

Pwyllgor Cymunedau, Cydraddoldeb a  
Llywodraeth Leol

Communities, Equality and Local Government  
Committee

**Jane Hutt AM**  
Minister for Finance and Government  
Business

Bae Caerdydd / Cardiff Bay  
Caerdydd / Cardiff  
CF99 1NA

24 October 2014

Dear Minister

### **Welsh Government draft budget proposals, 2015-16**

Thank you for attending the Committee on 9 October 2014 to answer questions on the Welsh Government's draft budget proposals for 2015-16, specifically on the process of considering equality in the budget.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, as soon as possible.

We note that the Finance Committee's consideration of the draft budget is structured around the four financial scrutiny objectives of affordability; prioritisation; value for money; and budget processes. We have applied these objectives to our considerations, where appropriate. A copy of this letter goes to the Finance Committee to inform its overarching consideration of the draft budget and it will also be published on our website.

## **1. Budget reductions**

We note that the main reductions in spending detailed in the Strategic Integrated Impact Assessment includes a significant reduction for post-16 education, education and career choice, the Supporting People Programme and Communities First. Given that these include key areas of preventative spend, we are concerned about the impact of these reductions, particularly on vulnerable groups. Within this context, and in view of the significant increase in funding for health and social care, we are concerned about the apparent prioritisation of health services over preventative services, such as the Supporting People Programme .

We are concerned about the overall reduction of £10 million for the Supporting People Programme, the impact of this on the delivery of the Programme and on the ability of vulnerable groups to access much needed advice and support. In addition, we question whether sufficient consideration has been given to the cost implications for other public services, including health, of the reduction in funding for the Programme. As such, we would welcome further detail from you on any cost-benefit analysis undertaken to inform the decision to reduce funding for the Supporting People Programme. Linked to this, we note your intention to undertake an assessment of the impact of this funding reduction and we would welcome further details of this as soon as they become available.

During the evidence session, you stated that “raising the skills level of the Welsh workforce is key to our ambitions to tackle poverty”. Despite this assertion, funding for post-16 education and Careers Wales’ has been reduced. We are concerned that the reduction in this funding for could further disadvantage groups including, NEETs, black and minority ethnic groups and disabled people, who are already at increased risk of poverty.

## **2. The Budget Advisory Group on Equality (BAGE) and the Strategic Integrated Impact Assessment (SIIA)**

We are aware that the Budget Advisory Group on Equality (BAGE) has been in existence now for two years and that, according to your evidence it “has had a significant influence already”, although you would “not necessarily be steered by [the Group]”. As such, we are unclear about the role of BAGE. We would welcome further information on its role, in particular, the extent to which BAGE is able to influence the development of the draft budget and its impact on final budget decisions across Welsh Government portfolios. As agreed at the meeting, we would also like the minutes of all BAGE meetings, including the 23 October meeting when we understand the Group will meet to discuss the draft budget 2015-16.

We welcome the publication of the first Strategic Integrated Impact Assessment (SIIA) and the steps undertaken by you to improve the impact assessment process. We believe there is an opportunity for BAGE to have a more influential role in the development of the SIIA, and for it to provide a critical analysis of the draft budget. We would like you to consider this ahead of the next budget round and report back to us on the outcome of your consideration.

Finally, we would also like you to consider whether there is a role for BAGE in collating and assessing local authority budget assessments with a view to identifying the cumulative impact of budget decisions on particular groups and to report back to us on this.

Yours sincerely

A handwritten signature in black ink that reads "Christine Chapman". The signature is written in a cursive, flowing style.

**Christine Chapman AC / AM**

Cadeirydd / Chair

cc Jocelyn Davies AM, Chair, Finance Committee

Pwyllgor Cymunedau, Cydraddoldeb a  
Llywodraeth Leol

Communities, Equality and Local Government  
Committee

**Leighton Andrews AM**  
Minister for Public Services

Bae Caerdydd / Cardiff Bay  
Caerdydd / Cardiff  
CF99 1NA

24 October 2014

Dear Minister

### **Welsh Government draft budget proposals 2015-16**

Thank you for attending the Committee on 9 October 2014 to answer questions on the Welsh Government's draft budget proposals 2015-16 relating to local government.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, as soon as possible.

