones:** Can we come to outcome agreements? In last year's draft budget, the Minister for Local Government and Communities said that he was looking to strengthen the outcome agreement in a way that we would be able to see whether it was working. How successful have the outcome agreements been in driving the performance in line with the programme for government? Has that seen a reduction in administrative burdens?

[366] **Mr Rae:** As an association, we are quite keen on the outcome agreement approach. There is no reason why you could not take the same approach with a number of specific grants. I am unsure how much it has saved specifically. I know that the majority of authorities meet the conditions of the grant. As part of the whole public service reform agenda, delivering on the outcomes rather than monitoring inputs and activity is a more sensible way forward.

[367] **Ms Young:** The first point I would make about outcome agreements is that they are linked to a specific grant. There is an irony there, I think. The other issue about grants is that it is not just the administrative burden. We are getting more and more terms and conditions attached to these grants. The Families First programme is a good example of that, where it is almost becoming like the requirements that are imposed on European grants. That makes the administration cost all the more difficult and expensive, but the—

11:00

[368] **Jocelyn Davies:** Can you give us an example of this? So, it is not just a policy attachment to it, but bureaucracy attached to it as well.

[369] **Ms Young:** Yes, in terms of what information has to be provided in order to draw down the funding, how often, and in what detail the level of in-year performance information is provided. We end up creating a whole system to satisfy those requirements, which I struggle to see the value of when we have our own internal audit processes and we have an external audit of our accounts at the end of the financial year. So, it seems overly onerous and bureaucratic, especially given that our priority and what we are trying to achieve is shared. It is one of our corporate priorities to support families, so that they can tackle problems early.

[370] **Jocelyn Davies:** So, this is not a Welsh Government Minister trying to make you do something that you do not want to do—

[371] **Ms Young:** No.

[372] **Jocelyn Davies:** Okay. Shall we go back to—

[373] **Ann Jones:** May I raise one last point? I will be careful how I say this. If you were to have your wish granted—all your Christmases came at once—and you got your revenue support grant without any condition attached to it, how can we be sure—both as taxpayers and as a Government, or as Assembly Members who direct the Government which way the budget should go—that you would deliver on the desired objectives of the political mandate? This may not be a question for you; you are an official, are you, you are not—

[374] **Ms Young:** No, I am not.

[375] **Ann Jones:** I think that the question is more about how you will deliver if there is no condition attached.

[376] **Jocelyn Davies:** Councillor Hunt, this one is for you.

[377] **Mr Hunt:** That is political accountability, at the end of the day. If we have that type

of adult relationship where you state clearly what your expectations are with regard to outcomes and we do not deliver them, we should be scrutinised on that.

[378] **Ann Jones:** That is fine, but, in the meantime, there have been some horrific examples of councils that have not spent even to a limit that was suggested in a certain area. We have generation upon generation in society that we have to pick up the pieces around. This is all around the preventative spend. It is all right to say that it is political accountability at the ballot box, but what happens to that group of people who have been severely let down by that council?

[379] **Mr Hunt:** I would suggest that they should be brought before you and asked to account for their lack of performance. I cannot deny that, in some areas in the past, there have been those examples. In education, for example, we have talked about twenty-first century schools and capital, and one of my jobs over the last year and a bit that I have been in this post has been to fight off with a stick anyone who wants to divert money away from twenty-first century schools because I believe that should be a priority. It is about having that grown-up approach both from us and from you.

[380] **Jocelyn Davies:** So, you would be comfortable with the concept of being accountable to the National Assembly for Wales for the delivery of Welsh Government policy.

[381] **Mr Hunt:** Yes.

[382] **Jocelyn Davies:** Okay. That is fine.

[383] **Ann Jones:** That is what I wanted. Thank you.

[384] **Jocelyn Davies:** We ought to finish there, really.

[385] **Ann Jones:** Yes, we should—on a high. [*Laughter.*]

[386] **Jocelyn Davies:** Mike, I know that you had some questions.

[387] **Mike Hedges:** I know that the answer to the first question will probably be ‘yes’ or ‘no’. If you put what Ann has just said into the revenue support grant, there will be winners and losers, will there not? It is inevitable as the formula comes through.

[388] **Mr Rae:** Absolutely, yes.

[389] **Mike Hedges:** I just wanted to clarify that. Local authorities have the ability to raise money: they can raise council tax, they can increase charges, they can use surplus capacity for trading—it is an ability that you have—and they can pay down debt. What thought have you given to any of those four areas?

[390] **Mr Hunt:** Do you want me to deal with this one? Our ability to raise money through council tax is limited—it is just over 12% of our income in Torfaen. So, obviously, there is that gearing effect.

[391] **Mike Hedges:** That is your net effect, net income—

[392] **Mr Hunt:** Yes. On charges, in the same way, that balance is not there between what charges are reasonable and how we can use them in the right way to gain income. Capacity—

[393] **Mike Hedges:** Surplus capacity.

[394] **Mr Hunt:** We are looking, for example, at our data service, which we share with the police and with Monmouthshire County Council. That is a way in which we have tried to reduce our IT and data costs. We have got spare capacity there and we are looking to see whether other public bodies or private organisations can buy into that. So, that is another way for us to raise some income without having to lean back on the old ways of doing so.

[395] **Mike Hedges:** I would like to mention—

[396] **Jocelyn Davies:** [*Inaudible.*]—one or two more examples from Mr Rae.

[397] **Mr Rae:** Just to add to what Councillor Hunt has said on the issue of council tax income and charges, on council tax income, with the new council tax reduction scheme, local authorities now have to essentially swallow their own smoke on any council tax increases, so there is a brake on the ability to raise additional income from council tax. About a quarter to a third of the increase will have to go on funding the council tax reduction scheme.

[398] Secondly, on new charges, there has been quite a lot of work over the years on fees and charges. I think that some research was commissioned from Deloitte in 2011 to look at what local authorities could do additionally to raise income from that area. Sometimes, the charges are quite heavily regulated by the Welsh Government and, of course, the first steps improvement package is an example of that, where the cost is limited and creates a burden.

[399] **Mr Hunt:** If I may just come back with an illustration to show what Jon just raised, it used to be that we could depend on a percentage point council tax increase raising about £300,000 in Torfaen, but it is now nearer £200,000 because of the impact of the council tax reduction scheme. So, if you compare that figure with the savings that we need to make, you realise that it is very small.

[400] **Jocelyn Davies:** Back to you, Mike.

[401] **Mike Hedges:** On reducing debt, you can either have debt swap or you can pay debt down, which generates more for revenue. When I talk about surplus capacity, local authorities are able to trade, but they can only trade using surplus capacity—they cannot trade as the major part of it. The selling off of plants by gardening centres within a council is an example of that. What thought has been given to those possibilities?

[402] **Ms Young:** I can talk only for what has happened within Bridgend, but we have looked at all of those opportunities. So, in terms of our proposals to meet our budget gap, one of the things that we are doing is looking at our debt profile. We have also done a review of all of our fees and charges and have identified areas where we can consider introducing charges for the first time, and we have done that this year in terms of garden waste, for example. We have also looked at the scope for increasing the charges that we have set. However, we need to be careful to balance that against people's ability and willingness to pay, because what you can do if you increase a charge too much is that you reduce the demand and end up with less income. So, it is a balancing act in looking at all of those.

[403] **Jocelyn Davies:** [*Inaudible.*]—thank you, Simon, shall we come on to your questions on preventative spend?

[404] **Simon Thomas:** Yes.

