



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

## **Y Pwyllgor Cyllid** **The Finance Committee**

**Dydd Mercher, 02 Gorffennaf 2014**  
**Wednesday, 02 July 2014**

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi 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
Alun Ffred Jones	Plaid Cymru The Party of Wales
Ann Jones	Llafur Labour
Julie Morgan	Llafur Labour

**Eraill yn bresennol  
Others in attendance**

Jeff Andrews	Cynghorydd Polisi Arbenigol, Llywodraeth Cymru Specialist Policy Adviser, Welsh Government
Matt Denham-Jones	Pennaeth Rheoli a Chofnodi Cyllidebau Ariannol, Llywodraeth Cymru Head of Budgetary Control and Reporting, Welsh Government
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog Cyllid) Assembly Member, Labour (The Minister for Finance)
Jo Salway	Dirprwy Gyfarwyddwr Cyllidebu Strategol, Llywodraeth Cymru Deputy Director, Strategic Budgeting, Welsh Government

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

Richard Bettley	Y Gwasanaeth Ymchwil Research Service
Bethan Davies	Clerc Clerk
Claire Griffiths	Dirprwy Glerc Deputy Clerk
Martin Jennings	Y Gwasanaeth Ymchwil Research Service
Michael Key	Clerc Clerk
Meriel Singleton	Ail Glerc Second Clerk

*Dechreuodd y cyfarfod am 09:00.  
The meeting began at 09:00.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon  
Introductions, Apologies and Substitutions**

[1] **Jocelyn Davies:** Welcome, everybody, to this meeting of the Finance Committee. No apologies have been received, so we will move straight to our first substantive item on the agenda.

09:01

**Craffu ar Gynnig y Gyllideb Atodol 2014-2015**  
**Scrutiny of Supplementary Budget Motion 2014-2015**

[2] **Jocelyn Davies:** We have with us this morning the Minister for Finance. Minister, would you like to introduce yourself and your officials for the record, and then we will move straight to the questions, if that is okay?

[3] **The Minister for Finance (Jane Hutt):** Thank you very much, Chair. I am Jane Hutt, the Minister for Finance. With me are Matt Denham-Jones, the head of budgetary control and reporting; Jo Salway, the head of strategic budgeting; and Jeff Andrews, our specialist policy adviser.

[4] **Jocelyn Davies:** Thanks very much. Given the recent progress report on the programme for government, how have the findings influenced the allocations made in this supplementary budget, particularly in relation to decisions on allocations from reserves?

[5] **Jane Hutt:** Well, the programme for government annual report accounts for how we are delivering as a Government in terms of the indicators. Of course, the programme for government provides the overarching context for all of our policy and budgetary decisions. The important point, in a sense, about the supplementary budget is that it is about in-year management and also how we are able to reflect the decisions we have made as a result of allocating money from reserves and consequentials. So, it is about whether we need to reallocate in terms of in-year pressures and planning, but it is helpful just to reflect, as we do at this stage of the programme for government progress report, on what the pressures are and what emerging needs we might need to address in year.

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

[7] **Peter Black:** Minister, what further work are you undertaking to build on the improvements made in the draft budget 2014-15 to link budget allocations with the commitment in the programme for government?

[8] **Jane Hutt:** I am glad that there has been improvement, and that you feel that we have made progress. That is very much a result of working together, ensuring that we make the budget as clear as possible, particularly in terms of mapping outcomes. However, with regard to the key point about the way in which we are linking budget allocations to the programme for government commitments, you may recall that we had a mapping document and we also had a narrative document, which was trying to draw up those links. If you recall, we were drawing this out in terms of the key themes, which were jobs and growth, health and wellbeing, educational attainment and supporting children, families and deprived communities. In the progress report, for example, which was published just a few weeks ago, there was a summary document that summarised the progress relating to those themes. So, in a sense, we are bringing the summary of the progress on the programme for government in line with our budgetary allocations.

[9] I hope that you will feel that, again, working together, we are taking important steps to link all of this together, because it is very important that we are held to account against those key themes in the programme for government.

[10] **Peter Black:** That is important. You have those key themes, but when will you be able to move beyond showing the budget allocation against just those four themes and

actually start looking at more detailed outcomes?

[11] **Jane Hutt:** Well, of course, that is always about drilling down, which is a very important part of scrutiny. One of the issues we have is that there is a lot of cross-portfolio working to deliver on those core themes. You also need to be able to, as do we as a Government, look at the long-term impact of our investment in terms of the budget, and our meeting commitments in the programme for government. It is all there in the budget; it is how we can make it as transparent as possible for you, recognising that there are often multiple funding streams that are particularly used in order to deliver a key objective. So, it is always about striking a balance between transparency—making sure that we can map and chart longer-term impacts—and recognising the big overarching picture.

[12] **Peter Black:** I understand that there are multiple funding streams, but you have a very detailed programme for government in terms of what you want to achieve and the targets that you have set yourself. Surely, it must be possible to start saying, ‘If we spend x amount of money we are going to achieve this, and this is how we are going to link that in.’ Is it possible to start getting that detail in place much earlier?

[13] **Jane Hutt:** Certainly, we would want to continue to see how we can represent that in terms of budgetary narrative.

[14] **Jocelyn Davies:** Is it the case that there are practical difficulties to overcome in the meantime before you are able to do that?

[15] **Jane Hutt:** Again, it is about how much information we can provide and not losing sight of the big picture in terms of delivery and outcomes. In terms of Peter’s particular question, regarding some of the ways in which we are spending on our programmes, we are looking at the evaluation, monitoring and impacts. With some of those programmes, such as Jobs Growth Wales, we can say how many job opportunities have been delivered for young people. So, you can have the hard and fast statistical analysis as well as the qualitative information. However, I think it is a mixture of budgetary evaluating and monitoring as to how we are delivering on the programme for government.

[16] **Peter Black:** Do you accept that, in terms of your role, if you are able to say, ‘If I spend x thousands of pounds, it will produce such and such an outcome within this theme?’—

[17] **Jane Hutt:** It would be very helpful if we could do it so precisely, and sometimes I think we can. Jo, did you want to make a comment on that?

[18] **Ms Salway:** I just want to reflect what the Minister is saying about the complexity of it and how you carry the work through. One of the other challenges with budget structures is that there are so many different purposes that we need to achieve. For example, if you are talking to local authorities or local health boards about how much money they expect, the important breakdown is how much goes to an LHB, regardless of how much of it goes into the outcomes. It is how you meet all the different requirements of a budget in a single structure, because if you start running multiple structures, that undermines the transparency. So, it is about how you get that balance in so that you can tell an LHB exactly how much money it is getting, and at the same time account for outcomes and impacts, particularly when there are societal impacts as well as governmental impacts, and how you reflect that. It is not a lack of will; it is just, as the Chair said, other practical issues, and it is a challenging question to find the right cut to satisfy every need.

[19] **Peter Black:** If it is complex for you, imagine what it is like for us trying to scrutinise it. [*Laughter.*] Moving on then, regarding the draft budget for 2014-15, the committee identified that it would be difficult for health boards to continue to generate 5%

savings year on year. What extra funding do you believe needs to be provided to health boards in 2014-15, and what savings do you believe those health boards can achieve?

[20] **Jane Hutt:** As you know, following the Nuffield Trust report, the Minister for Health and Social Services said that he would be working with me, as the Minister for Finance, over the summer to particularly look at the challenges for the health service and for health boards. Clearly, we have to look at ways in which we can support the health boards. We must have sufficient investment in our NHS. It is about the longer-term perspective as well as the here and now in terms of the current financial position. I think it is important to look back at the written statement made by the Minister last week on the financial performance in 2013-14, and he also made a statement about the medium-term three-year planning opportunities regime that we now have. I think that if you look at the savings from last year, you will see that they equate to around £180 million by the health boards last year. We are monitoring closely how they are progressing this year in terms of their savings. However, at the supplementary budget stage, it is too early to say where we will be, but I make a commitment to work with the Minister for Health and Social Services on this.