We note that the Finance Committee's consideration of the draft budget is structured around the four financial scrutiny objectives of affordability; prioritisation; value for money; and budget processes. We have applied these objectives to our considerations, where appropriate. A copy of this letter goes to the Finance Committee to inform its overarching consideration of the draft budget and it will also be published on our website.

### **Overall priorities and preventative spend**

We note the reduction in total funding for the Local Government Main Expenditure Group (MEG) between 2014-15 and 2015-16 of £192.6 million, which equates to 4.2 per cent in cash terms and 5.7 per cent in real terms. While we acknowledge that a certain level of reduction in funding is inevitable within the context of existing financial constraints, we are concerned about the scale of the proposed reduction.

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We note your view that “a substantial reduction to [the local government budget] is unavoidable” and that reductions across Ministerial portfolios are “unavoidable overall”. Despite your assertion, we are aware that the Health and Social Service MEG has not been subject to any reduction but has instead been allocated an additional £225.7 million in 2015-16 (3.5 per cent).

You will be aware that the Welsh Government cited the need to address pressures in the health service as a reason for the level of cuts to the local government budget. While that may be the case, the Welsh Local Government Association and others have asserted that local government services, in particular social services, are under similar pressures. We do not dispute the benefits of spending on health, however, we are concerned that the Welsh Government has not demonstrated sufficiently how it is taking a strategic approach to budgeting, particularly in respect of preventative spend.

We share your view that funding for local government to support communities and local services “plays a key role in terms of preventative spend”. As such, we are concerned that, given the scale of the reduction in local government funding, many of these services, including those that are preventative in nature, will suffer inexorably.

### **Forward planning**

You told us in your evidence that, during the first three years after the 2010 Spending Review, local government in Wales has been “protected from the worst of the cuts to public funding”. You also told us that it had been made clear to local government that this protection “was to enable local government to rethink and reform services in order to prepare for the challenges ahead”.

While we acknowledge the above, we are aware that the reduction to the local government budget is significantly greater than was set out in the indicative 2015-16 figures. This has been the case for two consecutive years. You told us that your predecessor had warned local government in June “that it could expect a very difficult settlement”. Nonetheless, the Welsh Local Government Association has raised concern that “the inability to rely on indicative figures [...] makes sound financial planning untenable” and that this is further exacerbated by the scale of reductions. As such, we are concerned about the level of variation between indicative and actual allocations for local government, and the basis on which this enables authorities to plan effectively in the medium term.

### **Reforming local government**

Given the significance of the proposed reform of local government and the potential implications of this for the future delivery of local government services, it is unsurprising that the reform and proposed mergers formed part of our considerations.

We note the differences in the cost estimates provided by the Williams Commission and the Welsh Local Government Association of the proposed local authority mergers. We are aware that the Welsh Government has not yet provided

its own estimate. We believe that the decision to proceed with the programme of mergers would have been better informed by a comprehensive and robust cost-benefit analysis with a view to demonstrating how the programme will provide value for money for Welsh citizens. However, we recognise that there will be opportunities to consider these issues as part of the wider scrutiny of the forthcoming Bill that will give effect to the programme of mergers. We await with interest the publication of the draft Regulatory Impact Assessment (RIA) to accompany the Bill. Looking ahead, we would expect the Assembly committee responsible for Stage 1 consideration of the Bill, once introduced, to give full consideration to the RIA as part of the scrutiny process.

We acknowledge the work already underway to pave the way for reform and that local authorities are currently considering whether to take advantage of voluntary merger before the introduction of the main merger programme. We were pleased to hear that “resource is there to support voluntary mergers”, although we were disappointed that you were not prepared to provide us with specific figures. You told us that, once proposals for voluntary mergers have been received, it was your intention to undertake “a case-by-case assessment of what might be needed and what might be feasible for us to support” and that you would expect to discuss this “at a future date with the Minister for finance”. **We would like you to provide further details, at the first available opportunity, of the financial arrangements that you intend to put in place in order to incentivise authorities to merge voluntarily. We would also like details of any other incentives you are prepared to offer local authorities as part of the voluntary merger process.**

On a more general point, we sought clarification from you on the implications of the merger programme on established partnerships and collaborative activity that exists outside of the proposed map of merged authorities recommended by the Williams Commission (“the Williams map”). You told us that “it is not necessarily the case that [...] collaboration would need to stop in the context of a set of mergers on the Williams footprint”. We welcome this assurance and believe that, where successful partnerships and collaborative activities do exist, it is important to ensure that authorities are able to preserve them. As such, **we would welcome further detail from you about how you envisage this working in practice.**

## **Council tax**

We are aware that, in the current financial year, councils in Wales set an average rise of 4.2 per cent in their local council tax rate. Given the substantial reduction in local government funding and the ongoing pressures facing the sector, further increases in council tax in most authorities for 2015-16 are inevitable. You have previously reported that funding to support council tax reduction schemes for 2015-16 will remain unchanged at a level of £22 million. We understand that, in line with existing arrangements, authorities will be expected to meet the ever increasing shortfall, which serves to further increase financial pressures on local government.