[405] Byddwn yn licio gofyn yn Gymraeg, I would like to ask my questions in Welsh, if os caf i. Mae'r dystiolaeth rydych wedi ei I may. The evidence that you have given to chyflwyno i'r pwyllgor yn ei gwneud yn glir the committee makes it clear that you are of eich bod o'r farn bod gwariant ataliol yn aml the opinion that preventative spend very often

iawn yn dibynnu ar fuddsoddiad sylweddol yn y lle cyntaf. Byddwn yn licio gofyn i chi esbonio tipyn bach mwy ynglŷn â'r ffordd rydych yn gweld hynny yn gweithio ac os oes gennych unrhyw enghreifftiau o le yr ydych wedi gweld buddsoddiad yn arwain at wariant ataliol a wnaeth arwain, yn y pen draw, at effeithlonrwydd neu arbed arian.

depends on substantial upfront investment. I would like to ask you to explain a little more about how you see that working and whether you have any examples of where you have seen investment leading to preventative spend, ultimately leading to efficiencies or savings.

[406] **Ms Young:** I think that in the evidence there were a few examples from Bridgend, so I will just go into a bit of detail on a couple of those. We have, with Abertawe Bro Morgannwg University Local Health Board, invested in a residential reablement facility, and the result of that has been that, over the first year, we have done an initial evaluation and we can see that we have made cost-avoidance rather than cash-cost savings that arise from people being able to—

[407] **Simon Thomas:** I think that the third sector gave us similar evidence.

[408] **Ms Young:** Yes, it is about people being discharged from hospital earlier than they otherwise would have been, and there is an assumption built into the evaluation that we have also managed to reduce the incidence of readmission—going back into hospital again. That has been a really good example of us working together with our local health board to improve outcomes and contain cost. The issue for the council is, I guess, that it reduces the costs for the LHB, but it does not necessarily reduce our costs. Another example is that we have invested in telecare, so we have something like 1,300 people within the borough who are using telecare. We have again done an initial evaluation and, just taking a sample of those, we have assessed the impact that has had on the reduction in accident and emergency admissions—so, the impact that that has had on the Welsh Ambulance Services NHS Trust in terms of reducing call-outs, but also in reducing the number of A&E admissions. Again, there are have been good results, which are great for individuals because it means that they are able to manage their conditions more effectively at home with early support, but the saving or the cost-avoidance is for someone other than the council. I am sure that other councils are in the same position. We are really committed to delivering on the preventative agenda because we can see the benefits, but it is really difficult when you are trying to also deal with the people who are currently needing acute services or more intensive support from a local authority as well as investing in the preventative agenda. The settlement that we have had will make that increasingly difficult.

[409] **Simon Thomas:** Thank you for those examples, but are there also examples of where you, as an association now, would like to feed into Welsh Government about how that could be reflected in budget setting? You made the point that other budgets have saved money, potentially, and they are not local government budgets. We have got, for example, in this draft budget, an intermediate care fund, which is looking to—. I think it is in the local government main expenditure group, but I think it is supposed to be available across health and local government. Are you in discussions at all with the Welsh Government about how future budgets might reflect this better, so that it is clearer how preventative spend can be supported?

[410] **Mr Rae:** Not really, although I think the prevention agenda is a strand of the Minister's public service leadership group work. I have forgotten the name of it for the moment; I think it used to be called 'new models of service delivery'. We are waiting to see the detail, I think, on how the new intermediate care fund will operate. You are exactly right that that fund sits in the local government MEG, with £35 million for revenue and £15 million for capital, and there will be natural links between that and the regional collaboration fund, which was top-sliced from the RSG settlement last year. For the intermediate care fund to

operate effectively, it cannot just be for one year. This is one of the problems with the current finance and funding framework, where everyone is obsessed with annual budget setting, as the types of benefits that Ness alluded to earlier may be years in the future.

[411] **Jocelyn Davies:** There is another reason why it is one year—because it was part of the political discussions here, so it is not to do with—. I am sure that the Government here would much prefer to have it over many more years.

[412] **Mr Rae:** Absolutely, but it does highlight the need to think long term about these things. A recently published report by the Institute for Fiscal Studies for Wales Public Services 2025 basically tells us that we are in financial straits for the next 12 years; the demand pressures are not going to go away, and we need to be thinking over that planning horizon, precisely on these issues of prevention and demand management, if we are in any way going to be able to tackle the pressures of the future.

[413] **Simon Thomas:** Os gaf i ofyn am **Simon Thomas:** If I may ask about that—
hwnna—

[414] **Jocelyn Davies:** Yes, and then we will come on to Paul.

11:15

[415] **Simon Thomas:** Yn dilyn y pwynt hwnnw, a oes modd ymhelaethu tipyn ar sut y byddwch yn defnyddio'r dulliau hyn i reoli'r galw, fel yr ydych newydd ei grybwyll, a hefyd effeithio ar ymddygiad pobl? Rydych yn sôn ei bod yn anodd gosod lefel taliadau achos y gallai hynny newid y ffordd y mae pobl yn bihafio a byddwch yn ennill llai o incwm, ond mae ffordd hefyd o effeithio ar sut y mae pobl yn bihafio drwy newid y gwasanaethau a'r pwysau sydd arnynt—rwy'n meddwl yn awr am y 5c am fag plastig—*nudging* pobl tuag at ryw fath o ymddygiad. A ydych yn edrych ar ddulliau fel hynny yn llywodraeth leol?

Simon Thomas: Following on from that, would it be possible for you to expand a little on how you could use these methods to manage demand, as you have just mentioned, and also to affect people's behaviour? You mention that it is difficult to set payment levels because that will change the way that people behave and you might get less income, but there is also a way of affecting the way people behave by changing services and the pressures on them—I am just thinking of the example of 5p for a plastic bag—to nudge people towards certain types of behaviour. Are you looking at those kinds of methods in local government?

[416] **Ms Young:** The answer is that, yes, we are. We have talked about health and social care and the intermediate care, and that is about building services that encourage people to help themselves. So, we give them the support they need, but there may have been a tendency in the past to give even more than the individual perhaps needed. It is about encouraging people to really maintain that level of independence.

[417] I just want to pick up on the other significant preventative programme in Bridgend, Connecting Families. That has been in place since 2011, and it is about targeting the most complex families in the borough. It is about intervening early and trying to keep the family together, and that has realised, the evaluation shows, over £1 million of cost avoidance, not just to the council, but also to health, to the benefits agency, to the police—all of those—by really getting in and identifying what the problems for those families are and trying to tackle them; it might be a housing issue or it might be an education issue. That has had a really good effect, but it is partly grant-funded, and the ESF element is coming to an end. So, we are looking at an invest-to-save case that is about asking whether we can have sufficient confidence that it will reduce demand in the future for us to invest in it now, and that work is going on at the moment.

[418] **Jocelyn Davies:** Paul, we shall come to your questions, and then, Julie, we will finish with yours.

[419] **Paul Davies:** In your paper, you mention that there is no strategic approach across Wales with regard to preventative-spend policies. I take it from that comment that you feel that the Welsh Government is not providing leadership on this issue. You also state in your evidence that there are barriers to such preventative policies at a local level and that some policies would be better implemented at a national level—you have provided some examples of Welsh Government policies that have a common preventative theme. How, in your view, can other partners, such as the voluntary sector and, indeed, the Welsh Government, help in overcoming some of these barriers?

[420] **Mr Rae:** I think that some of these barriers could be crossed at a local level. Working with the third sector or with any other partner, I guess, especially on the demand management agenda, is best achieved through co-production, and I think that there are good examples of councils working side-by-side with the third sector.

[421] Going back to—

[422] **Paul Davies:** Can you provide us with some of those examples?

[423] **Mr Rae:** I can certainly try to get you some; I do not have them to hand. We have regular meetings with the WCVA, and one of the areas that we are really trying to explore at the minute is whether we can pull some case studies together to show where this kind of working has a positive impact, and there is a lot going on, for example, on the welfare reform agenda, at the minute.