[21] **Peter Black:** How much more difficult is that, given that three health boards have overspent?

[22] **Jane Hutt:** The Minister for health responded to the urgent question on that yesterday and he made his statement last week. What is important is that we have sufficient cash resources to make sure that staff and patient care are not being affected by this. There is no direct impact on patient safety. However, I think that this is a decision about not giving health boards further funding in terms of being in deficit. It is a very strong message, as I am sure the committee would agree, in terms of ensuring that they now have three-year planning regime opportunities and we are doing everything that we can to support them and work through this year in terms of the impacts.

[23] **Peter Black:** It is the message that is given every year and broken.

[24] **Jane Hutt:** We have never been in this position, have we?

[25] **Peter Black:** There is no danger that the three-year funding regime –

[26] **Jane Hutt:** We are saying that we are not going to bail them out, that this is the position and that they have the three-year planning. The medium-term planning statement was important. I think that it is also important that the medium-term planning statement reflected the Auditor General for Wales's context and rationale in his qualified opinions.

[27] **Peter Black:** That statement was made last year, of course, and broken. With three-year planning, will you just build up three years of deficit?

[28] **Jane Hutt:** It will be very important to see what happens, and I am sure that not only this committee will look at the impact of the three-year health financial planning, which all parties in the Assembly supported as an important way in which to help the health service to manage medium-term financial planning. Indeed, those health boards that have managed to come forward with their three-year plans are setting a clear direction for the health service in Wales, and I think that this is something that you will certainly want to scrutinise. The Minister for health and I are working very closely on this issue.

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

[30] **Mike Hedges:** What do you suggest that I say to a consultant at a hospital in Abertawe Bro Morgannwg University Local Health Board who told me 'It does not matter if

we overspend, because the Welsh Government will keep on giving us money'?

[31] **Jane Hutt:** I think that you should show him the statements made by the Minister for health last week.

[32] **Mike Hedges:** I told him that and he said, 'My experience is that they always have done up until now'.

[33] **Jocelyn Davies:** Was that a question, Mike? Minister, I am not sure that, as Assembly Members, we carry those statements around with us in our pockets. *[Laughter.]* Mike, do you have a question?

[34] **Mike Hedges:** I do have a question, on day surgery; perhaps you could pass this on to the Minister for health. Surely hospitals ought to be looking to do things differently, by moving to more day surgery and to means by which they can undertake more for less. Every other part of the public sector is being expected to do that. Hospitals, in my experience, seem to think that they are immune to it.

[35] **Jocelyn Davies:** Minister, will you pass that question on to the Minister for health?

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

[37] **Jocelyn Davies:** Ffred, we now come to you.

[38] **Alun Ffred Jones:** Byddaf yn gofyn fy nghwestiwn yn Gymraeg. Thema gyson sydd wedi amlygu ei hun yng ngwaith y pwyllgor ers peth amser yw ceisio deall sut y mae'r broses gyllideb yn ffitio mewn i flaenoriaethau'r Llywodraeth. Rydych wedi cyfeirio at themâu cyffredinol, ond rydym wedi cael arweiniad nad yw gosod cyllideb a cheisio ei mesur yn erbyn yr hyn a elwir yn *outcomes* cyffredinol yn broses dryloyw nac yn un ddefnyddiol. Felly, o ran y gyllideb atodol hon, a ydych yn bwriadu i brosiectau penodol a gyhoeddir yn ystod y flwyddyn gael eu llinellau cyllideb eu hunain?

**Alun Ffred Jones:** I will ask my question in Welsh. A consistent theme that has manifested itself in the work of the committee for some time is that of trying to understand how the budget process fits into the Government's priorities. You have referred to general themes, but we have been given guidance that setting a budget and measuring against what are called general outcomes is not a transparent process, and nor is it useful. So, on this supplementary budget, do you intend that specific projects announced during the year have their own budget lines?

09:15

[39] **Jane Hutt:** It is important that we give you as much information as we can. It is a supplementary budget, and it goes back to the earlier questions about what decisions you make in this part of the financial year. We need to be able to be as open and transparent as possible. Clarity on specific projects announced is important. Ministers will be announcing other projects. I will certainly want to take advice from this committee and to take account of this committee's views about this. The only problem about the detail of specific budgets, in terms of budget lines, is—. I will give you one example. The Schools Challenge Cymru project was announced, and that was a specific decision that was made to respond to educational priorities that had been identified and evaluated by the Minister. We had to find some part of that money to support that new scheme, but it will probably be lodged in a much bigger curriculum budget. So, you can find it in the budget account—I am sure that Matt Denham-Jones will find it for you—but we have to make that decision: will we isolate things like that or will we ensure that it is transparent enough for you within an overall budget line?

[40] **Alun Ffred Jones:** Mae honno'n enghraifft eithaf da, oherwydd, os yw'n arian ychwanegol, mae'n bwysig ein bod yn deall mai dyna ydyw. Os yw'n arian sy'n dod yn rhannol o gyllideb sy'n cael ei gwario'n barod, mae'n bwysig ein bod yn gwybod beth yw honno hefyd, er mwyn inni ddeall yr hyn nad yw'n cael ei wneud, er mwyn inni gyflawni ein gwaith. Nid ein gwaith ni yn y pwyllgor hwn yw penderfynu ar bolisi'r Llywodraeth na sylwebu arno, ond mae'n bwysig ein bod yn deall lle mae'r adnoddau'n mynd ac o le maen nhw wedi dod.

**Alun Ffred Jones:** That is quite a good example, because, if it is additional money, it is important that we understand that that is what it is. If it is money that will come partly from some budget that is already being spent, it is important that we know what that is as well, so that we can understand what is not being done, so that we can do our work. It is not our work in this committee to decide the policy of the Government or to comment on it, but it is important that we understand where the resources are going and where they have come from.

[41] O ran y gyllideb atodol hon, rydych yn nodi'r meysydd gwario sy'n cael adnoddau ychwanegol, ond nid oes dim byd yma yn dweud pam bod yr arian yn mynd i'r meysydd hynny a beth yw'r bwriad neu beth a gaiff ei gyflawni gyda'r gwariant hwnnw. Mae'n anodd i ni farnu llwyddiant neu aflwyddiant y gyllideb atodol oherwydd nad ydym yn gwybod beth yw amcan y gwariant ychwanegol. A ydych yn derbyn bod angen cymaint o dryloywder ag y bo modd?

In terms of this supplementary budget, you note the spending areas getting additional resources, but there is nothing here saying why the money is going to those areas and what the intent is or what will be achieved with that money. It is difficult for us to make a decision on the success or otherwise of the supplementary budget because we do not know what objective you have for the expenditure. Do you accept that we need as much transparency as possible?

[42] **Jane Hutt:** Absolutely, and I will look at how we can improve our budget documentation, not just in terms of the supplementary budget, although that is what we are discussing today. We will be able to come back to the committee on that. I gave you one example, and I am sure that you will want to question me on other points in the supplementary budget this morning, in terms of how we funded it; that is a key point for you. The policy direction is for the Ministers and the Government. However, I want to ensure that you have the documentation that you need at supplementary budget time to scrutinise us effectively.

[43] **Jocelyn Davies:** When a Minister makes an in-year announcement about a new project, why cannot they just say, when they are making the announcement, where that money is coming from—whether it is new money or from within allocations? That is what we expect the UK Government to do when it makes announcements, because of the knock-on effect in terms of consequentials. So, we expect that from the UK Government. Do you think that you could move to the situation whereby, when these things are announced in-year, it is possible for the Minister to make it clear at the same time where the resources are coming from to fund it?

[44] **Jane Hutt:** Ministers are usually asked that question anyway, and that would be absolutely helpful and constructive.

[45] **Jocelyn Davies:** So, then, it would just become routine.

[46] **Jane Hutt:** Perhaps we could take that back and look at it and see if there are any issues.

[47] **Jocelyn Davies:** Ffred, did you have anything to add?

