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[The Finance Committee](#)

20/01/2016

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Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

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

Eraill yn bresennol
Others in attendance

Jeff Andrews	Cynghorydd Polisi Arbenigol, Llywodraeth Cymru Specialist Policy Advisor, Welsh Government
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog Cyllid a Busnes y Llywodraeth) Assembly Member, Labour (The Minister for Finance and Government Business)
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

Bethan Davies	Clerc Clerk
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Martin Jennings Y Gwasanaeth Ymchwil
Research Service
Gerallt Roberts Dirprwy Glerc
Deputy Clerk
Joanest Varney–Jackson Uwch–gyngorydd Cyfreithiol
Senior Legal Adviser

*Dechreuodd y cyfarfod am 09:01.
The meeting began at 09:01.*

Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **Jocelyn Davies:** Welcome, everybody, to today’s meeting of the Finance Committee. Can I just remind everybody, if you’ve got mobile devices, if you wouldn’t mind switching them to ‘silent’, I’d be very grateful? We haven’t received any apologies, so I’m assuming that Christine will be joining us shortly.

Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2016–17: Sesiwn Dystiolaeth 6 Welsh Government Draft Budget 2016–17: Evidence Session 6

[2] **Jocelyn Davies:** We’ll move to our first substantive item, then, which is item No. 2, the Welsh Government draft budget 2016–17. This is our evidence session No. 6. I’m delighted that the Minister has been able to join us this morning. Minister, would you like to introduce yourself and your colleagues for the record and then we’ll go straight to questions, if that’s okay?

[3] **The Minister for Finance and Government Business (Jane Hutt):** Thank you very much, Chair. Yes, I’m very happy to welcome Jo Salway, the deputy director of strategic budgeting, and Jeff Andrews, specialist policy adviser.

[4] **Jocelyn Davies:** Thank you. We’ll go straight to questions, then. Minister, the most significant reallocation in the draft budget has been the £260 million increase in allocations to the NHS. An update following the Nuffield Trust report has been used to justify this decision. Would you agree that equally valid independent assessments could be presented to you to justify increased funding for other programmes of Government themes?

[5] **Jane Hutt:** I think the commitment and the priority that we put into the Welsh NHS was fundamental in terms of setting not only this draft budget but earlier budgets. It's interesting that, in terms of the Nuffield Trust—obviously, it's an independent organisation—it was commissioned to do this work to enable us to see what we would need to put into the Welsh NHS in order to make it sustainable and also to look at ways in which we could invest to sustain and transform the NHS, moving it to a more primary care-led service and to get their independent assessment of that. But, of course, we partly went to Nuffield because Nuffield had done a similar piece of work in England in 2012. So, it was very natural to look to that kind of independent source of advice. So, the key thing about choosing to get that evidence to focus independently on NHS needs is because, of course, the NHS is arguably, I would say, the most important universal public service that we're responsible for. Of course, it's now taking up 48 per cent of our budget.

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

[7] **Mike Hedges:** Yes, very much on this point. Can I thank the Minister for her answer to that? I also know there's a second Nuffield report, of course, isn't there, which showed, in their terms, 'crude productivity' in the Welsh health service between 2002 and 2012 had fallen by roughly 40 per cent, which was bigger than that in the north of England, Scotland and Northern Ireland. I don't think the Minister will be able to answer in detail on this, but will the Minister take up with the Minister for Health and Social Services crude productivity and what is being done to increase productivity within the health service? I tell you now that, if that had happened in education, and if productivity had dropped by 40 per cent, there would have been a steward's inquiry.

[8] **Jane Hutt:** Well, I think that is a very important area of discussion in terms of outcomes, in terms of our investment. But I think, if we just go back to what the Nuffield review identified, it did identify that the additional funding that we needed—as I said in response to the first question—to enable us to deliver that high-quality, safe service for the people of Wales. But it did also—I mean, including those issues you raise, Mike—set out that scale of challenge, to 2025–26, that would increase if we didn't change the way the NHS delivers our services. So, I think we've got to see this isn't just, 'This needs more money'; this was on the basis of a change in the way that we deliver our services.