[424] It does need a coherent national approach. There is some good stuff going on there nationally, and, you are right, we have listed that in our paper, but it does not seem to have the coherent strategic overview that the Scottish Government takes to the preventative agenda, and it now recognises that that is part and parcel of its budget-setting processes. Going back to this idea of influencing behaviour, there is, sometimes, no greater incentive than the financial, and the Scottish Government is trying to move more money into the preventative area. It is identifying in each of its budget lines how much it contributes to the prevention agenda. That would need an analysis of local government budget lines as well, because a lot of what local government does is to do with the so-called discretionary services that, over the past couple of days, you would think were going to be annihilated, but they are part and parcel of the prevention agenda. I am just thinking about sports and leisure and the impact on health.

[425] **Paul Davies:** What are you doing specifically as an association to encourage preventative spend policies across the board?

[426] **Mr Rae:** This is a good practice thing, I think. We often hear that good practice is a bad traveller. Sometimes it does not get badged as ‘prevention’, perhaps; it may be termed new models of service delivery or something else, but, as an association, we are holding seminars—we have either just done them, or they are coming up—around cultural services and leisure services to spread best practice in different models of service delivery, such as the one that Torfaen County Borough Council has just introduced for its leisure services, or Bridgend, which has taken a slightly different approach. However, it is about pulling together professionals and practitioners in good practice events and these then get reported back to the WLGA’s political leadership through our council co-ordinating committee.

[427] **Mr Hunt:** Nothing breaks down the understandable cautious reluctance of officials to

change service delivery models more than a solid case of good practice. Jon mentioned the leisure trust that we have set up, and there is stuff around the Gwent Frailty project, which has worked well across Gwent and will, hopefully, start to deliver examples of best practice. That perhaps breaks down the reluctance to go ahead with changing things, which might seem risky or a departure from the established practice.

[428] **Julie Morgan:** I have two areas that I want to cover. The first is new legislation from the Welsh Government. Last year, the WLGA expressed great concern about the possibility of legislation and the impact that it would have on local authorities. What are your comments on that, and do you think the future legislation that you know about will be adequately covered by the Welsh Government?

[429] **Mr Hunt:** Concerns were raised around the Social Services and Well-being (Wales) Bill, but it is a consequence of the pressures that we are under financially, as you are, too. Things that are objectives that we share need to be funded, because there is no pool of money that we can dip into when there are costs—either intentional or unintentional—that come with them. We really need to work together to make sure that there is money there for it, otherwise good intentions go by the wayside.

[430] **Mr Rae:** There have been some good examples of where the Welsh Government has worked very closely with local government to assess the likely financial impact of certain Bills. One area is around the housing Bill. However, our experience of regulatory impact assessments, for example, is that the quality is variable. I do not look too often to the Department for Communities and Local Government as an exemplar of best practice, but it has what is, I think, called a new burdens doctrine guidance, whereby there is a solid process around assessing the financial implications of legislation and, essentially, making other departments fund any new burden. So, to answer your question directly, we are still concerned about the number of Bills that are on the Welsh Government's books and the variable quality of the RIAs. The Social Services and Well-being (Wales) Bill, for example, is a very complex Bill and, as we found out, it is not particularly easy to cost out. We commissioned work from the Institute of Public Care at Oxford Brookes University, and it said that there were certainly short-term financial implications. Okay, overall, over a very long period, there might be some cost neutrality, but there needs to be investment in some of these areas before you get the benefits, and, obviously, the investment is required now and we are going headlong into unprecedented reductions in local government funding, so that makes it all the more difficult.

[431] **Julie Morgan:** What about secondary legislation? Obviously, it is difficult to cost that, as well, is it not? I do not know whether you have any concerns there.

[432] **Mr Rae:** I think so, but, regardless of whether it is secondary or primary legislation, there should be some assessment of the financial impact. I suppose, taking the Social Services and Well-being (Wales) Bill as an example, there is a difficulty around costing out the primary legislation, because, of course, there will be guidance, or secondary legislation, flowing from it and that is maybe a better point at which to actually make that assessment. Oxford Brookes University pointed that out to us. I think that there should be a robust process around both, and the type of approach that the Department for Communities and Local Government takes to its new burdens doctrine is probably a good example for UK Government and devolved Governments as well.

[433] **Julie Morgan:** So, basically, would you say that most local authorities were concerned about the financial implications of the Social Services and Well-being (Wales) Bill?

[434] **Ms Young:** I would say that, yes.

[435] **Julie Morgan:** Thank you. I will move on to the last question, which is the issue of welfare reform and whether you have been able to assess how much that will affect your budgets and spending, and what impact it will have on you in the next financial year.

[436] **Mr Hunt:** Do you want me to pick up on this? We have done a lot of work with local housing associations and other partners to look at some of the impacts of the benefit reforms. I would say that we are greatly concerned both about the economic impact on our communities and about the social impact on individuals. Many of the measures—the bedroom tax first and foremost—might save the Department for Work and Pensions money, but the knock-on costs for local authorities and other public services are going to be very substantial and hard to quantify. There is a figure for how many thousands of pounds each homelessness presentation costs and that is not even including the human story of that. That is something that we are very concerned about and we have been working with Bron Afon Community Housing Ltd and other registered social landlords to try to see how we can work together to tackle that.

[437] **Ms Young:** In Bridgend, we have 1,500 people affected by the bedroom cap. The difficulty is that we do not have our own housing stock, but, of the housing stock that is available, there are not enough small properties to deal with the individuals.

[438] **Mr Hunt:** For example, in Blaenavon, in one town in Torfaen, it will take 17 years to rehouse the people into one and two-bedroomed flats who need to go into them. Perversely, it incentivises people to move into more expensive private rented properties, which will result in the cost of the benefits going up.

11:30

[439] **Ms Young:** One of the knock-on impacts that we have seen is a 350% increase in our discretionary housing payments; we can top up the amount that an individual receives, based on their personal circumstances. That is an immediate impact that we have seen. We have not yet seen an increase in homelessness, but it is early days yet. However, we are concerned that that is something that may come. There is also uncertainty about what will happen to the council tax reduction scheme in future years. That will potentially add to the complexity. We are working with the voluntary sector and with housing associations to try to mitigate the impact. We work very closely with our citizens advice bureaux, and their statistics are showing a huge increase in the number of people that are coming through the door in need. We have also seen an increase in the use of food banks and pay-day loans. It is a complex picture, but we are still not seeing the full impact as yet. I think that we are going to see worse to come.

[440] **Mr Hunt:** The picture that Ness paints, particularly about housing payments in Bridgend, is replicated in Torfaen. Indeed, the Bill allowed us to increase the amount that we set aside for housing payments, but it is still just a drop in the ocean as compared with the increased demand. We also took the decision to increase the money that we gave to advice services in Torfaen because of the 112% increase in demand that one of the services has faced since this time last year.

[441] **Jocelyn Davies:** So, is the WLGA going to commission any work on quantifying the impact across Wales?

[442] **Mr Rae:** That is a good question.

[443] **Jocelyn Davies:** If you do think of something, we would be very interested to have—

[444] **Mr Rae:** It is a question that members raised; they may have raised it in the June or July WLGA council. We committed to working with the local government data unit to see what data were available from established sources, and whether or not we could collect the type of information that you just heard there, for example, on discretionary housing payments. The data unit was going to go live with some kind of tool around the autumn. I think that we have to report back to the WLGA council/co-ordinating committee within the next couple of months. Once we have something, we will happily share that with you; otherwise, we rely on the kind of national research that the Welsh Government has done. It is good research, for example, that the academic sector provides. Sheffield Hallam University, for example, has shown that the impact on Wales means that £1 billion is flowing out of the Welsh economy.

[445] **Jocelyn Davies:** We have now run out of questions. Thank you very much; we have enjoyed having you with us this morning. There is no doubt that we will be calling you again in future years. We will send you a transcript of the meeting so that you can check it for factual accuracy. Thank you.