[48] **Alun Ffred Jones:** Mae gennyf un **Alun Ffred Jones:** I have a final question.

cwestiwn olaf. Mae'r pwyllgor hwn wedi argymhell y dylech chi, fel Gweinidog, arddel rôl oruchwylio a chydgysylltu gryfach dros adrannau eraill. Pa gamau a gymerwyd gennych i gyflawni hynny?

This committee has recommended that you, as Minister, should adopt a stronger oversight and co-ordination role over other departments. What steps have you taken to implement that recommendation?

[49] **Jane Hutt:** I seek to have that strong oversight and co-ordination of departments, which means other Ministers. I see myself as an enabling Minister for Finance—enabling other Ministers to deliver and looking at ways in which we can finance their objectives and the Welsh Government's objectives. I do that bilaterally and through Cabinet, but we have also set up an officials group led by Jo and her officials. All departments are represented on that new working group. It supports departments' budget preparations leading up to the draft budget. We have strengthened the co-ordination and oversight approach.

[50] **Jocelyn Davies:** Ann, shall we come on to your question?

[51] **Ann Jones:** You talked about Schools Challenge Cymru, but I would like to go back to the pupil deprivation grant. There seems to be confusion or, at least, some disagreement about what was put into the budget and what is now being spoken about. The Welsh Government's commitment to increase expenditure on schools by 1%: rather than being additional, as was understood, the Minister for Local Government and Government Business has written to say that the pupil deprivation grant is part of the 1%. Does this disagreement, or this lack of clarity, indicate a lack of transparency in the presentation of how the Government produces its expenditure and budgets?

[52] **Jane Hutt:** It is important to say, first, that, with regard to the pupil deprivation grant, the budget agreement last autumn, which came at draft budget time for this financial year, was to double the pupil deprivation grant from £450 to £918 per pupil. That is what we agreed in the budget agreement. The budget agreement, as I said, was published in the draft budget, so there could be full scrutiny around those proposals. The 1% commitment is not part of the budget agreement. In fact, it would be useful for the committee to know that the Minister for Education and Skills will be publishing data very shortly with regard to the 1% protection. This is something on which we are working together. It is very much cross-party work, and we are working with those parties that negotiated with us in good faith for a budget agreement to lead to a budget that can be scrutinised, and we want to be as clear as possible about these issues.

[53] **Ann Jones:** There is some uncertainty, and among it is the fact that we have some local authorities quite openly now saying that they are not going to even accept the Government's priorities, and that they will spend their money in whatever way they feel fit. With developments like these, where there is some uncertainty around the pupil deprivation grant, does it make it more difficult to get involvement for next year's budget process? We are a minority Government, so you will need the agreement of a party or all parties. How will this sour relationships for the next set of budget talks?

[54] **Jane Hutt:** I certainly hope that it is not souring relationships. We had the opportunity to clarify matters last week and there are opportunities at any time during questions to me and to Ministers whose budgets may be included in any budget agreement. For this year, it was not just about the pupil deprivation grant; it was the intermediate care fund, more funding for health technologies fund, Supporting People and so on. It was a very good budget agreement, which we are now evaluating and monitoring carefully. I hope that we can now move on with regard to looking towards the next draft budget. I think one of the important points about the next draft budget is that, this time last year, we had started down that road and, indeed, the Finance Committee acknowledged that it was very helpful to have had a budget agreement before the draft budget. So, we will await events, but I want to again

reassure the Finance Committee that I want to seek to develop and deliver a draft budget that has the opportunity for full scrutiny, and hopefully an agreement as part of that, to support our budget.

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

[56] **Julie Morgan:** Yes. I have been approached, as others will have been, I am sure, by three headteachers in Cardiff North about this issue of the pupil deprivation grant. It seems to be very important that the people who are actually delivering the service understand what the financial implications are. I just wondered what we could do to ensure that they are cognisant of what the decisions actually are, because they were very uncertain about what was happening. They were disappointed because they had expected to have more money.

[57] **Jane Hutt:** Again, that is a very important point to clarify. First of all, if we can be clear, the funding for the pupil deprivation grant goes through regional consortia directly to schools. It does not go through the revenue support grant within the local government main expenditure group. It goes directly to schools via the regional consortia. Obviously, for headteachers, they will have to see what they get, but it is very important that they know that we have funded PDG to double from £450 to £918 per pupil, and that they know what their eligibility for free school meals is in terms of allocations. I think what will be helpful is that an interim evaluation of the PDG will be published in July by Ipsos MORI, and the consortia must also highlight reports demonstrating how the PDG is being used. That will be released in September, so it will also—and this is very important, as the Minister for education will say—examine schools' performance in meeting the targets set out in schools' plans. So, it is about making sure that this PDG is used for the purpose, and this evaluation, I believe, will enable us and headteachers, and, indeed, all of us who are interested as elected representatives, to see that it is being used for the purpose for which it was intended.

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

[59] **Peter Black:** Certainly, the two schools that I am governor of did a very clear report to the governing body showing how the PDG is being spent and clearly being directed at the pupils it was meant to be directed at. I very much welcome the fact that you are going to be publishing that information, but can you give us an assurance that, given that the PDG is paid separately from the revenue support grant, through the education MEG, you are confident that that money is being directed where it should be directed and is being spent in full in that way?

[60] **Jane Hutt:** I believe that both the interim evaluation and the outcomes in terms of PDG so far match against school plans and, indeed, that the monitoring data in terms of delegation of the 1% protection will demonstrate that. The Minister for Education and Skills has made it very clear that he is monitoring that 1%, and this is not part of the budget agreement—

[61] **Peter Black:** I will come on to the 1%, but I am talking about the PDG at the moment.

[62] **Jane Hutt:** Absolutely. That is where we have to show that the money is being spent as allocated.

[63] **Peter Black:** I think that there is a danger of mixing up the 1% with the PDG because the lack of transparency, it seems to me, is that the 1% is paid through the revenue support grant and is passed on to schools through the schools budget. There is some sleight of hand going on in local authorities to boost that money. Swansea, for example, is putting in its revenue repayment on capital expenditure into that particular budget to increase the 1%, and other councils are doing similar things. So, how are you actually monitoring what is getting to

the schools through that revenue support grant funding to make sure that they are getting the 1%, as opposed to the uplift in the local authorities' budgets?

[64] **Jane Hutt:** Hopefully, the committee will find it useful to clarify that the PDG is going through the regional consortia directly to schools. If we separate them out, as we have said, we will go back and make sure that we then can, through the Minister for education, account for that allocation to schools via the regional consortia.

09:30

[65] **Peter Black:** Okay. In relation to my question about the 1% that goes through local education authorities, how are you making sure that that is getting to schools?

[66] **Jane Hutt:** As I said, we are going to publish those monitoring data. I understand that the Minister for education will publish them before the end of this term.

[67] **Jocelyn Davies:** Ffred is next and then back to Ann, because I know that Ann is particularly interested—

[68] **Alun Ffred Jones:** No.

[69] **Jocelyn Davies:** No, Peter has covered your point, Ffred, has he? Okay, Ann, back to you.

[70] **Ann Jones:** It follows on from that, and, dare I mention ring fencing or hypothecation at this point? I still think that that is probably the only way that we will track whether local authorities are actually doing what the Government's priority is. Peter has touched on the education MEG and the 1%, so, given that it is complex and given that there is confusion, is there a role for an independent body, such as the Wales Audit Office, to report on the compliance with key agreements, such as the 1% uplift and the budget deal that was done for the pupil deprivation grant?

[71] **Jane Hutt:** We have to get it right, here in Government. We have to be able to account for our spend, not just to your satisfaction in terms of scrutiny, but, this is a very important point in terms of our responsibilities. As you know, we have been working to improve our grants management and compliance. Yes, we go back to some of the complexities about budget and multiple streams, et cetera, of funding that make up many programmes, but I would hope that our grants centre for excellence, on which the Permanent Secretary has been scrutinised by the Public Accounts Committee, would provide that. I believe that we should be accountable for our budget and our spend.