[9] Some of the extra money that we've put in for the draft budget, of course, responds to that—about new service models, and particularly the extra money for the intermediate care fund, the extra money into pump-priming changes in primary care, efficiency and technology, in terms of equipment and diagnostic equipment, and an integrated approach to health and social services. Those are all factors that were identified in terms of the independent assessment by Nuffield. But also, we now start to see some of the outcomes of the way we've invested, for example, in health and social care, so that we've now got delayed transfers of care that are going down, whereas, of course, in England, they're going up.

[10] **Jocelyn Davies:** Minister, obviously, you've got four clear priorities, and they're stated priorities: growth and jobs, educational attainment, supporting children and families in deprived communities, and improving health and wellbeing. So, you've got four priorities, but, obviously, they're not equal. Was it a collective decision that you would commission the Nuffield report, and have health as a priority within your priorities?

[11] **Jane Hutt:** Well, as I said, I think, in response to your first question, health—it's not just arguably—health is the key priority of the Welsh Government, it's a key priority of the Welsh people, and it's a universal service. It's a key priority in our programme for government. It's not just the health service, but health as well; I mean, obviously, that's looking at the wider public health investment, and health and wellbeing. But, clearly, we've had to face a very difficult task, in terms of developing a draft budget, very quickly.

[12] I think it is worth, again, restating the fact that we only had what was forecast in the summer budget; we didn't know what our settlement would be until the end of November, and then we had two weeks to move to actually present this draft budget. And, of course, it came, as a result of the spending review, with more cuts. So, it has had to be about priorities, but I do believe that we produced a draft budget that actually did address our programme-for-government themes and priorities. In fact, you can recognise that from the fact that, over this administration, we have delivered more than 95 per cent of the commitments set out in the programme for government.

[13] **Jocelyn Davies:** Ffred, did you want to come in on this particular point?

[14] **Alun Ffred Jones:** Ydw, diolch. Mae Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015 wedi ei phasio, ac fe ddywedwyd mai hon fyddai'n llywio penderfyniadau'r Llywodraeth i'r dyfodol, o ran blaenoriaethu. Felly, ym mha ffordd y mae'r Ddeddf honno wedi'ch arwain chi wrth lunio'r gyllideb yma?

Alun Ffred Jones: Yes, thank you. The Well-being of Future Generations (Wales) Act 2015 has been passed, and it was said that this would steer the decisions of the Government for the future, in terms of prioritisation. So, in what way has that Act led you in drawing up this budget?

[15] **Jane Hutt:** Well, it's been a clear steer and requirement, in terms of the future generations Act. I got my draft budget identified in terms of how we underpinned our decisions, based on the future generations Act. I think, also, as you know, I undertook this budget tour over the summer months—as I have done every year—and, when I met with people working at the front line, I posed the challenge of the future generations Act to them, in terms of what they felt was crucial, in terms of addressing priorities. I think the issue about the wellbeing of future generations Act is that it is steering our strategic budget planning and, of course, it is crucial in terms of the way we move forward. I think, looking at that, that it's a platform in terms of long-term challenges facing our communities.

[16] **Alun Ffred Jones:** Nid wyf yn deall, o'r hyn yr ydych wedi'i ddweud, sut y mae wedi dylanwadu ar y gyllideb.

Alun Ffred Jones: Given what you've just said, I don't understand how it's influenced the budget.

[17] **Jane Hutt:** I think it's a very difficult budget, isn't it, when you've had cuts and it's a draft budget created at a very late time in terms of budget-setting cycles. I've told you that I have talked to people on the front line about the Well-being of Future Generations (Wales) Act, which they, of course, very much welcome. But if you look at the financial outlook, this is the way in which we discussed it—it is about investing for the future.

[18] As I said in this document, the Welsh budget for the next four years was set by the UK Government spending review on 25 November. It was a challenging settlement, seeing the Welsh budget cut in real terms over five years, on top of an 8 per cent reduction over five years. Despite the cuts, we're spending more per head on health than England and more per head on health and social services. So, we now have to look at, in terms of the long term, how we can match our plans in line with the wellbeing of future

generations Act. Of course, it's implemented from April of this year—that's when it comes into force. But the seven wellbeing goals do provide a vision not just for us—and also, duties—for all public sector bodies in terms of their budget priorities.