11:34

**Craffu ar Gyllideb Ddrafft Llywodraeth Cymru ar gyfer 2014-15—Tystiolaeth
gan Fyrddau Iechyd Lleol
Scrutiny of the Welsh Government Draft Budget 2014-15—Evidence from Local
Health Boards**

[446] **Jocelyn Davies:** We are now taking evidence from local health boards in relation to the Welsh Government draft budget. Would you like to introduce yourselves for the record, and then I will go straight to the first question?

[447] **Mr Cairns:** Good morning, everyone. Thank you very much indeed for inviting us here today. My name is Adam Cairns and I am chief executive at Cardiff and Vale University Local Health Board. My colleague on my left is Geoff Lang.

[448] **Mr Lang:** Good morning. I am the acting chief executive at Betsi Cadwaladr University Local Health Board.

[449] **Jocelyn Davies:** Were you really very grateful for an invitation to come to see us, or are you just very polite?

[450] **Mr Cairns:** We are, actually, because, to be honest, there is an awful lot of challenge in all public services. We genuinely welcome the chance to have a conversation about what those challenges are and about how we are tackling them.

[451] **Jocelyn Davies:** It is very helpful for us, in terms of our scrutiny of the Welsh Government draft budget, for you to give your evidence to us. Before we turn to the budget for 2014-15, perhaps we could consider for a moment the current financial year. Both your boards are reporting significant year-to-date deficits in 2013-14. Do you see any need for brokerage, other arrangements or additional funding? Have you had any discussions with the Welsh Government about that?

[452] **Mr Cairns:** I will kick off. Our position is that, during the course of last year, we made a significant attempt to get underneath our true underlying financial position, which we have done. We did have some external help to do that and, as part of that work, we have constructed a very clear, unambiguous three-year programme. That programme requires us, in this year, to deliver £56 million of recurring savings, leaving us with our underlying position of £32.5 million currently not provided for in our plan this year, but actually dealt with over

the next two. So, our plan is a very clear and robust plan and, although there is a little bit of challenge to us in the current year, we are confident that we will get to where we need to get to this year.

[453] **Jocelyn Davies:** Okay. So, can you explain how that deficit arose? I notice in your paper that it is an agreed deficit. What does that mean?

[454] **Mr Cairns:** So, in terms of the approach that we took last year, I arrived in Cardiff in July and it was clear to me at that time that we did not have, in my opinion—and this is borne out by the WAO report—a sufficiently clear view on our underlying position and that we did not have a plan to cover all of that underlying challenge. So, the work that we undertook was to get to the bottom of that and to then develop proposals that would hold water, that had credibility, and that were difficult and challenging, but realistic and credible. We submitted those plans to the Welsh Government across the back end of last year and we have set our plan this year on the basis that that is our agreed plan.

[455] **Jocelyn Davies:** Okay. So, the agreed deficit means that you have agreed that with the Welsh Government and it knows what your position is.

[456] **Mr Cairns:** It knows what our position is, yes.

[457] **Jocelyn Davies:** You have taken a different approach and these problems were underlying problems that are probably deep-seated.

[458] **Mr Cairns:** One of the things I would say as a reflection is that, in terms of the movement away from single-year accounting to a three-year accounting process, the most important benefit in my opinion of moving in that direction is not the flexibility but the fact that it is going to enable every health board to be much clearer about its true underlying financial position. An in-year, year-on-year financial break-even duty tends to create circumstances where boards will throw everything at their position recurrently or non-recurrently—balance sheets and everything else—and that tends to obscure what the true underlying position is. So, from my perspective, it is much better to be absolutely clear about where you are, what you have to do over a period of time, set a realistic plan and then make sure you do it.

[459] **Jocelyn Davies:** Thank you very much.

[460] **Mr Lang:** In terms of our latest reported position, at month six, halfway through the year, we were forecasting a £29 million deficit. In amongst that, we have savings programmes of approximately £37 million that we are seeking to deliver this year, with just short of £18 million delivered to date. So, we are delivering well on the plans that we have. We have been quite clear all year that to hit a balance in-year, with the allocation we had at the start of the year, would be very challenging for us, and we have been forecasting from the start of the year that that would be a problem. Contextually it is important—we looked at this very carefully, and our resource allocation this year is less than what we had last year because we had non-recurring moneys last year of some £17 million. So, we opened up the year not on flat cash but negative, and we have been consistently working to close that gap.

[461] In terms of looking forward to the year end, the draft budget indicates that there are resources potentially in this year as well as moving into next year, and that will be extremely welcome. We do not yet know how that will pan out across health boards and what the impact of that will be. We are working very hard—we currently have support working with us a health board—to look at further opportunities for savings this year to try to drive that £29 million down. We are not sitting on that and saying, ‘That’s as good as we can do.’ We are working very hard to reduce that and we will need to assess, in the light of any allocation that

we now get for the balance of 2013-14, whether that puts us in a position where we can categorically say, 'Yes, we're confident that we will deliver a balanced position.' Until we see that, it is very difficult to say that we are confident that we will deliver a balanced position, but we are working extremely hard to reduce that £29 million.

[462] **Jocelyn Davies:** Thank you for being so candid in your responses. Simon, shall we go on to your questions?

[463] **Simon Thomas:** I am going to ask my questions in Welsh.

[464] Rydych newydd amlinellu ychydig o'r ansicrwydd ynglŷn â'r gyllideb eleni, ond o edrych ymlaen at y gyllideb ddrafft ar gyfer y flwyddyn nesaf, a'r dyfarniadau dangosiadol sydd ynddi, sut mae hynny'n cymharu â'r hyn yr oeddech yn ei ddisgwyl y llynedd, fel petai? A oes modd i chi, neu a oes yn rhaid i chi, newid eich cynllunio ariannol yn sgîl y gyllideb ddrafft sydd newydd gael ei chyhoeddi? Mae'r cwestiwn hwnnw i'r ddau ohonoch chi. You have just outlined some of the uncertainty in terms of this year's budget, but looking forward to the draft budget for next year, and the indicative allocations there, how does that compare to what you expected last year, as it were? Would it now be possible to change, or do you have to change, your financial planning in the light of the draft budget that has just been published? That question is for both of you.

[465] **Mr Cairns:** I will start. First of all, it is good news and very welcome news. As Geoff says, we do not yet have all of the details, so we do not know how that is going to impact on individual health boards. From our perspective, we had already set a plan that, as you can see from our submission, delivers a surplus in each of the next two years. What it will mean for us is that the pace of progress can be accelerated. I am not expecting it to enable us completely to clear our underlying position out this year; I would be surprised if it did that. However, it will allow us to accelerate the pace of the repayment, if you like, of that first-year deficit. That is what we would say.

[466] **Mr Lang:** In terms of our position, I think that one of the issues in the evidence that we submitted to the committee was our forward look into next year, which, you will have noticed, had an element about an underlying deficit, as Adam said. A hugely important and positive point about the draft budget, as presented, is that the allocation that potentially comes this year is recurrent, and we are allowed to plan on that. For the last couple of years, we have had additional resource, but it has always been non-recurrent. What you end up doing, therefore, is having a bigger challenge and looking to seek out further cost reductions, which, sometimes, increases the challenge but also dilutes the focus, perhaps, on a few key areas where you really can deliver change and move things forward.

[467] I think that having a recurrent position that is understood, knowing that we will still face the pressures that were outlined in our paper—which talked about £45 million of new pressures, which will still be there—and if the underlying deficit position is mitigated by allocations that have come in that are recurrent, it will change the order of magnitude. It will allow us to focus on some key service areas, and I think that it will make the financial planning challenge a lesser one than we were expecting on an absolute flat-cash position with no additional money coming in this year. I think that it improves the scenario, but it does not move us to a point where we do not feel that it is still extremely challenging. We are going to have to look at some very rigorous and difficult decisions about how we change services to move forward.