[72] I wonder, Chair, whether I could just say that I think that there is some additional information that it might be useful to record today, about the 1%. You will get the published information, but I would just say that there are monitoring forms for 2014-15 that went out to local authorities in April, and my understanding—and this will be confirmed in the information provided—is that schools' budgets have been protected at a level greater than required and, actually, authorities are budgeting to spend more than 1%. So, I think it will be useful to see that.

[73] **Peter Black:** That excludes the pupil deprivation grant.

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

[75] **Mike Hedges:** It includes SEG. I am sorry—

- [76] **Jocelyn Davies:** Yes, go on, Mike.
- [77] **Mike Hedges:** That includes SEG.
- [78] **Jane Hutt:** Yes. The school effectiveness grant.
- [79] **Jocelyn Davies:** Paul, shall we come to your questions?
- [80] **Paul Davies:** Yes. I just want to ask you about the additional allocations made to support the Welsh language. The First Minister made a statement in Plenary on 17 June with regard to additional funding, but can you clarify how and when the additional funding will be allocated?
- [81] **Jane Hutt:** Yes. The announcement was made by the First Minister after we put together the figures for this supplementary budget. So, it will be accounted for in the next supplementary budget. That is when you will get the details for that £1.6 million increase.
- [82] **Paul Davies:** Yes. You mentioned the £1.6 million, and I understand that, of this, £400,000 is earmarked for spending, as you said, in 2014-15 on organisations to support the use of the Welsh language in the community, which includes support for *mentrau iaith*. I think another £800,000 is allocated for this purpose in 2015-16, but it is not clear, with regard to the additional £400,000, over what time period it will be allocated.
- [83] **Jane Hutt:** Would it be helpful, Chair, although it is not for the next supplementary budget, if I wrote to the committee to outline what the £1.6 million is made up of?
- [84] **Jocelyn Davies:** I think that that would be very useful. Are you happy with that?
- [85] **Paul Davies:** Yes.
- [86] **Jocelyn Davies:** Chris, shall we come to your questions?
- [87] **Christine Chapman:** Thank you, Chair. Minister, I just want to ask a couple of questions around the Wales infrastructure investment plan. It is fair to say that it is difficult to identify how the £18 million-worth of the health-related projects shown in the supplementary budget actually relate to this plan, as we know that they are below the £15 million threshold. Could you say something about these smaller projects and how they relate to the Wales infrastructure investment plan?
- [88] **Jane Hutt:** Thank you, Christine. I think that the Wales infrastructure investment plan, as you know, has high-level investment priorities. In terms of capital funding, again, it goes back to the kind of co-ordinating role that certainly I have as Minister for Finance to make sure that the capital programmes of Ministers link to those high-level priorities, even though they may fall below the £15 million threshold, but also that they can demonstrate a purpose that fits with their priorities. In terms of the £18 million for the health service, the Minister for health's allocation was very clearly to support reconfiguration of our health services. If you look at those projects, which include investment in key hospital sites and developments, and diagnostic equipment, you will see that those are very clearly linked to reconfiguration; I will not go through them all again, unless you want me to do so. However, I think that it is linking to high-level priorities and, of course, ensuring that we are investing in our public services, and our public services estate, in terms of capital. Reconfiguration is key to the health service, and making sure that this fits in with the overall capital programmes of Ministers.
- [89] **Christine Chapman:** You may not have the information now, Minister, but I wonder

whether you could tell us more about the number and the total value of the projects that come under £15 million, relative to those in the infrastructure investment plans. If you do not have it now, perhaps you could send us a list. That would be helpful, Chair.

[90] **Jocelyn Davies:** Are you able to do that, Minister?

[91] **Jane Hutt:** The difficulty is that we are talking about hundreds and hundreds. If you think below £15 million, we could be talking about projects—. We are funding projects worth thousands of pounds up to millions of pounds. Every portfolio department, obviously, has its capital programme and can account for its spending, but there are hundreds of capital projects. May I consider this question?

[92] **Jocelyn Davies:** Yes, because, again, it is one of those balance things. There is no point in giving us information that is so vast that we would not be able to make use of it. However, we would be interested. The sum of £15 million might not sound much when you are dealing with £15 billion, but £15 million sounds a lot of money to me.

[93] **Jane Hutt:** Yes. All of the budgets and capital spend under £15 million is a very large number, because we still have a £1.5 billion capital programme, despite reductions.

[94] **Jocelyn Davies:** There is a vast difference in comparing something that is £14.5 million with something that is £2,000, is there not? Perhaps £15 million is not quite the right number.

[95] **Jane Hutt:** Could I take it back for me to consider at what level it might be manageable to give you that central information across all departments?

[96] **Jocelyn Davies:** Yes. Perhaps you could send us a list, not of the individual projects but, perhaps, the 300 projects, for example, under £50,000. Just the number in the range, perhaps, would be helpful for us, rather than individual examples. Christine, shall we come back to your questions, or are you happy?

[97] **Christine Chapman:** Obviously, looking to the future, Minister—and I know what you are saying here about reconsidering the information—I wonder whether, for the future, a full reconciliation could be included in future budgets or the Wales infrastructure investment annual reports showing the actual capital allocations approved in budgets, and the amounts included in the plan. Perhaps that is something that you will want to think about.

[98] **Jane Hutt:** One of the things that I did not mention is that the Wales infrastructure investment plan, which you will have seen in the annual report last week, is the pipeline of all the projects across the departments, and we now also have local government projects. So, they are all laid out in the plan, but, obviously, at the £15 million plus level. However, the budget actually does set out our capital plans and allocations. So, I think that we need to look at transparency again and perhaps talk to officials—your officials—about this.

[99] **Jocelyn Davies:** Okay. Mike, shall we come to your question?

[100] **Mike Hedges:** I have two questions, actually. Sorry, Chair.

[101] **Jocelyn Davies:** That is all right.

[102] **Mike Hedges:** One question is that you have some very low-cost capital schemes in there, so do you have any views on whether some of these might be better dealt with via invest-to-save rather than low-cost capital?

[103] **Jane Hutt:** Well, we encourage the use of invest-to-save as far as possible, Mike, as you know.

[104] **Jocelyn Davies:** I think that Mike is the invest-to-save champion. [*Laughter.*]

[105] **Mike Hedges:** Sometimes, if you are talking about £20,000 or £50,000, it is below the amount of money you can give through invest-to-save so you are using valuable capital up on some of these things when you could actually group some of these in order that you could use invest-to-save rather than capital. I would just ask, perhaps: can you look at it?

[106] **Jane Hutt:** Definitely. I think that we probably already have a couple of examples that we could give you of where that has happened. Again, going back to your report, it is about promoting a different way of working and a different culture. However, with reducing capital budgets, the health service particularly is looking at this more carefully.

[107] **Mike Hedges:** We talk about value for money for all of these projects. Where do you see the reduced unit cost of doing something due to the capital expenditure?

[108] **Jane Hutt:** Clearly, we go back to the point that, for all capital expenditure, we have to have business cases in place in order to demonstrate value for money. You know, that is where we would consider the unit cost in terms of value for money.

[109] **Mike Hedges:** Are we seeing the unit cost going down?

[110] **Jane Hutt:** Well, I could not account for that today. We could look at it and come back to it.

[111] **Jocelyn Davies:** Do you decide on unit costs?

[112] **Jane Hutt:** Well I think that, probably, our capital colleagues could come back to us on that, whether that is used as part of the value for money—

[113] **Mr Denham-Jones:** Yes, we can do that. As part of the business case analysis, we will look at the ability to drive long-term savings. Generally, that is part of our five-case model to review capital projects.

[114] **Mike Hedges:** Could we ask for a note on the outcomes of those?

[115] **Jocelyn Davies:** Could we have a note on the outcomes?

[116] **Jane Hutt:** Yes, a general note, I think.

[117] **Mr Denham-Jones:** We can look at a note on the methodology we use, yes.

[118] **Jocelyn Davies:** Would that be suitable?