[19] We feel that the ways in which we have worked on those key goals of the future generations Act—a globally responsible Wales, resilient Wales, healthier Wales, a more equal Wales, Wales of cohesive communities, a Wales of vibrant culture and a thriving Welsh language—they are encapsulated in our draft budget.

[20] **Jocelyn Davies:** Ffred, had you finished?

[21] **Alun Ffred Jones:** Yes.

[22] **Jocelyn Davies:** Nick, did you have a supplementary on this point?

[23] **Nick Ramsay:** On this, the Minister said a couple of times now that in Wales, we are spending more on health than they are across the border in England, but actually, if you look into those figures more, then if you factor in demography and the ageing population et cetera, it works out that we're spending a little bit less here, doesn't it, Minister?

[24] **Jane Hutt:** We're spending more per head on health and more per head on health and social care by 7 per cent. Clearly, we are also underfunded, which I know you support as well, Nick, in terms of the Barnett formula, as well as in terms of our needs.

[25] **Jocelyn Davies:** Do you think that we could have a note as to how departments use the future generations Act in terms of financial planning, just as an aid to us? Just as an aid to us, not for now—. Do you think it would be possible for you to demonstrate to us how that Act is used by each department in terms of sitting down with their financial plans? Would that be possible? Jo, do you think that would be possible?

[26] **Jane Hutt:** We set up spending review groups over the summer relating to our themes, looking at pressures across those areas of spend, but they had to take into account the Well-being of Future Generations (Wales) Act, underpinning their discussions. I think we can report on some of the findings that they considered.

[27] **Jocelyn Davies:** I think that that would be very interesting.

[28] **Ms Salway:** As the Minister said, the future generations Act comes into force later. What we tried to do this year was trial the kind of approaches that it needs, because a lot of it is actually about the behaviours, as you say, departmentally, as well as the strategic ministerial ones. So, it is about trying to shift some of the processes and starting to use the future trends report to look at and identify the pressures, and then trying to work differently across the organisation—so not being bound by ministerial responsibilities, but looking at how portfolios overlap and looking at the areas and understanding everything that we do in the name of, for example, schools or social services or further education. So, we can certainly provide a note on that.

[29] **Jocelyn Davies:** Lovely, thank you. Ffred, did you—. No, it's okay. Right, Ann, shall we come to your questions?

09:15

[30] **Ann Jones:** Thanks, Chair. The committee's heard from health, and local government, really, that the intermediate care fund was warmly welcomed by both the NHS and local government, and seen as working together. I wonder, when you're strategically setting your budget, how do you—. Do you have tripartite meetings with the Minister for Public Services and the Minister for health about how the budget is proportioned out? Or, do you just proportion the budget out and expect them to go away and make those priorities within their own portfolios?

[31] **Jane Hutt:** You mentioned at the start of your question, Ann, about the welcome in terms of the intermediate care fund. It's interesting that there were a lot of pre-draft-budget discussions, not just with Ministers, but also with local government. I've talked about my budget tour. I have regular meetings with the third sector and of course these issues—. The importance and the impact of the positive outcomes of the intermediate care fund were raised, I think, at every meeting I had across Wales with a range of people on the front line—that's third sector and statutory.

[32] But also, if you recall, a letter came from the Welsh Local Government Association saying to us that they are very concerned about the forecasts of the provisional revenue settlement. They said: 'The areas we really want you to protect are social services and the intermediate care fund'. I think Supporting People might also have been mentioned—it certainly was by the

third sector. So, clearly, we have got our programme for government, we've got the themes, which have also been influenced by the future generations Act work; but we also have to respond to what are emerging as key priorities as a Government externally, as well as keeping to our own priorities in terms of delivering on the programme for government and building on the evidence of what is actually making a difference. Because evidence and evaluation is crucial for us to decide what very limited resources we should be spending our money on.

[33] **Ann Jones:** Okay, thanks. You've mentioned the Nuffield report. You've mentioned your budget tour, which I think always goes down remarkably well. You might not think so at the time but I think it does afterwards. The feedback that certainly I've had has been very positive about that approach. What other reports or evidence base do you take into account when making your decision to allocate to different portfolios?