[468] **Mr Cairns:** May I make one other observation? There is another benefit to that additional allocation, once we understand it, because, when making changes, you sometimes incur costs in a single year that would put you in a better position the following year or the

year after that, and accounting for that in a single year is difficult. So, the other flexibility that I think it provides for us is that we will be able, potentially, to—for example, if a change required some double running, it is very difficult to do that if you are accounting for something in a single year. Having a little bit more headroom next year might mean that we can approach some of our changes with a little bit more flexibility than we would otherwise have, which is very helpful.

[469] **Simon Thomas:** Thank you for that. I would just like to explore with you both the evidence for these changes, because I would assume that they originate from the Minister for health's announcement of a review of NHS funding that he said that he was going to undertake over the summer. I wonder whether you had any input into that review in terms of giving evidence of some of the things that you have outlined in response to my first question.

[470] **Mr Cairns:** I think that the story there is that we are in continual dialogue with officials about all of our financial positions. We meet with officials from the Department for Health and Social Services regularly. Our approach—and I am sure that it is Geoff's, too—would be that we are very open and straightforward about what we are planning to do and about the scale and size of the challenge that we have. We also talk very frequently about the opportunities that we think we have to change the profile of what we do, the shape of some of our services, and the way that they are organised and delivered. Clearly, there are other issues too about managing workforce members. Part of the conversation is about how best to achieve those workforce changes. My answer to that would be that we are pretty much in continuous dialogue. I do not think that anyone would be in any doubt about our current challenge, our ideas, our proposals and the sorts of things that would make this less or more helpful to do.

11:45

[471] **Simon Thomas:** Can I assume that you would give the same answer, Mr Lang?

[472] **Mr Lang:** I just have one brief point to add. As part of the development work, in terms of looking at what those changes might be, the finance directors of health boards certainly work very closely with officials in the Welsh Government to look at the range of possibilities and to give their professional advice as to what would be helpful and practical for health boards. That was very much reflected in some of the thinking that emerged. So, we had a chance to contribute in that way as well.

[473] **Simon Thomas:** Mr Cairns, you have given us quite a detailed outline of your three-year planning, and I assume that that arises from a kind of recovery position and the need to plan for that. You have indicated already that the additional resources are going to make that a bit easier, although they possibly will not move you out of deficit this year. In respect of proposals like the National Health Service Finance (Wales) Bill and the more formal three-year position in terms of financial planning, how are you able to use them to underpin what you have indicated to the committee today?

[474] **Mr Cairns:** One of the reasons why the position is like it is this year is that, in the current year, we are—difficult though this is—making changes to the way that we organise some of our services. It might help if I gave you a very brief example to help explain how this works. As many of you will know, we had a very difficult winter last year in Cardiff and across Wales. We have been working since April to redesign some components of our unscheduled care system. I say 'some' because there is still a lot to do, and there is therefore more progress that we can make. In the year to date, we have delivered a whole series of changes to the way that the hospital bit of the system is working, which means that our ability to manage patients through the accident and emergency department has significantly improved. We are virtually at our 95% target for the first time for many years. Although 2%

more patients are being admitted each day than was the case this time last year, there are 100 fewer people in hospital. That is because we have brought the length of stay down, on average, by two days since April. Having fewer people in hospital clearly means that, on balance and on the whole, you need fewer beds. If you need fewer beds, you need fewer nurses to staff those beds. So, one element of the progress that we are making this year is to sharpen up our clinical services to make them more accurate and timely, and therefore for us to be able to deploy our resources more appropriately.

[475] Some of our changes require us to reshape our workforce and to be unequivocal about that. That means having less of a workforce. Seventy per cent of our costs are people; you would be surprised if it was anything else. We are running a programme of voluntary early release, so that we are thinning out appropriately where we need to. Regrettably, there will also be the potential for some redundancies as we manage through some of these changes. We are bearing the cost of those changes this year, but the benefit of those changes—financially, at least—will be apparent to us over the next two. So, you can see how being able to manage that sort of change over a longer time frame allows us to put a change investment in up front, and then to reap the benefits in a subsequent year or two.

[476] **Simon Thomas:** Mr Lang, I wish to ask you a similar question, but more tailored to your own evidence. Your paper, going forward over the next period—not the next financial year, but after that—is a little less clear, I have to say.

[477] **Mr Lang:** Yes.

[478] **Simon Thomas:** There are lots of issues that you have raised—things like national insurance payments, pensions and so forth—but you do not quantify them, and you say simply that you expect the same deficit the following year that you have next year. The figure of £74 million appears twice, which makes me think that you have not really modelled that £74 million for the ongoing year. So, to use Mr Cairns's evidence against you, in a sense, when he said that three-year planning helps to underline the true financial position, what does your paper say about Betsi Cadwaladr, going forward over a three-year period?

[479] **Mr Lang:** It clearly says that we have not progressed to the point where Cardiff and Vale is, in terms of working through a detailed three-year plan that bottoms out the underlying financial position and that sets out a series of service and efficiency changes that would lead us through. That is work that we are currently undertaking. We are working with external support in going through that at the moment.

[480] **Jocelyn Davies:** Mr Cairns, you said that you have external support in your evidence. Is it consultancy support?

[481] **Mr Cairns:** Yes.

[482] **Jocelyn Davies:** Are you using something similar, Mr Lang?

[483] **Mr Lang:** Yes, we are. The external support does three things for us. The first thing it does is rigorously challenge our assumptions and our financial management this year, to be clear that we are driving the benefit that we can and should do this year. Secondly, it is to look at the plans that we have got going forward and to look at some of the service changes that we have set out and, particularly, the areas around redesigning pathways and the ways that services are delivered, the balance between hospital and community service and how that works and to work with us to flesh out some of the plans in more detail. Thirdly, we use expertise from elsewhere to actively benchmark and really challenge us and ask us, 'Have you stretched yourself far enough and are you really looking at leading-edge practice in terms of efficiency and effectiveness?'

[484] That work is ongoing and will feed into our three-year plan. All health boards have to submit their plan that runs from 2014 to 2017 in January next year. That is detailed work that we are working through. The straight answer to you is very clear: we have not got that level of detail. We have, essentially, been managing in terms of the scenario that Adam described—single-year financial planning, that is how we balance in-year. In our plan going forward over three years, which we prepared as our draft plan at the beginning of this year, we set out three elements to our plan: traditional efficiencies and cost savings—we talked about transforming the way services are delivered; the balance to community-based care and really changing the way certain chronic condition care is delivered; and also some potentially major service reconfiguration in terms of where and how we deliver services in our acute sector. Those would be the three components of our plan.

[485] **Simon Thomas:** Is it your aim, in that three-year plan, to do the same as Mr Cairns set out, which is to come to a surplus or at least break even? Have you, as a board, set that as an aim?

[486] **Mr Lang:** Yes. We are very clear that our aim every year is to balance our books.

[487] **Simon Thomas:** But it is not an aim, to be fair, that you have achieved every year.

[488] **Mr Lang:** We have.

[489] **Simon Thomas:** With additional money from Welsh Government—

[490] **Mr Lang:** With the allocation that we have been given every year we balance our books.

[491] **Simon Thomas:** At least £80 million has gone to the boards at the end of the year.

[492] **Mr Lang:** Well, yes, okay.

[493] **Simon Thomas:** So, you now have an upfront clarity about the money that is available and that is additional.

[494] **Mr Lang:** Yes.

[495] **Simon Thomas:** So, within that envelope, is it your aim now to break even?

[496] **Mr Lang:** Our aim is to produce a plan and the clear expectation from the Welsh Government is that we will produce a plan by January that says how we will be in a sustainably balanced financial position over the next three years, so that we move from that recurring, underlying position of being in a deficit. We have been quite clear in our papers that we have had a recurring deficit that we have managed to deal with year in, year out, but not address fully. Our three-year plan needs to tackle that. That is why the language is signalling some more significant change, because that is how we will get to a sustainable, recurrent position. That is our very clear requirement as part of our three-year plan.

[497] **Simon Thomas:** That plan will be ready if the NHS finance (Wales) Bill is passed and you have this three-year accounting plan?