[119] **Mike Hedges:** Well, I am sure that the methodology works perfectly.

[120] **Jocelyn Davies:** Right. [*Laughter.*]

[121] **Mike Hedges:** I have no doubt at all that it works in theory. I was actually specifically talking about the outcomes—whether, because somebody said that the unit cost is going to go down from five units to 4.5 units by doing something, that is actually happening.

[122] **Jane Hutt:** Would it be helpful to give a couple of examples of where we have used

this methodology for capital projects?

[123] **Mike Hedges:** Yes. But with the outcomes.

[124] **Jane Hutt:** Yes. In terms of—

[125] **Jocelyn Davies:** Minister, please do not forget the outcomes. [*Laughter.*]

[126] **Jane Hutt:** I am going to justify this through the outcomes.

[127] **Jocelyn Davies:** Are you happy, Mike?

[128] **Mike Hedges:** I am happy, yes.

[129] **Jocelyn Davies:** Julie, shall we come to your questions?

[130] **Julie Morgan:** Thanks. I want to ask you about Barnett consequentials. We have been told that, in Scotland, a comprehensive list of Barnett consequentials is released after each autumn statement and after each UK budget. I know that the Welsh Government releases an aggregated total in the ministerial statements. Would it be possible to break it down in the way it is done in the Scottish budgets?

[131] **Jane Hutt:** Well, we certainly could consider looking at that. It is not always immediately clear what the consequentials are in terms of final effects on budgets, and we are talking about positive and negative consequentials, of course. I always feel that I have to make sure that the negatives, unfortunately, have to be recognised as well as the positives. However, I think that we can look at this, Chair, in terms of information. I mean, it is a very important point of principle in terms of our devolved settlement that it is for Welsh Ministers to decide how those consequentials should be used in terms of our programme for government and that we do not hypothecate them to policy areas or—

[132] **Julie Morgan:** Yes. I think that it would be very helpful if they were there in a comprehensive list.

[133] **Jane Hutt:** Certainly, we can look at that. I am happy to look at that.

[134] **Jocelyn Davies:** I do not think that there is an expectation that the allocation would then automatically—. Otherwise, we would not bother to have devolution. Julie, shall we move on?

[135] **Julie Morgan:** Yes, thanks. The other thing is the consequentials for non-domestic rates. Following the autumn statement, you said that Wales would receive a consequential of £54.6 million in 2014-15, but the supplementary budget allocates £17.4 million. Can you explain to us what the difference is?

09:45

[136] **Jane Hutt:** Yes, this is the situation—it will change, of course, when non-domestic rates are devolved from next April. When we choose to follow the same policy—this is a consequential; this is in addition to our income from non-domestic rates. It is a policy decision by the UK Government, and we have chosen to follow the same policy, which we did in terms of the benefits for business rates, particularly small business rate relief, which I think was welcomed—and not just welcomed, but requested—across the Chamber. If we choose to follow that policy, we effectively forego the consequentials and then we get the funding through a cash grant. That is the current situation. If we decided that we were not

going to do the same things that were announced by the UK Government, then, obviously, we would get the consequentials, but we would not then have followed the same policy initiatives as the UK Government. I think that we have done this over the last two or three years. We have welcomed, in fact, those consequentials that have come from those policy decisions on NDR. I hope that that makes sense, Julie.

[137] **Jocelyn Davies:** So, it is a balance for you to decide which mechanism to use that will put you in the best position.

[138] **Jane Hutt:** Yes. I think that if we did not follow the UK policy route, obviously, we would be in a different position. However, from next April, we will not be part of the UK Government's NDR financial arrangements anyway, so we will have to then take—because there are risks here in terms of NDR, and we will have to manage that ourselves.

[139] **Jocelyn Davies:** Mike, shall we come to your question?

[140] **Mike Hedges:** On the financial transaction funding consequential, what plans do you have to use it?

[141] **Jane Hutt:** We got £6 million in terms of the consequential and that, of course, goes to reserves, as you know, but the adjustment is in this supplementary budget. Already, of course, we are using financial transactions, and this is building on the allocations that we have already had. Help to Buy is one good example, but there is a range of economic development initiatives and regeneration priorities. The £6 million is only one small part of the £300 million financial transactions that we have had so far, but it may be helpful if we could give you a note on how that has been spent. I am just giving you one example with Help to Buy.

[142] **Jocelyn Davies:** That concludes our questions on the supplementary budget—

[143] **Alun Ffred Jones:** May I just—

[144] **Jocelyn Davies:** Yes, Ffred.

[145] **Alun Ffred Jones:** There has been an adjustment to the education and skills AME resulting from projections about student loans. Can you explain that to me in any way?

[146] **Jane Hutt:** On student loans—

[147] **Alun Ffred Jones:** It is the result of projections for student loans. So, what is happening there? Has there been a change?

[148] **Jocelyn Davies:** Jo or Matt, do you want to—?

[149] **Jane Hutt:** Let us have a look—

[150] **Alun Ffred Jones:** You can send a note, if you want.

[151] **Jane Hutt:** Could we give you a note on that, because we may have to go back to education officials?

[152] **Mr Denham-Jones:** I can just add, on AMEs generally, the point is that these annually managed budgets tend to fluctuate. Whenever we present a budget, we usually pick up the latest forecast; they will move around. I believe that these are small changes in the latest forecast of take-up and repayment. It does not, in any way, reflect a policy shift or anything like that; it is just a revision of the latest figures on demand.

[153] **Jocelyn Davies:** Do you want to put on the record what AME is?

[154] **Mr Denham-Jones:** It is annually managed expenditure.

[155] **Jocelyn Davies:** So, it is shown in your accounts, but, actually, you have no control over what is happening there.

[156] **Mr Denham-Jones:** Well, I would not say—

[157] **Jane Hutt:** It is demand-led.

[158] **Mr Denham-Jones:** It is generally demand-led and more volatile, but I would not say ‘no control’. It is just handled on a different basis, rather than the three-year plans that Treasury sets in the delegated expenditure budgets.

[159] **Jocelyn Davies:** Okay. Ffred, we will have a note on that as well.

[160] Obviously, Minister, we are very grateful for your responses there. I think that we will now move to our session on pre-budget scrutiny.

9:50

### **Cyllideb Ddrafft Llywodraeth Cymru 2015-16 Welsh Government Draft Budget 2015-16**

[161] **Jocelyn Davies:** We are grateful that you have agreed to extend your scheduled session with us this morning in order that we can ask you about the forthcoming draft budget, which is due in the autumn. The aim of this session is to give you an early indication of some of the issues that we will be keen to explore during the draft budget scrutiny, so that, at least then, the information that we would like to see, we hope, will be available.

[162] Before I come to a specific question, would you like to tell us where you are in the preparation of the draft budget at the moment?

[163] **Jane Hutt:** Thank you very much, Chair. I do welcome this opportunity to have this preview—I do not think that this has been done before, has it, in terms of the Finance Committee?

[164] **Jocelyn Davies:** No, this is the first time.

[165] **Jane Hutt:** It does give me an opportunity to see how I can best support you, particularly in terms of scrutiny of our plans. I think that colleagues will now know that the draft budget will be published on 30 September. So, that is a week earlier. One of the things that I have been doing, certainly, just in preparing for this discussion and scrutiny today, has been to look at your report on the budget scrutiny for 2013-14. I think that that is very helpful in looking at the key recommendations and themes that I am reflecting on in our budget preparations.

[166] I do think that we have made strides in terms of closer working and transparency, but, obviously, it is the Welsh Government that is now going through the difficult and challenging times in terms of budget preparation leading to 30 September, and we need to ensure that we can then move forward, hopefully, in terms of scrutiny in the most open and transparent way.

[167] We have already had an indicative budget for 2015-16 in the budget that was agreed

in December 2013, but that is quite a long way away now in terms of where we will be in 2015-16. So, I am very happy for, and am open to, any questions or issues that you want to explore.