[34] **Jane Hutt:** I've mentioned evaluation as well, which is very important in terms of, again, considering whether a programme that we've been funding is making the impacts that we've set out in terms of objectives. That's very important in terms of our focus on prevention, and the areas, particularly, that the Minister for Communities and Tackling Poverty is responsible for. We need to ensure that that investment is making an impact. It's about moving forward at the end of an administration, in terms of the programme for government, and making sure that the budget is still delivering, making tough choices in terms of the reduction in the funding that we've got available, but basing our decisions on not just independent reports like Nuffield, but evaluation that we have commissioned, as we do on all our programmes. As I said, the feedback from the budget tour might feel very anecdotal at the time, but it's from direct experience. What's interesting is, around Wales, you get a slightly different perspective from rural areas, such as the meeting I had in Newtown in Powys, where you would get a particular perspective that's different from a meeting in Merthyr Tydfil, where you get more of the perspective from the Valleys and deprived communities. So, it's all of the range of that evidence and evaluation that comes into play.

[35] **Ann Jones:** Finally then, we've also heard of a number of successful projects and initiatives built around how the health service meets the demand—or how the intermediate care fund meets the demand within the communities, yet, we know that there are some real challenges facing the way in which the NHS, in particular, will be delivered in future. How can you be sure that the health portfolio and the scarce resources in there—I know

it's had an uplift, but nevertheless, they're still scarce, given the cuts that we've received from the UK Government—? How are you making sure that that money is not wasted on unnecessary change, which results in challenges, which then also takes away the ability to deliver a service, but also a lot of hard work and financial resource goes into defending those challenges, really?

[36] **Jane Hutt:** Well, that is obviously the big challenge in terms of moving forward with this extra investment—it's not just more money, it is about changing the way we deliver our services. And I'm sure the health and social services Minister—obviously, I've looked at all the reports from committees on how the evidence has been given by different Ministers—I think he's very clearly focusing on the total picture of health spend. I've mentioned the additional money into primary care—that's an extra £70 million. We put that in this financial year. Next year, we're putting £60 million more into not just the intermediate care fund, but older people's health service and mental health services as well. That's going to help enable changes to provide care closer to home. But we have to evaluate that. All the outcomes of that additional investment will be evaluated.

[37] Also, local health boards, as you say—I mean, they've got their responsibilities, and they've got to produce integrated medium-term plans, and they've got to prioritise the approach to prudent healthcare, primary care and other community priorities. The intermediate care fund—. They've got to develop plans and work with regional boards to deliver care closer to home; they've got to develop new and better outcomes for their population. But I think it's also worth mentioning the Social Services and Well-being (Wales) Act 2014 here, because that's coming into force as well, in April. They've got to also plan on a regional board basis, and that got powers for the creation of pooled budgets, which we know can help with the integration of health and social care.

[38] So, I think the health Minister, in his evidence on 14 January, did give some examples of what is described as a 'whole-system approach', providing care closer to home, which, of course, keeps people out of hospital and discharged back home more quickly.

[39] **Jocelyn Davies:** Nick, did you have a supplementary on this?

[40] **Nick Ramsay:** Yes. We've had lots of discussions over the years on this committee on the funding of the health service and how much that requires. I

think you mentioned earlier that, currently, the proportion spent on health is around 48 per cent.

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

[42] **Nick Ramsay:** Are you happy with that proportion, then? Do you have in your mind a proportion of the overall budget, above which you wouldn't want to see the health budget funded?

[43] **Jane Hutt:** I think it does go back to my answers earlier on that we regard the Welsh health service and funding it adequately as a key priority of the Welsh Government, but we did seek independent advice and analysis from Nuffield. They told us how much we needed to put into it and we put that amount of money into it. But also we were very mindful, of course, in terms of the experience and the evidence that was coming back about the importance of investment in social services. I think we have got to look at this in the round. It's not just about the investment in the health service, it is the investment in social services as well, which is a key priority of this Government. So, that's why we then decided to put an extra £21 million into social services via the revenue support grant. That is the Welsh Government's way of ensuring that we are moving towards a more integrated health and social care delivery of services. I think the evidence, then, of the statistics from the Treasury in November—that we are spending more per head on health and social care, and we are reducing delayed transfers of care—is providing the evidence that we're going in the right direction. Of course, as I said, the pie chart is growing, isn't it? Forty-eight per cent to health. This is a political issue for all of us here, isn't it? But the Government has made decisions in terms of this draft budget against the backdrop of 8 per cent cuts over the past five years and another 4.5 per cent cuts to come.