[498] **Mr Lang:** We have to produce that three-year plan anyway.

[499] **Simon Thomas:** Yes, but it will have more of a statutory force.

[500] **Mr Lang:** It will have more of a force and it will give more flexibility in terms of how that plan looks over three years.

[501] **Simon Thomas:** That reflects some of Mr Cairns' evidence, okay.

[502] **Mike Hedges:** Both your papers suggest that you are planning for savings targets above the 5% level in the 2014-15 financial year. How realistic do you think that is, and do you think that if you overspend, it does not matter, because the Welsh Government will give you more money anyway?

[503] **Mr Cairns:** I can be very clear that we think it is our duty to ensure that we are living within our financial means. The approach that we took to our plans was not to look at a number and then say, 'Deduct that from where we think we are and then come up with some ideas'. We said, 'Let's compare how well we do with international comparisons, let's challenge ourselves to see whether the care and the treatment that we are delivering matches the best, and let's quantify the difference in cost between really great care and care that could be better.' In each of those areas, we challenged our clinical teams to work with us to develop proposals to improve the way in which that care is delivered.

[504] Our plans are based on solid ground. They are based, if you like, on a bottom-up view of what people think they can do to deliver better quality care in many cases. In some cases, we have also looked at it the other way around. It is clear that we have opportunities in many of our systems to just be more efficient. With our booking and scheduling process, for example, if any of your constituents have ever used any of our services they might say that it is not always as straightforward as it could be to get an appointment and that sometimes there are difficulties with rebooking and so on. There is a huge cost to us in running inefficient systems and it would be much better if we could make those systems work more efficiently, although it is going to be difficult. Do not let me leave you in any doubt that managing this kind of change is complex and difficult. You have to do it with your clinical staff and you have to take people with you. They have to own it. Some of the changes are very hard to deliver. Nevertheless, the plans that we have are largely based on what other people have done elsewhere.

[505] **Mike Hedges:** I have one last question. I have sat here and in other committees and have been told by almost every organisation in Wales how what they are doing is saving the health service money. Do you recognise that, be it in the voluntary sector or in local authorities? Also, you always make substantial savings in the fourth quarter as you try to break even. Why do we never get the full-year effect of those in subsequent years?

[506] **Mr Cairns:** I will kick off. Your last point goes back to this whole issue: if you set a target for organisations that is based on an absolute end-of-year commitment each year, I do not think that it is entirely surprising that organisations tend to focus on 31 March and that, as the year end approaches, they begin to make all sorts of non-recurring provisions for getting over that line at the end of the year. To my mind, that is not the best financial strategy. The better financial strategy is to say what the true underlying position of the organisation is. Of course, you have to meet milestones, but you should not do things in the short term that will end up causing you problems in the medium term. It seems to me, not having been here for very long, that there has been a little bit of a history of that sort of behaviour taking place. The three-year flexibility tends to wash that out. There would be a much clearer focus on organisations demonstrating that they are in a full recurring balanced position. There would be ups and downs across a year or two, which is fine, but the underlying position is the most important bit that you have to look at in my opinion.

[507] On your first question, to be straightforward about this, in many areas of what we do we engage with lots of other agencies, whether it is the police, local authorities or the

voluntary sector, as you say. In Cardiff and Vale we work very hard to get to a position where we can support one another. So, it is not one way. For example, with the police and crime commissioner we are working very hard at the moment to look at how we can support the police and patients who have mental health problems to access healthcare more appropriately. That would help us and it would also help the police service. In similar ways, we work very closely with the third sector. We have all sorts of contracts with the third sector, all of which are designed to supplement, augment and improve the way in which we provide our publicly funded services. With the two local authorities that we work closely with, there is a really significantly enhanced working relationship to date. We invited the King's Fund up to Cardiff and Vale last autumn to tell us about what integrated health and social care looks like, what works well, what to do and what not to do. Off the back of that the two local authorities and ourselves have committed to a programme that we think will help them and help us and more importantly help the citizens that we are here to serve.

[508] **Mr Lang:** Can I add a brief comment? In terms of the organisations, I think that they do save resource. The question is whether we are talking economic benefits or real cash that we can pull out. We could have a long discussion about that. One of the key issues that we are looking at—Adam talked about reshaping unscheduled care and the different aspects of the service. There is no doubt in my mind that we have to harness those benefits upfront and plan them into the system, because it is very difficult when you get a situation where you are saving lots of money but then you are told, ‘Send us the money to run the service’. We need to connect that better. The other thing that we need to be quite honest and open about is the impact of the budget in different sectors and the reality of the interdependence that we have. We know that we are going to have to work closer with local authority partners and with third sector organisations, because the squeeze is on everybody to a different degree at a different point in time. The answer is a better collaborative approach. We recognise that there are benefits that those organisations can bring. We are sometimes not as smart at planning that and making sure that it is a part of the design of the future service, as opposed to an adjunct to the service. We need to get better at that. Certainly, in our thinking about our winter plans and looking at unscheduled care going forward, we are very much thinking about where those upstream opportunities lie that will not only bring an immediate gain, but often a longer term health benefit and a resource benefit.

12:00

[509] **Julie Morgan:** Following on from those questions for a moment, it is very encouraging to hear that the partnership with the local authorities is much stronger and that you are working together much more closely. Has that been reflected in the number of available beds? I do not like to use the term ‘bed blocking’, because it sounds so negative about the people in the beds. I just wondered if there was any reflection in the figures.

[510] **Mr Cairns:** There has been in Cardiff and the Vale and I think that there is scope to go further. One of the areas that we are now looking at is a win-win-win, potentially. Historically, what has happened is that local authorities—at least those locally to us—have not invested as much as they might in the very front end of our hospital admissions system. That means that we then tend to admit people for longer than they perhaps need to be admitted. There is a tipping point for an old and frail person: if they are in hospital for 14, 15 or 16 days, it becomes much more difficult, as we all know, to get those people home again, which is where they want to be. Often, that creates a queue for long-term care, which is in no-one's best interests—financially or from a service-user perspective. So, what we are looking at now is trying to get much more aggressively—I use that word, I hope, in the right meaning of it; I should say ‘assertively’, perhaps—into early senior review and early multiprofessional and multidisciplinary assessments, aimed at returning as many old and frail people as possible appropriately and quickly to their normal place of residence. If we can do more of that, of course, you then take those people out of the queue for long-term care. That works better

from a resource perspective and it also makes the hospitals less congested, which means that we can focus even more on doing the right things for the people who are in the hospital. So, that is an illustration of the work programme that we are creating between ourselves and the two local authorities.

[511] **Julie Morgan:** Is that showing up in the figures?

[512] **Mr Cairns:** Our numbers are down. They fluctuate, but on the whole, the trend is down.

[513] **Mr Lang:** We do not have, and we have not had for a number of years, significantly high issues in terms of delays to transfers of care arising from social services, which are the classic ones we talk about. It does go up and down. There are delays and often they are about how we work together as much as any particular part of the system. The other aspect, which does cause a significant amount of delay and is currently being worked through, is choice for families and individuals about where their care is delivered after hospital. So, there are a number of issues. One of the points that Adam made is a really important one. In our conversations, we have moved away from focusing on social-services-type delays and the number waiting for a panel, which was traditionally our problem area, to asking where delay is occurring in the whole pathway of care. It is about intervention far earlier by everybody in a co-ordinated way that will make services better. There is a lot more still to do in that, but we have a more flexible and responsive approach with local authorities—certainly in terms of looking at what we are going to do over this winter—than we have previously had. Time will tell how beneficial that will be, but I think that it will improve the situation.

[514] **Julie Morgan:** I will move on now to service change. The audit office has suggested that the financial implications of service change are not yet in place and that it is unclear whether a reconfigured NHS will be affordable or deliver savings. Do you know what the financial implications will be in your areas?