[168] **Jane Hutt:** May I just say, just in terms of some of the points that you made in your report, and some of the discussions that we had earlier on this morning, clearly, we are looking at ensuring that the budget is aligned to the programme for government in terms of outcomes and key themes? We are looking at, and working very closely on, the equality impact assessments. We now have our budget advisory group on equality, which is helping us. I am also undertaking a budget tour around Wales and I am meeting front-line staff from across the public services, including the third sector, asking them questions about whether they think we have the right priorities and how it is for them in terms of the pressures that they are under in terms of their delivery of public services. We are getting some very strong, imaginative, innovative and challenging feedback. I can tell you that the themes that come back to us are prevention, early integration, collaboration, and integration. They want more of all of that, and I am going to be doing a report. I still have two or three of these meetings that I am going to report on. I am going to do a report on that. So, that is just the kind of work that I am doing so far.

[169] **Jocelyn Davies:** Thank you. Minister, you know that Government debt is an area that we have shown an interest in. Do you think that the draft budget will let us see the level of the Welsh Government's debt and when that debt is likely to be repaid—that is, over what period it will be repaid?

[170] **Jane Hutt:** We do that already. In the annual accounts, we provide information on all of our liabilities, and that does include information on commitments under finance lease. So, debt, I think, is further subdivided to show repayment over the longer and shorter term. However, I believe that I have already agreed to look at the information that we compile on debt, because, obviously, with our financial powers now increasing, coming forward, we need to be as open and transparent as possible. We discussed this during your scrutiny on best budget practice, and I look forward to hearing what you have to say on that as well.

[171] **Jocelyn Davies:** Yes. So, will the borrowing plans for the 2015-16 financial year be included?

[172] **Jane Hutt:** Again, it will relate to what we are already borrowing in 2015-16 in terms of innovative finance and commitments under finance lease, as I said. However, we will not be in a position to borrow under direct borrowing until we have our powers through the Wales Bill. So, it will be borrowing under our borrowing initiatives.

[173] **Jocelyn Davies:** Is the early access for borrowing, for the M4 in particular, likely to be included in the draft budget?

[174] **Jane Hutt:** Early access to borrowing is only linked, as you know, in the command paper to any improvements that might be considered in terms of the M4 and, obviously, there have been no announcements about that.

[175] **Jocelyn Davies:** No, there has been no announcement.

[176] The committee was a bit surprised, when we had the note from you following last year's budget scrutiny, about the use of novel and innovative finance and the level that you had got to and the amount of money that you have been able to lever in. We would all agree that that would be quite useful, even if it was in the narrative part of the budget so that at least it is all brought together and can be easily seen. Chris, shall we move on to your questions?

[177] **Alun Ffred Jones:** May I ask a question on capital projects? In the annual accounts, there is reference to some private finance initiative schemes, such as the Cardiff bay scheme and the ongoing liabilities. In terms of health, there is nothing there, although there are schemes that were built on PFI models. So, where do those appear in the accounts? Do they appear in local health boards' accounts, or do they not appear at all because they are off the books?

[178] **Jane Hutt:** We do have a few PFI schemes. There is Neath Port Talbot Hospital and Chepstow Community Hospital, and then we also have a few school PFI schemes as well. Where do they appear in the annual accounts, Matt?

[179] **Mr Denham-Jones:** A number will be on balance sheets somewhere. Details for local authority-run schools and that kind of thing will be in local authority accounts. All of the health boards publish their own separate accounts. So, PFI schemes for which they are responsible should appear there. However, we can check that out for you.

[180] **Jocelyn Davies:** If the Welsh Government uses somebody else's borrowing power, and that appears on their accounts, is there a commitment in your accounts to meet that debt over a period of time, because obviously that money is then committed? Even if it is not a debt to you, it is a commitment over a long period of time. Is that the information that you would like to see, Ffred?

[181] **Alun Ffred Jones:** Yes, it is.

[182] **Jocelyn Davies:** If a budget is committed because you have agreed with someone that they will borrow it and then you meet that commitment by giving them resources every year, then that is committed money.

[183] **Jane Hutt:** I think it would be useful if we came back to you. You have mentioned the borrowing that we are doing for innovative finance, for which I always announce how much we need to assist the borrowing. We are assisting local authorities' borrowing with the local government borrowing initiative and we are assisting registered social landlords with borrowing through the housing finance scheme. However, for the PFI debt, where there is any liability in terms of our accounts as opposed to that of local government and health boards, could we do you a note on this so you know where you are in terms of our revenue debt?

10:00

[184] **Jocelyn Davies:** Yes. I think my point being that outside organisations would not use their borrowing power if they did not have a long-term commitment from you in order to meet it. That is the point that I am making. Chris, shall we come to your questions?

[185] **Christine Chapman:** I have some specific questions, Minister. Obviously, this is for the future, but how much do you think you will be allocating in the draft budget in terms of building capacity to prepare for legislation around tax administration, and the capacity to set up and carry out tax management and collection?

[186] **Jane Hutt:** Again, it feels like a long way away—April 2018—but we need to prepare the way for that. It is a very relevant question. It is about the capacity that we have and, obviously, in terms of staffing capacity, for preparation, particularly around tax administration, we are already building up that capacity. That is funded from within the central services and administration main expenditure group because that is internal capacity; that is about staff resources—the departmental resource commitment. So, I think that it is all about leading up to April 2018, and we need to have full consultation on the draft legislative proposals that will come forward for tax collection and management. Then, of course, the

committee will be able to scrutinise those issues.

[187] **Christine Chapman:** There will obviously be staff resources, but will this be extra, or are you hoping to get this allocation within the existing staff resources?

[188] **Jane Hutt:** Well, we quite clearly need to develop our resource for this. Basically, this is the development of a new Treasury function. We are very clear about the financial challenges that we have at the moment in terms of budgeting for our own internal resource in terms of staffing of the Welsh Government. However, this is a priority, and it is a priority that I know is acknowledged and shared across this committee in terms of delivering on Silk and the Wales Bill. So, it is a priority, but, obviously, it is ultimately for the Permanent Secretary in terms of staff resources and management.

[189] **Christine Chapman:** May I ask whether you think that the Welsh Government will be making forecasts for national non-domestic rates collection for 2015-16?

[190] **Jane Hutt:** It is from April 2015 that non-domestic rates will be devolved. We already produce annual forecasts for NDR revenues. They are published with the local government settlement. So, I think that we are in a good place in terms of starting from next April when it is fully devolved, but the regime is already there.

[191] **Jocelyn Davies:** Peter, you wanted to come in on this.

[192] **Peter Black:** Coming back to this issue about tax administration, collection and management, has the Government made any policy decisions yet as to what vehicles it will be using to carry out that particular role?

[193] **Jane Hutt:** No, but we are very near to getting to the point and we will be consulting fully and widely in the autumn, in fact, on these issues. As you know, I have set up a tax advisory forum, and we met last week in fact. It is very much a cross-sectoral partnership with the public, private and third sectors, and we are already beginning to pave the way in terms of looking at methods and options, but it will be fully open for consultation in the autumn.

[194] **Peter Black:** So, if the consultation is taking place in the autumn, that means that it will be too late to go into next year's budget and you might have to do it via the supplementary budget or in the budget the following year in terms of the cost of that.

[195] **Jane Hutt:** At this stage, certainly in terms of 2015-16, we are not talking—. Christine's point about internal capacity is crucial to us obviously, but that will all have to be managed within the CSA MEG. It is not going to start costing us; we will have to move forward with some legislation.

[196] **Peter Black:** So, the budget impact will be in 2016-17 then.

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

[198] **Jocelyn Davies:** The CSA MEG is the Permanent Secretary's—

[199] **Jane Hutt:** It is the central services and administration MEG.

[200] **Jocelyn Davies:** And that is a full public consultation exercise that you will be undertaking.

[201] **Jane Hutt:** Yes, in the autumn in terms of tax collection and management.

[202] **Jocelyn Davies:** Okay. Mike, shall we come to your group?