Yours sincerely

*Chris Chapman.*

**Christine Chapman AC / AM**

Cadeirydd / Chair

cc Jocelyn Davies AM, Chair, Finance Committee

Pwyllgor Cymunedau, Cydraddoldeb a  
Llywodraeth Leol

Communities, Equality and Local Government  
Committee

**Lesley Griffiths AM**  
Minister for Communities and Tackling  
Poverty

Bae Caerdydd / Cardiff Bay  
Caerdydd / Cardiff  
CF99 1NA

24 October 2014

Dear Minister

### **Welsh Government draft budget proposals, 2015-16**

Thank you for attending the Committee on 9 October 2014 to answer questions on the Welsh Government's draft budget proposals for 2015-16.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, as soon as possible.

We note that the Finance Committee's consideration of the draft budget is structured around the four financial scrutiny objectives of affordability; prioritisation; value for money; and budget processes. We have applied these objectives to our considerations, where appropriate. A copy of this letter goes to the Finance Committee to inform its overarching consideration of the draft budget and it will also be published on our website.

### **Tackling poverty**

We believe it is important to see clear links between budget allocations and the Tackling Poverty Action Plan (TPAP). We note your assertion that "the contribution to Tackling Poverty was an explicit factor in deciding the changes to be made between the indicative budget for 2015-16 and the draft budget" and that, "budgets have been protected for the programmes that contribute to that [anti-poverty] agenda as much as possible". While we welcome this, we are aware of reductions in budget allocations across Ministerial portfolios that could potentially

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impact on the delivery of the TPAP. The most notable of these is the reduction in funding for Communities First, which is a key programme within the TPAP.

We are aware that there is an annual report on the progress of the delivery of the TPAP. We hope this will prove useful as a means of helping to monitor the impact of budgetary decisions on progress and we intend to monitor this through in-year scrutiny.

## **Communities First**

The Committee was keen to see a demonstrable link between investment in the Communities First programme and clear, measurable outcomes so that value for money can be demonstrated.

The need for effective monitoring of how funding for the Communities First programme is spent, and for clear, measurable outcomes has been a continuing theme in our considerations of the programme. This is central in the context of existing financial constraints, when it is increasingly important to demonstrate value for money.

We are aware that the Outcomes Framework and performance measures have been agreed and are currently being used to measure progress. Your predecessor previously provided us with performance information based on the volume of interventions. However, we are unclear about how this data is used to measure the effectiveness of the programme. As such, we would welcome further clarification of how the programme is monitored, not only in terms of volume of interventions but quality of outcomes.

You told us that of the 100 performance indicators for the programme there are 20 key indicators that “measure the hardest outcomes” and that Communities First clusters have been asked to focus in these. You agreed to provide us with these key indicators when available.

You also told us that monitoring is being further refined to align performance measures across Communities First, Families First and Flying Start. We would like you to report back on the outcome of this work.

Following on from our consideration of last year’s budget when we raised concerns with your predecessor about the lack of monitoring and evaluation of the programme, we were told that an evaluation report on the reshaped Communities First programme would be available in July 2014. We would like information on the outcome of this evaluation as soon as possible.

## **Supporting people and homelessness**

We are concerned about the overall reduction of £10 million for the Supporting People Programme, in particular the impact that this reduction in preventative spend could have on homelessness. This coincides with an increase in the Homelessness budget allocation, which includes £4.9 million to support the

implementation of the homelessness provisions in the Housing (Wales) Act 2014. We note your official's assertion that prioritising homelessness prevention in this way "would generate long-term benefits that were worth taking that short-term hit [...] on the budget more generally". Nonetheless, we remain concerned that the reduction in what is a key area of preventative spend could negate any potential benefit resulting from the increase in funding for homelessness prevention. We note that both local authorities and the Supporting People National Advisory Board are preparing to deal with consequences of the budget reduction. We welcome your commitment to publish information relating to the individual audits of Supporting People services and on the Supporting People longitudinal survey looking at the longer term impacts of the programme. We would like you to provide us with this information in due course.