[44] **Nick Ramsay:** A cheery note. [*Laughter.*]

[45] **Jocelyn Davies:** Peter, shall we come to your questions? I think you've finished, Ann, haven't you?

[46] **Ann Jones:** Yes.

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

[48] **Peter Black:** Thank you, Chair. Before I come to my questions, I declare an interest as a member of the City and County of Swansea. Minister, the

committee heard evidence from local government, and in other consultation responses, that the cuts to local government are falling disproportionately on non-statutory services such as libraries and leisure centres. Have you considered the impact of non-statutory service reductions on the Welsh Government's programme for government when determining your budget allocations?

[49] **Jane Hutt:** Well, it does go back to the difficult decisions that we've had to make over the last five years, and then into this draft budget for next year, because of the UK Government cuts to our budget. If you recall, back in the Chancellor's summer budget this last year, the kind of cuts that he was forecasting for non-statutory services were of the order of 30 per cent or 40 per cent in terms of the UK Government's budget. The non-protected areas were of that kind of level, which of course did have an impact when we had these spending review groups working, looking at the future generations Act goals over the summer. So, we cannot underestimate as a Government the difficulties and the impact that these reductions will have on public services across Wales. We've still got a 4.5 per cent revenue cut in real terms, taking us up to 2019–20; 4.5 per cent less than 2015–16. So, it is very challenging, but we do have to protect those statutory services, and they are also the services that we want to protect, because they are the ones that people rely on most particularly in very difficult times. And this is what people said on the budget tour. But of course they were also looking at other ways in which they could deliver those services, and we had a lot of discussion on the budget tour about community asset transfer, and of course we know that that has been taken up very positively, although there's a challenge to it, by town and community councils, the third sector, and by the way local authorities are making decisions about these services.

[50] **Peter Black:** You've just illustrated that, of the Assembly's budget, 48 per cent goes on health. In terms of local government, something like 85 per cent goes on social services and education, so the big problem really is that while we're trying to protect those services, they may have a 2, 3, 4 per cent cut, but actually it's magnified tremendously in terms of that particular 15 per cent.

[51] **Jane Hutt:** Yes, and I think one of the things—I'm sure that the Minister for Public Services also talked about this in his evidence to committee—that we want to ensure is that local authorities have got the freedom to make those difficult decisions about the way that they allocate their funding. Clearly, they have had a much better settlement than they

anticipated in terms of 2016–17, but, for example, we've reduced the number of specific grants, which gives them more freedom in terms of the funding that they've got—more flexibility. We're also putting the additional resources for schools through their core budgets, not through ring-fenced grants. We've also protected, for example, investment through the waste management procurement programme in terms of waste treatment facilities. That's also helped local authorities. But the overall settlement for local government is much better than they were expecting, and that's been welcomed by the WLGA.

09:30

[52] I think you mentioned leisure centres, and it is important, too—as I said when I gave evidence back in December after the draft budget—that leisure centres are increasingly being seen as more than just sports facilities but as health and wellbeing centres, and we know that there is a great deal of positive development in terms of leisure centres that have been taken over or developed as social enterprises or where local authorities are looking at different ways in which they can be managed and sustained. So, this is something where the partnership with local government is crucial, and I think, yesterday, the Minister for Public Services talked about this in response to his statement in the Senedd.

[53] **Peter Black:** Okay. I mean, just—

[54] **Jocelyn Davies:** Before you come back, Peter, I think Chris wanted to ask a supplementary on this point. Chris.

[55] **Christine Chapman:** Minister, we know that the cuts are hugely challenging for the Cabinet. It is extremely difficult. On the issue of non-statutory services like libraries and leisure centres, asset transfers are working, obviously, in some areas but maybe not in others. Bearing in mind the focus you've put on the future generations Act and the wellbeing aspects of that, I just wonder how much monitoring is being done by yourself and the appropriate Minister of how these community asset transfers are working, because you could end up with a situation where the poorest areas—you could argue that they will disproportionately lose out. Obviously, there are new ideas, but I am concerned that some areas will miss out if these are not working.