[203] **Mike Hedges:** As we know, taxation is volatile and the taxes that people are suggesting should be devolved are cyclical taxes. The Wales Bill command paper suggests that the Welsh Government will need to build up a cash reserve in advance of the taxation powers to allow for the fluctuation in income. My question is: will you be allowed to keep a cash reserve or will you keep on having to go into the budget exchange system? If you keep the cash reserve, will you be able to invest it as many of us know they do in local authorities?

[204] **Jane Hutt:** This is a discussion point with the UK Government. It is too early to say. I think that it is probably too early in terms of the 2015-16 budget. I need to report back to you on the outcomes of our discussions, but it is quite clear, and it is in the command paper, that we will have this cash reserve and that it will be vital in terms of volatility.

[205] **Jocelyn Davies:** Is it too early to say what your preference would be?

[206] **Jane Hutt:** I think that it would be helpful if I did come back to you on this because it is going to be a new financial management tool and we need to know what the details will be, but also what the budgetary pressures are going to be. So, again, it is too great a decision for me to give you a quick answer on today.

[207] **Jocelyn Davies:** Ann is next.

[208] **Ann Jones:** There appears to be a misalignment between the way in which Welsh Government funded bodies prepare their accounts, particularly around accounting for capital and revenue and the way in which the Assembly votes on their funding. Have you any plans to change their budgets going forward—public bodies' funding—and the way they prepare their accounts?

[209] **Jane Hutt:** We have to help make them fit for purpose for our new financial powers. Again, this goes back to transparency, does it not? So, I think that it is something that we need to look at with partners in terms of issues of concern and alignment, but I think that it is still a bit early to say and it is something that we would want to consider.

[210] **Jocelyn Davies:** Peter is next.

[211] **Peter Black:** I have the committee's biggest bugbear here, which is the arrangement of local health board finances. The draft budget offers the Finance Committee an opportunity to follow up on the impact of the National Health Service Finance (Wales) Act 2014 and at the time of the brief, only half of the health boards had three-year financial plans accepted by you and by the Minister for Health and Social Services. Should we expect to see details of progress in terms of how the process is setting up and agreeing those three-year plans in terms of the 2015 and 2016 allocations?

[212] **Jane Hutt:** I think that it will be very important that you can scrutinise this effectively in terms of the local health boards' three-year financial plans. It will be new for you and, I am sure, for other committees. I think that it is important for us to look at how we have scrutinised in the past—it goes back to the delivery of core NHS services action. I am sure that you will remember that action in the previous two draft budgets. We have included a table in the draft budget narrative and that is giving provisional LHB allocations. The majority of their budgets come under the delivery of core NHS services actions. So, that is what we are working on in terms of the next draft budget. We may need to then reflect on the impacts in terms of the three-year planning regimes for those who delivered because, at this point, of course, not all of them have.

[213] **Peter Black:** I am pleased that you gave that answer because, clearly, we do want to get down to the detail of the £5.4 billion, which I think is for health boards, is it not? We need that detail to be able to look at that in terms of programmes and objectives. I am pleased that you say that you will carry on giving that indicative allocation. Is it possible to get even more detail in terms of how that money will be spent? It is a huge amount of money, which is basically covered by a single line in the budget.

[214] **Jane Hutt:** I would need to discuss that with the Minister for health and officials, to see whether we can drill down lower than that.

[215] **Jocelyn Davies:** It is a massive proportion of the overall budget, which has little transparency attached to it in the Assembly. Having to go to local health boards to get figures from them seems to be a ridiculous way of doing it. Peter, have you finished with your questions? I see that you have. Ffred, shall we come to yours?

[216] **Alun Ffred Jones:** Diolch yn fawr. Roeddech yn cyfeirio'n gynharach at y ffaith eich bod, wrth fynd o gwmpas Cymru, wedi clywed am syniadau ac am bwysigrwydd gwaith ataliol. Mae hyn yn amlwg yn rhan o'ch strategaeth fel Llywodraeth, felly a allwn ni ddisgwyl cael mwy o fanylion yn y gyllideb am ddyraniadau ataliol, a pha ddeilliannau fydddech chi'n disgwyl eu cael o'r gwariant hwnnw?

**Alun Ffred Jones:** Thank you very much. You mentioned earlier that, in travelling around Wales, you listened to people's ideas and heard about the importance of preventative work. This is clearly part of your strategy as a Government, so can we expect to have more detail in this budget about allocations for preventative spending, and what outcomes would you expect to have from that spending?

[217] **Jane Hutt:** I am glad that I had the opportunity to say something about what we are working on. Preventative spend is key and is coming back as a very strong view and perspective from the budget discussions externally. We reported on this last year in terms of indicating preventative spend in examples. I think that one of the issues is that some of it is long term, in terms of preventative spend; some of it is about mitigating adverse impacts in certain areas, like, for example, the investment that we are now putting into the social housing grant to build smaller properties to deal with the adverse impact of the bedroom tax. Enabling people to be rehoused in social housing is current and long term, in terms of preventative spend, to prevent them from further housing need and/or going into further debt.

[218] There is some here-and-now expenditure that we are making that, I believe, has a preventative and mitigating impact. I am working with officials and am working on the evidence. There is quite a body of evidence building up now in terms of budgetary discipline on preventative spending. I am certainly working with officials and Ministers on how this can be reflected in the draft budget so that you can scrutinise it effectively.

[219] **Alun Ffred Jones:** Mae Paul yn mynd i sôn am ddeilliannau. Rydym wedi cael tystiolaeth sydd wedi gwahaniaethu rhwng *outcomes* ac *outputs*. Rwy'n credu, os wyf wedi deall yn iawn, fod y tyst arbennig hwnnw yn sôn am *outcomes* fel yr amcanion tymor hir, os liciwch chi. Roeddech yn cyfeirio at y syniad fod llawer iawn o'r gwariant hwn yn wariant na allwch chi ei fesur yn y tymor byr, ac mae hynny'n wir.

**Alun Ffred Jones:** Paul is going to talk about outcomes. We have had evidence that has been differentiating between outcomes and outputs. I think that, if I understood correctly, that particular witness said that outcomes were the long-term objectives, if you like. You referred to the idea that you cannot measure a lot of this spending in the short term, and that is true.

[220] Fodd bynnag, roedd y tyst yn However, the witness said that spending, on

pwysleisio y dylai gwariant, ar y llaw arall, fod yn fesuradwy; hynny yw, bod amcanion. Roedd yn cyfeirio at y rheini fel *outputs*; hynny yw, y rhaglenni ond, hefyd, rhai o ganlyniadau y rhaglenni hynny. Rwy'n meddwl mai dyna'r hyn yr hoffwn ei weld yn y gyllideb o dan y mesurau ataliol hyn, sef pa ganlyniad sydd i'r gwariant hwnnw. Heb hynny, nid yw'n bosibl inni fesur llwyddiant neu aflwyddiant y gyllideb.

the other hand, should be measurable; that is, that there are objectives. He talked about those as outputs; so, the programmes and some of the outputs of those programmes. I think that that is what I would like to see in the budget under these preventative measures, in order to see what the outcomes of that spending are. Without that, we cannot measure the success or otherwise of the budget.

[221] **Jane Hutt:** I think that that is a very fair point. When I am looking at outputs, they are very often numbers, are they not? They can also be something like a building, can they not? It could be a new school. If you are looking at beneficiaries from our European structural funds, for example, or if you ask how many have benefited from an apprenticeship, a Jobs Growth Wales opportunity or GO Wales graduate opportunities, which are all backed by the European social fund, it is a progression, is it not? It is about what happens next. Have they progressed into further training or education and/or into employment? It is moving on from just the numbers in terms of outputs.

10:15

[222] In terms of investment in public health, this is often seen very much as a long-term preventative issue, but I am sure that the Minister for health would say about his focus on prudent healthcare, which is a new concept that he is developing, that there is a strong preventative element to that approach. So, that will be reflected for the first time. However, I agree; we will do what we can to make things measurable and to distinguish between outcomes and outputs.