[515] **Mr Cairns:** The south Wales programme is currently working through the financial consequences and implications of those changes. We do not have a fix on that yet and our board will not be able to make a decision until we are clear about what the financial implications of the south Wales programme will be. There are going to be some very important issues for us to understand, for example, the flow of patients around the system and how that is remunerated, and that is not the least significant of them. So, we are in the middle of developing a full understanding of how that will work. Our assurance to you is that we will not be able to implement that unless we are absolutely clear about what those implications are.

[516] **Julie Morgan:** In your paper, it states that you have built a small amount of money in.

[517] **Mr Lang:** Yes, but that reflected the service changes that we planned last year and that are being implemented through this year. There are two issues to reflect on in that context. Some of those changes meant that we will have to spend more money because they were about achieving standards, but we think that we can achieve them in a more sustainable and deliverable manner by putting some more resource into that. It is important to note that the resource that has to go in is less than we would have spent if we had carried on doing what we were doing. So, that was important. Another element of it was about upfront investment in community-based services to drive more care being delivered at home, and when the savings are released from that, in terms of people not visiting hospital, that will repay itself.

[518] Our financial plans around the time we did the consultation were very clear that that

money that we released from changing the way old services were delivered could be invested into the community and it would bring further dividends downstream, in terms of the use of beds. So, we costed that in and it is in our figures, and it is important, as we go through these service reviews, that we are transparent about that. Looking forward, as a health board, we will be looking at another series of service changes, and it is important that they are discussed and debated in a broader financial context. My experience is that we have talked very much, rightly, about quality, safety and standards and, perhaps, less so about the rounded need to deliver that three-year balanced financial position that we talked about, and, therefore, what that means in terms of the resources available for certain services and what that means for options available to us. So, we have to become more transparent about that; some of our decisions are heavily influenced by the amount of resource we have available, as well as what is desirable to the population or from a standards perspective.

[519] **Julie Morgan:** Your 2013-14 plan includes about £5 million for service reviews. Is that the same for the following year?

[520] **Mr Lang:** Some of that money will not be required because we should be releasing some of the benefits. Some of it should reduce hospital admissions, and some of it will be required going forward. There is an element of that £5 million that was around what were, effectively, what we term 'contingency arrangements' in relation to some of the specialties, where we are having changes in our training arrangements with the Wales Deanery. We have yet to work through the long-term service model about how those services will be provided. So, while we maintain them in their current form, it is costing us more money to maintain them as they are, on the sites that they are delivered. That will be re-assessed, and some of that resource should be released as we move towards a sustainable solution, but for the foreseeable future, until we plan a different configuration, that resource will be required.

[521] **Julie Morgan:** The draft budget also includes provision in relation to meeting the Francis agenda and supporting sustainable improvements. I wonder what understanding you had about how to get access to that funding.

[522] **Mr Cairns:** My understanding is that that money will be in the allocation baseline. Francis, to some extent, is about staffing levels; that is undeniably true, but it is also much more about culture, the way that we look after our patients and the way in which we assure ourselves about how well the care that we are providing to our patients is being delivered. So, we have a series of standards that we work to in terms of staffing levels. We work hard to ensure that we are meeting those standards, and, where there are deficits, we will be putting those right over time.

[523] **Ann Jones:** Following on from where Julie has left off, it totals £420 million of additional funding going in, over two years, in 2014-15 and 2015-16. Are you clear what the expected outcomes of this funding are? How will you monitor and evaluate that additional funding?

[524] **Mr Cairns:** The headline draft budget has been announced. We have not seen the detail of how that is to be played out to health boards just yet. I think that there may be an announcement about that very soon. Once we see what that announcement says, we will be in a better position to answer that question honestly.

[525] **Ann Jones:** Okay, but neither of your papers reflected this additional money.

[526] **Mr Cairns:** Are you talking about capital funding?

[527] **Ann Jones:** I am talking about the additional moneys that are going in, in terms of noting that the indicative allocations do not include additional allocations in support of the

Francis agenda. You knew that they were there, but you have not made any assumptions in your papers, either of you. Is this something that you are trying to wait to see about, but you expect to be told how you will monitor and evaluate, or are you able to monitor and evaluate how you are going to spend this money?

[528] **Mr Lang:** In terms of some of the elements of the increase, at the time that the papers were drafted, we were not clear that the draft budget had that resource in it, so some of it was unclear. The Francis money is very clear. There are standards set and there is £10 million, and we know that £2.2 million is for Betsi Cadwaladr health board. That is about increasing nurse staffing ratios on medical and surgical wards. It is very clear and very tangible. We will be monitored on that and we have a plan. So, those elements are very clear.

[529] The general position, as Adam said, is that once we see the detail, that will tie into it. As a board, what we are looking at, at the moment, is the rest of this financial year and what we are required to do, so what we must achieve over the winter, what we must achieve in terms of access and referral-to-treatment time, and what we must achieve and deliver in terms of cancer standards, and I think that those will be the tangible measures that we will be expected to deliver with any resource that we are given. We will then refresh that for our three-year plan in January, in light of the priorities, as they emerge, for the year ahead and which we will usually get notified of in October or November in the planning guidance that comes through.

[530] From a capital perspective, there is an announcement of more capital. I think that there is a general issue with capital in the way in which, over the last two or three years, it has reduced, and certainly the discretionary element of capital—the element allocated to health boards to manage the backlog of maintenance and replacement of clinical equipment, IT and things of that nature—is under huge pressure. I think that we will have to be very careful about managing and monitoring how we deliver against that.

[531] There are some significant sums for new developments, which are very welcome, and, again, I think that they will be tied to very clear expectations and outcomes from the Welsh Government as to what it wants health boards to deliver.

[532] **Ann Jones:** Okay, that is fine.

[533] **Jocelyn Davies:** Peter, shall we come to your questions next?

[534] **Peter Black:** I was just going to ask you about capital, because the health portfolio has got an extra £42.5 million in capital over a number of projects. What are your views on how this capital has been allocated and on the prioritisation according to the projects?

[535] **Mr Cairns:** It is difficult to cast a general view, because I am not aware of all the detail of all the programmes across all the health boards. I can comment on the bits that relate to us, and I am bound to say that, as they relate to us, I am very grateful for them and, of course, I think that they have been prioritised appropriately, because we are getting some money to redevelop much needed services. There are some very interesting elements to the announcement. I am personally very interested in the telehealth piece and I think that there is a huge opportunity for Wales here, if we grasp it, to learn from the very best in telehealth, and I think that there is an opportunity here to enhance the patient and user experience of healthcare, to make it much more local and personal, and to provide the opportunity to have quite a lot of your care delivered remotely without the need to travel to and from hospitals. We are very interested in that as a health board. They are on the drawing board, but we have got some very interesting ideas about what we can do with that. I think that it would have a significant downward effect on health costs if we play that right, because we can take all sorts of unnecessary costs out of the system while, at the same time, supporting patients to stay

healthier for longer.

[536] **Mr Lang:** I have just one comment to add. The other aspect of the capital programme, which is not really about an additional element, but about the core and the degree to which our access to that capital money aligns with some of the strategic service changes that we have put in place. From our health board perspective, we consulted on a number of changes that had a requirement for £35 million-worth of capital, and we have been able to plan and programme that through with the Welsh Government, and those two systems are coming closer and closer together. That is hugely important for the future in the next couple of years, because the discretionary element, by and large, is always going to get soaked up, because we use more equipment and kit, therefore, the costs are going up. The middle territory is what is prioritised above our allocated level, and I think that it is hugely important for the NHS to be clear about what the absolute priorities are and to work with the Welsh Government to programme that to deliver the sort of benefits in terms of patient outcomes that we want to deliver, but also the type of revenue benefit that we have been talking about in terms of the budget, by rationalising some of our services.

12:15

[537] **Peter Black:** We had an interesting conversation with local government just before you arrived about innovative financing for capital. The difference is, of course, that it can borrow and you cannot. Effectively, innovative financing is about how you get the revenue to fund the capital. Do you think that it would help if you were able to borrow money?