[56] **Jane Hutt:** We have produced guidance on community asset transfers.

Specific guidance was produced by Ken Skates for sports, culture, leisure centres and libraries, but I also produced overarching guidance, which is targeted at local authorities, town and community councils, the third sector and communities. There is a great deal of work being undertaken by agencies that are helping with community asset transfers. So, I've initiated this cross-Welsh Government officials group because virtually every Minister has got an interest in this in terms of their responsibilities. So, we've got a cross-Welsh Government officials group on community asset transfer to identify challenges and good practice. Ministers are making visits and developing case studies of good practice.

[57] Last week, I co-chaired with the Minister for Communities and Tackling Poverty an external reference group that we've got to assess and monitor community asset transfer. So, that included not just the Wales Council for Voluntary Action, the Wales Co-Operative Centre, the Welsh Local Government Association, Community Housing Cymru, One Voice Wales for town and community councils—. In fact, also, the Coalfields Regeneration Trust is very involved, particularly in Valleys communities.

[58] The Minister for Communities and Tackling Poverty has got a pilot project in Gwent that's being managed by the Gwent Association of Voluntary Organisations, where they're working with the local authorities in that area to help them develop community asset transfers. So, there's a great deal of proactive work going on, but, clearly, it is something where we've got to transfer and translate good practice across the whole of Wales, and that's why you need these national bodies to come together, with our support, to identify what the challenges are.

[59] Some local authorities, like your own, Rhondda Cynon Taf, are very proactive, and some are appointing officers to do the work, others are commissioning in the Development Trusts Association Wales, and some of the most proactive actually are in some of the more disadvantaged communities to try and protect services. It's very much about the leadership of local authorities to take this on board and about responsive town and community councils and the third sector as well.

[60] **Jocelyn Davies:** So, you're not seeing a pattern emerging where these transfers are taking place in more affluent places, but there is a lack of them—. I think this was your concern, Christine.

[61] **Christine Chapman:** Yes.

[62] **Jocelyn Davies:** So, you will be able to map it. So, if there are concerns around this, you'll be able to have evidence to show us that that's not the case.

[63] **Jane Hutt:** Yes. That's why it has to be all-Wales monitoring and mapping, but it's also about encouraging local authorities to learn from each other. I think it's just focusing on, particularly, the more disadvantaged communities and authorities that represent those areas, but we are focusing our attention, particularly, on what is being developed, and putting money into this pilot project. I'm very happy—. This is a cross-government responsibility, but I take the lead on this, and would be very happy to come back to the committee. In some ways, it's a bit like the invest-to-save fund. We've got more responsibility for invest-to-save to make sure that good practice travels. This has to be about Wales actually working together collaboratively—agencies, local government and the Welsh Government—to make sure that we do transfer the good practice. We've also got Big Lottery Fund funding. They're making decisions about where they put their money for these community asset transfers, which I would also—. I know that feasibility studies and all—. That's where, perhaps, more affluent areas have got the expertise, but we need to make sure that the feasibility study money goes into areas perhaps where there isn't that expertise.

[64] **Jocelyn Davies:** Okay. Peter, shall we come back to you?

[65] **Peter Black:** Yes, sure. Just moving on to social care; obviously, you put an extra £21 million into social services, although that still amounts to a real-terms cut in terms of the amount of money needed for that, and of course, there is growing demand also in that. How will you ensure that there won't be a decrease in the availability and quality of social care, including preventative and early intervention services?

[66] **Jane Hutt:** As I've said earlier on, Peter, we are putting an additional £21 million into social services next year to local authorities. It does build on the additional £10 million that we've got in this financial year, but because of our focus on prevention and early intervention, we're protecting those social care-related specific grants from cash reductions. I mentioned those earlier on in terms of prevention, Communities First, Supporting People and Flying Start. Those are key programmes in terms of not just social care-related, but prevention and targeting and providing support in our most disadvantaged areas.

[67] **Peter Black:** Are you able to track that £21 million to make sure that there is an uplift of £21 million in social care spending?

[68] **Jane Hutt:** Well, we can monitor, certainly. We monitor the way that spend is being delivered. It is important that that—. It's not ring-fenced.