[223] **Paul Davies:** We have talked quite a bit already about the importance of better linking of the programme for government with the budget process, and it is important that you, as a Government, provide sufficient data to enable the tracking of allocations and programmes and that outputs and outcomes can be measured and meaningfully scrutinised. Earlier, in your previous session, you mentioned that you need to drill down further. So, can you tell us what work you are doing to work towards this for the next draft budget?

[224] **Jane Hutt:** It reflects on what we were discussing earlier; in the last budget, we have tried to align budget actions to programme for government outcomes. I mentioned the four key themes that we are working on, and they are reflected in the summary report on the programme for government. There has been acknowledgement that there is more transparency and that you are able to see that as a result of that alignment. However, this is something that we are working on; we are building on this work.

[225] **Paul Davies:** So, what are you doing differently now, compared with last year or the last few years?

[226] **Jane Hutt:** We are trying to improve on the information that we are giving you in terms of the narrative and the mapping document. However, I have outlined some of the work that we are doing over the summer, particularly in relation to impact assessments. Impact assessments are important as far as looking at the impact and outcomes of our spend goes. It is a difficult task to say, 'We do not have enough money and we have a 10% real cut in our budget, so what will we have to stop doing in order to pay for this?'. You have to look at what is working and what the evaluation and impact of your spend is and decide what is a priority, and this budget will all be about priorities. It will be a very tough budget. We will have to make tough decisions in this draft budget and try to enable you to scrutinise us, but, you will

also have to see that it is a reducing budget in terms of public finances. So, it will be about priorities. We are clear about what our Welsh Government priorities are, but we need to justify those priorities as well, and you need to be able to see the impact of what we have decided to spend our money on.

[227] **Paul Davies:** In order to improve the information that you make available, are you learning from good practice from other countries, for example, because during our budget process inquiry we have learnt that some countries are good at providing information? Are you looking at other countries? Are you learning from other countries?

[228] **Jane Hutt:** I have also read your transcripts, and I was particularly interested in the evidence of the Organisation for Economic Co-operation and Development and some of the other evidence that you have taken. I am looking forward to your report. The inquiry is an opportunity for us in Government to learn from it. My officials are briefing me and are keeping me abreast of all international evidence.

[229] **Jocelyn Davies:** When you talk about different ways of working and about different information that you are providing for us, does this change the information that you request from departments, in terms of looking at outputs, effectiveness and so on? Our demands on you change, so does that mean that it changes your demands on the departments?

[230] **Jane Hutt:** We are all moving in the same direction. It is not new. Since I have been Minister for Finance, I have been working on outcome-focused and result-based accountability and a much clearer evaluation framework to underpin our investments. One of our priorities, for example, is tackling poverty, which involves not just one Minister in the lead in making sure that there is investment. When you go back to the key themes, which are very important with regard to tackling poverty—jobs and growth, education attainment, supporting families, children and deprived communities—it is cross portfolio and includes a lot of funding streams. It makes it more challenging. We have been driving the discipline, because we have a reduced budget, not a growing budget. Arguably, when you have a growing budget, the discipline has not perhaps been there in the way that it is now. It is essential now, and it is imperative that we focus on the outcomes.

[231] **Jocelyn Davies:** That is to enable you to have all the information that you need to make decisions about priority.

[232] **Jane Hutt:** You do not always have the evidence. I am also responsible for making sure that we have the evidence to support the budget.

[233] **Jocelyn Davies:** Julie, shall we come to your question?

[234] **Julie Morgan:** Just on that theme, when you have to make the tough decisions, how important are the equality impact assessments?

[235] **Jane Hutt:** They are very important, because they can show the impact of cutting a budget. We have to impact assess if we are going to reduce a budget. You will have seen that we were the first Government to take seriously, in terms of the Equality Act 2010, the need to have equality impact assessments. We could see the impact of cutting funding to buses, for example, on those who use buses—mainly women, pensioners and young people. We started looking clearly at equality impact assessments with regard to budgetary decisions. The budget advisory group for equality—which, at some stage, the committee may want to meet with or see what work it is doing—is very helpful in advising us on the impact-assessment approach.

[236] **Julie Morgan:** That would be useful, actually. The committee would like to be able to identify where allocations have been made in the 2015-16 budget as a result of legislation

that has previously been made in the Assembly. Is that possible?

[237] **Jane Hutt:** Yes, certainly. Last year we identified the money for the housing Bill, even though it was not certain whether it would be spent in this financial year. We have a whole section on the legislation budgetary impacts.

[238] **Julie Morgan:** The committee's favourite subject is the invest-to-save fund, which we love. [*Laughter.*] We would like to clearly be able to see the funding going in and out and the repayments being made to the scheme, and any details of repayment schedules for debt that will be paid in future years. In progressing the transparency agenda, will that be available?

[239] **Jane Hutt:** Yes. In October last year, I published the invest-to-save fund annual report, which included the financial plans for this financial year and for 2015-16. It also provided information on the repayments that are being made to the fund. I will be providing that information again. The draft budget will show the amounts in revenue and capital that will be available to invest in 2015-16, and they will be shown in the central administration MEG on separate budget expenditure lines. So, I hope that this will cover all of the points that you want covered in terms of invest-to-save. In terms of the profile and the repayment data, case by case is not always—. You know, it goes over a period of time, so I think that in-year and future year models provide the accurate picture.

[240] **Julie Morgan:** The committee recommended last year that there should be a breakdown of the EU funds available for spending during the budget period and that that should be presented alongside the budget. Is that possible?

[241] **Jane Hutt:** It will be interesting in terms of 2015-16, because the latest position is that—. It is still under negotiation, but we anticipate that the UK partnership agreement, which we are part of, will probably not be approved until the end of September, so there is the timing issue. I think we could do broad forecast expectations in terms of EU budget, but, again, we will look at that carefully.

[242] **Jocelyn Davies:** Okay. I have just a few questions to finish, Minister, in terms of mainstreaming of cross-cutting issues. In relation to the Rights of Children and Young Persons (Wales) Measure 2011, do you think that we will be able to see how the Welsh Government has incorporated the requirements of that Measure into both policy and budget decision making?

[243] **Jane Hutt:** Certainly, we would seek to do that as part of the impact assessment approach.

[244] **Jocelyn Davies:** Have you done any work on the presentation of a children's budget?

[245] **Jane Hutt:** On the children's budget, which is very much in accord with the rights of children Measure, again, work has been done in the past, but I will certainly take that back as another area that we need to look at.

[246] **Jocelyn Davies:** I know that Paul asked you earlier about the First Minister's recent Welsh language resource announcement and, obviously, we are keen that there is scrutiny of the allocations. Do you think that, when we see the budget, we will see these sorts of allocations and outputs that are required in terms of the Welsh language?

[247] **Jane Hutt:** I will be writing to you about this recent announcement of the £1.6 million. We will certainly seek to clarify the different funding streams that are in support of the Welsh language.

[248] **Jocelyn Davies:** Julie asked you about equalities earlier on, but, obviously, sustainability is another important issue. So, will committees be able to see, when they look at the budget, that sustainability is there?

[249] **Jane Hutt:** One of the approaches that we are developing, of course, is the integrated impact assessment. So, again, there will not be any surprises; I want to make it as transparent as possible, but, in reflecting that integration, we need to look at how sustainable development and sustainability is acknowledged.

[250] **Jocelyn Davies:** I think that we have run out of questions, Minister. This is the first time that we have done a session like that with you in terms of pre-budget scrutiny. I thought that it was a very useful session. Thank you very much for your time this morning. I hope that you found it as useful as we did. As normal, we will send you a transcript to check for factual accuracy before we publish it. I think you agreed to send us a couple of notes on specific things. Perhaps we will make a list of those, so that we are quite clear about what we expect from you.

[251] **Jane Hutt:** Thank you very much, Chair.

[252] **Jocelyn Davies:** Thank you.

10:29

**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**

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

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

[254] Are Members content with that? You are.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:29.  
The public part of the meeting ended at 10:29.*