[538] **Mr Cairns:** Yes, personally, I believe it would. However, that comes with all sorts of qualifications that would need to be in place. There are potential routes to more innovative sources of funding, and we are currently giving a bit of thought to what those might look like. It is very early in the process, so we are not really in a position to develop proposals to put on the table. As Geoff said, there is a huge amount of estate that needs to be maintained, and that is a real challenge. There are very significant medical equipment demands as well, and patients expect to have access, quite rightly, to the right level of diagnostic and treatment equipment. So, we need to apply our minds to this, because it is not going away as an issue.

[539] **Mr Lang:** May I add one brief comment to that? It is not so much about borrowing, but perhaps about the flexibility to develop innovative capital solutions between public sector organisations in Wales. We have some examples where we have done that, but it is quite hard going, in the system that we currently have, to get to those points. With the delivering local care strategy that we are all working on, we are looking at the co-location of health and social care teams, and we are looking at centres that are about more than just a GP surgery, and are about a community asset and resource. I think we need a dialogue about how we flexibly use local government capital and NHS capital to deliver the right things for populations if we are to make them, or to help people to be, sustainable in their own community and to help the communities to sustain themselves. So, there is an aspect there that is not so much about all-or-nothing borrowing or the public sector purse, but, perhaps, how innovatively we look at the public sector as a whole and what we are trying to deliver for citizens, and the options that may be available around that.

[540] **Peter Black:** Are there specific barriers to doing that that the Welsh Government could remove to make that easier?

[541] **Mr Lang:** We would probably end up in a long debate about the financial and legislative regime of local government and the NHS. It is not a simple process where capital can be pooled and assets pooled. It can be done and it has been done, and I do not want to portray the Welsh Government as being not helpful in that, but it is not something that is very mainstream in what we do, and perhaps what I am setting out—

[542] **Jocelyn Davies:** It is complicated.

[543] **Mr Lang:** It is complicated, it is innovative and it is difficult, but, in terms of delivering future public services, it might be one of the big issues that we really need to concentrate on.

[544] **Jocelyn Davies:** Simon, did you have a point on this?

[545] **Simon Thomas:** Yes. Just to make it even more complicated, in that pattern of co-operation that you have outlined, assuming that you can get the revenue stream, have you had any discussions or consideration at all of going to Europe, and particularly the European Investment Bank, in order to release capital for such projects? Is that something that is under active consideration?

[546] **Mr Cairns:** I am not aware of that. We are certainly not doing that.

[547] **Simon Thomas:** I was thinking about the local government involvement.

[548] **Jocelyn Davies:** Mike, was it on this point that you wanted to come in?

[549] **Mike Hedges:** Yes. Would it not count against the Welsh Government's capital? If you borrowed, would it not affect the Welsh Government capital?

[550] **Jocelyn Davies:** I do not think that either of these individuals knows the answer to that.

[551] **Mr Lang:** Thankfully not.

[552] **Jocelyn Davies:** Chris, shall we move on to your questions?

[553] **Christine Chapman:** Okay. Part of my question has been answered, but, Mr Lang, you have just commented that the capital requirements in your proposals seem to be much more in line now, within financial planning, with service reorganisation. I wondered, however, whether, Mr Cairns, you have undertaken a similar exercise in terms of service change. How does this impact on your capital planning?

[554] **Mr Cairns:** Well, we need to know the answer to that question; we do not know it yet. The process that we are going through—having consulted with the public and had a huge response, as you know—is to work through and assess what the public have had to say. We will then need to think what that tells us in terms of the range of possible options we have. As I said earlier, we cannot proceed, really, without a clear understanding of both revenue and capital implications. So, we have to work that through. On the current timetable, we should be through that work towards the end of this calendar year.

[555] **Christine Chapman:** Thank you. Okay. May I ask both of you, in terms of your capital programmes—I want reassurances really—whether they are supported by rigorous business cases, as well as robust project and asset management planning? Could you tell me how this is undertaken?

[556] **Mr Cairns:** We have a capital investment committee in our board; we have independent member representation on that. We have taken trouble, actually, to ensure that we have appropriately qualified independent members who can help us with this work and we follow the book, if you like, in terms of managing our capital. We have an assurance process that we run alongside that. We have had regular audits and—looking backwards, rather than

looking forwards—there has been some criticism of the way in which some of that has worked in our organisation, so what we have been doing is making sure that we have an exemplary model. We think that we now have that and we look forward to that coming through in all of our future audits.

[557] **Mr Lang:** Briefly, the significant capital expenditure schemes are subject to very rigorous business case analysis and approval, which involves the Welsh Government if that is accessing central NHS capital. So, there are quite rigorous and robust processes and they must demonstrate affordability and sustainability and benefit. They are also increasingly looking at aspects such as environmental considerations and broader issues. So, I think, in terms of getting access to capital, that there is a very tight mechanism there. In terms of how well those schemes are then delivered, the experience that I would reflect on from our health board is the process that we are involved in with the redevelopment of Glan Clwyd Hospital, which involves £90 million-odd of investment over a number of years. There are rigorous assessments at gateway stages to make sure that we are managing that process tightly, that the quality is right, the deliverability is there, and that it is coming in on budget. So, there are very rigorous mechanisms. For our own capital, we have arrangements that are very similar to those which Adam described.

[558] **Jocelyn Davies:** We will finish on your questions, Paul.

[559] **Paul Davies:** I want to ask you some questions in relation to the level of claims relating to continuing healthcare. The Wales Audit Office has recently reported on the national framework for continuing healthcare, and noted that the deadline of June 2014 for clearing all claims may not be met, and that backlogs of such claims may build up in health boards. What is the situation in your own respective health boards with regard to this? Are you confident that the deadline for claims will be met?

[560] **Mr Cairns:** We have a backlog currently, which we monitor very carefully. We are assessing the cost quantum that relates to that backlog and we are working through that backlog. Our assessments will be improved—the closer that we get to actually writing cheques, the more accurate they will be, obviously. I have no reason at the moment to doubt that the provisions that we are making are reasonable and appropriate. There is pressure on us to achieve the June 2014 timetable—I think that that is looking difficult, to be honest—but we understand that there are families at the end of this process and we are working very hard to make that as fast as possible.

[561] **Mr Lang:** We similarly have a significant number of cases to work through. We are looking at the capacity that we have to do that and the approach to doing it. As the NHS in Wales, with regard to some of our historic backlog cases, we have worked together, through Powys local health board, with a specific system to manage those through. That has taken time to gear up, but has been very efficient and effective in recent months and is working through. We are looking at how we might build on that to tackle some of these other issues and get benefit from that. So, we are looking at the capacity that we need. We know that June is a very important deadline. There is a lot of work to do to give full assurance that we will deliver by June, but we are working very hard to address that.

[562] **Paul Davies:** Are you aware of whether the Welsh Government has made any provision for this in the 2014-15 budget or whether there are any plans to extend this particular deadline?

[563] **Mr Cairns:** I am not aware of either of those things.

[564] **Mr Lang:** I do not know about the deadline. In terms of the budget, my understanding is that, in allocating the revenue budget to health boards, continuing healthcare

costs are an element that we have to manage. As Adam said, as the cases are managed through, we will become clearer about the likely liability of the health board and then it will be for us to financially plan and manage how we will deal with that within the resources that are available to us. I would not expect to see any additional resource coming out, save for that which is in the budget announcement. There is an expectation on health boards to deliver within that resource.

[565] **Paul Davies:** Okay. Thank you.

[566] **Jocelyn Davies:** Thank you very much for attending today. As usual, we will send you a transcript so that you can check it for factual accuracy. We are very grateful for the evidence that we have had from you.

12:25

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

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

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[568] I see that all Members are content.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12:25.
The public part of the meeting ended at 12:25.*