## **Housing Supply**

The Committee welcomed the review of Social Housing Grant which has just commenced should improve efficiency of the grant process. The Committee see capital investment in housing as an opportunity, not only to deliver more affordable homes, but to achieve substantial community benefits, and noted the use of the Value Wales tool to measure this. More generally, the Committee sees an opportunity to integrate housing and community regeneration work with the Vibrant and Viable Places regeneration programme.

The Committee noted the regular monitoring information received on the Help to Buy Wales scheme, and the annual audit as well as a planned external evaluation.

## **Houses into Homes**

We welcome the success of the Houses into Homes scheme and the significant progress that has been made to date towards the target of bringing 5,000 empty properties back into use. We also welcome the additional £10 million for the scheme in 2015-16, which you told us was being made available to meet the increase in demand for loans as a result of the success of the scheme.

Your official reported that an evaluation of the scheme was underway. We welcome the intention to include in the evaluation consideration of whether landlords of rental properties that have benefited from the scheme should be required to charge an affordable rent. We would like details of the outcome of the evaluation as soon as they become available.

We note that the scheme is not available to owner occupiers. We believe that there could be merit in extending the scheme to owner occupiers in certain circumstances. We welcome your commitment to consider this issue and ask that you report back to us on the outcome of your consideration at the first available opportunity.

## **Home Adaptations and repairs**

We, and our predecessors, have taken a close interest in home adaptations over a number of years, most recently in our July 2013 report. We note that the Welsh Government's own review is about to report shortly and that you stated any minor changes to the adaptations system will be absorbed through your departmental budget as no specific allocation has been made for this purpose. We await the findings of the review to see whether there are any financial implications.

We also noted with interest the pilot Home Improvement Loan scheme which will be targeted at vulnerable people, including older people, who need assistance with repairs.

We intend to monitor both of the above areas closely to ensure value for money is being achieved.

Yours sincerely

A handwritten signature in black ink that reads "Christine Chapman". The signature is written in a cursive style with a period at the end.

**Christine Chapman AC / AM**  
Cadeirydd / Chair

Cc. Jocelyn Davies AM, Chair, Finance Committee

Pwyllgor Cymunedau, Cydraddoldeb a  
Llywodraeth Leol

Communities, Equality and Local Government  
Committee

**Ken Skates AM**  
Deputy Minister for Culture, Sport and  
Tourism

Bae Caerdydd / Cardiff Bay  
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24 October 2014

Dear Minister

**Welsh Government draft budget proposals, 2015-16**

Thank you for attending the Committee on 9 October 2014 to answer questions on the Welsh Government's draft budget proposals relating to culture and sport for 2015-16.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, as soon as possible.

We note that the Finance Committee's consideration of the draft budget is structured around the four financial scrutiny objectives of affordability; prioritisation; value for money; and budget processes. We have applied these objectives to our considerations, where appropriate. A copy of this letter goes to the Finance Committee to inform its overarching consideration of the draft budget and it will also be published on our website.

## **1. Overall priorities**

We note the reductions in the draft budget in funding to the arts sector, museums, archives and libraries and media and publishing Spending Programme Areas. While we are aware that reductions in funding are inevitable within the context of existing financial constraints, we have some concerns about the impact of these reductions on the participation of disadvantaged groups in culture and heritage.

We believe that understanding the potential impacts of proposed changes to funding should form a crucial part of the budget planning process. As such, an assessment of these impacts should be undertaken by the Welsh Government before budget decisions are made. Against this background, we were encouraged to hear from you that the decision making process was “very structured” and involved extensive engagement with all sponsored bodies. You told us that all of the bodies “were asked to provide information based on scenarios for reductions to their budgets – indicating what the impacts would be, including impacts on the delivery of Programme for Government and equality considerations”. Your official provided a positive example of where this process had helped shaped your decision not to further reduce funding for the National Library.

## **2. The arts sector**

We note that the arts sector Spending Programme Area has been reduced from £33.8 million in 2014-15 to £32.9 million in 2015-16, a reduction of 4.1% in real terms. We have concerns about the impact of this reduction, in particular the reduction in funding for the Arts Council for Wales (ACW), on participation levels for more vulnerable groups, such as disabled people and lower socioeconomic groups. In seeking to respond to this issue, you told us that the correlation between participation and revenue funding is not clear, and that participation levels are “very much linked to a multitude of other factors”. You asserted that work emanating from the recent reviews into Culture and Poverty, and Arts in Education would help attract and engage new participants, including young people and families. We await this work with interest and will wish to follow up progress on this issue as part of our in-year scrutiny.

You also told us that the ACW remit letter will “reiterate the Government’s priorities to make sure that we militate against adverse impacts” on vulnerable groups.

The Draft Budget Narrative document states that additional funding has been provided to Arts and Business Cymru from within the Economy, Science and Transport budget for it to encourage “the business community to invest in the arts and to help the arts sector become more sustainable and more business focused”. You stated that Arts and Business Cymru is currently providing you with the key performance indicators describing what it intends to achieve with this funding. We would be grateful for sight of these in due course.

### **3. Museums, archives and libraries**

We note that the museums, archives and libraries Spending Programme Area has been reduced from £44.4 million in 2014-15 to £40.9 million in 2015-16, a reduction of 9.3% in real terms. Taking into account the reduction in the revenue support grant, we have concerns about the impact that the reduction in funding for CyMAL of approximately 12-13 per cent, will have on the support provided by local authorities to their libraries.

To address this, your official told us that co-location of some libraries would be considered, to “maintain and, hopefully, increase visitor numbers in the library sector”. In addition, you told us that a “major part” of CyMAL’s work next year will be to continue helping local councils to “repackage” their library services, where possible.

We look forward to the forthcoming report on the Expert Review of Public Libraries in Wales and to your response to our report. We note that CyMAL is currently collecting information on local authorities’ current funding position in respect of museums, libraries and archives. We would like you to provide us with details of this, and of how this will influence Welsh Government budget allocations and policy.

### **4. The historic and natural environment**

You told us that the reduction in allocation for the historic and natural environment Spending Programme Area “reflects ambitions for Cadw’s income to increase” as a result of projected increases in visitor numbers. You also reported your intention to look at digital donations in free-to-visit unstaffed sites as a means of increasing revenue receipts. We would be keen to receive further details about this work as it progresses.

You told us that, despite the reduction in funding, you believed that Cadw sites would be able to attract more visitors from disadvantaged groups, in particular as a result of the work emanating from Culture and Poverty and Arts in Education reviews. You also told us that the Open Doors scheme and affordable entry prices to Cadw sites played an important role in widening access. We would be grateful for confirmation as to how these schemes are provided for in the draft budget.

We are pleased to hear that arrangements are in place to monitor visitors to Cadw sites by socioeconomic groups. We seek clarification on whether, and if so how, the available data will be used to monitor the impact of changes to funding for Cadw on visitor numbers by socioeconomic group.

### **5. Media and publishing**

We note that this is the second year of reduction in funding for the Welsh Books Council (WBC) and that the proposed reduction is £100,000 more than was set out in the indicative 2015-16 figures. While acknowledging that this represents a significant challenge to the WBC, you asserted that you are “confident that [it] would be able to continue to support the publishing industry in both languages”. We would welcome clarification of the grounds on which you made this assertion.

Your official told us that you had discussed priorities with the WBC and would be holding further discussions about how it will cope “in terms of reducing the impact on services”. These would be reflected in the WBC’s Remit Letter 2015-16. On a related note, you agreed to provide us with details on the changes to the commissioning procedure.

## **6. Sports and physical activity**

We are aware that, in the latest *Programme for Government* update, the Welsh Government has acknowledged the need to do more to increase physical activity. We are also aware of the significant reductions in local government funding and the implication of this for the provision of non-statutory services such as leisure facilities. Taking account of these, we have some concerns about the reduction in revenue for the sports and physical activity Spending Programme Area.

You told us that you were in the process of developing an on-line toolkit for to local authorities and community groups, with the aim of providing the “information and support required to maintain sports and leisure facilities”. We look forward to the publication of the toolkit and would welcome information on how you intend to monitor its usage and effectiveness.

Finally, we would like figures on the difference in participation levels in sport and on spending in sport between genders.

Yours sincerely



**Christine Chapman AC / AM**

Cadeirydd / Chair

cc Jocelyn Davies AM, Chair, Finance Committee