[69] **Peter Black:** I understand that; yes.

[70] **Jane Hutt:** It's unhypothecated, but we have annual budget returns from authorities, so we'll track it through that.

[71] **Peter Black:** Okay, because you do the same with school funding as well, of course, and we'll see what the latest figures show up on that one. The other issue, of course, facing local government is how to transform their services. That's happening across the whole range of public services. Do you think that local government actually have the resources to carry out that transformation, particularly in terms of the Williams commission agenda?

[72] **Jane Hutt:** Well, I think Welsh local government has welcomed the fact that we've been able to protect them from the more severe cuts that they were perhaps anticipating, and the extra £21 million is going to help them in terms of the transformation of services. But, again, I think we need to look also at the intermediate care fund and the protection of Supporting People. I think we all know in this room how Supporting People—. You know, it's an investment that actually helps people to stay in their own homes; it helps them deal with their daily lives when they are very vulnerable. It's very preventative.

[73] So, those were key political decisions that this Government made to safeguard Supporting People, and to put more money into social services. But I have mentioned the Social Services and Well-being (Wales) Act 2014—in April it comes into force—and the pooled budgets opportunity. We've got innovation in service delivery, which I think can really lead the way. I would say—I've mentioned invest-to-save once—we've got a very good project, for example, that we're supporting between Torfaen County Borough Council and the housing association, Bron Afon, where they have put in an invest-to-save project that is looking at ways in which they can support more vulnerable tenants and make sure that they link to all the agencies. It's preventative, but it's also very innovative in terms of agencies working together.

[74] **Peter Black:** I mean, obviously, the intermediate care fund is a good example of where the Welsh Government has tried to provide resources to transform services, but by and large local authorities are firefighting in terms of their services. Are you considering any other similar initiatives, in line with the Williams recommendations, to try in other areas of funding to try to provide seed funding to transform the way local government delivers, possibly in partnerships with others, especially given that local government doesn't really take up invest-to-save in any huge numbers?

[75] **Jane Hutt:** I think I mentioned earlier on that giving them more flexibility on the funding that they've got has been important—reducing the number of hypothecated grants. Also, this is giving them more financial freedoms. We've moved the outcome agreement—the £31 million—into the revenue support grant as well. That gives them more opportunities.

[76] I think the social services and wellbeing Act, as well as the wellbeing of future generations Act—those two bits of legislation—will not only help, but steer and provide statutory obligations for the kind of transformation that we're talking about. And, you know, we focused on social care, and I've mentioned opportunities for community asset transfer, but the kinds of innovation that we also want to instigate through invest-to-save are all important features, I think, of ways in which we're trying to help local government.

[77] **Peter Black:** Okay.

[78] **Jocelyn Davies:** Minister, do you think that the intermediate care fund, which, as you know, came out of the budget negotiations that we had just a couple of years ago, is going to become a permanent part of your programme?

[79] **Jane Hutt:** The fact that we're putting more money into it, I think it's absolutely—. Because, of course, initially it was a one-year agreement based on the budget agreement.

[80] **Jocelyn Davies:** Yes.

[81] **Jane Hutt:** It was so successful and it was only a year, which is too short, really, in terms of the impact of it, so we put more money into it within this financial year, and then I've been absolutely convinced that this is a

programme that, for us as a Welsh Government, should stay.

[82] **Jocelyn Davies:** Okay. Chris, shall we come to your questions?

[83] **Christine Chapman:** Thanks. Minister, as you know, one of the themes that this committee has looked at and taken evidence on is the preventative nature of key parts of local government spending, which benefits the wider public sector, not just the NHS. Could you tell me a little bit more about what evidence you've sought of the wider preventative aspects of local government services before deciding on the level of funding?

[84] **Jane Hutt:** That does go back to the importance of Alun Ffred Jones's question about trying to start using the wellbeing of future generations Act to help us in terms of our budgetary planning. When I was on the budget tour and talking to local authorities as well, we focused on prevention. I think that the point here is to focus on services that are trying to prevent problems or to stop them getting worse, to plan for demands now and in the longer term, and the ways in which we were discussing that with people was very much about integration, collaboration and community engagement. So, you know, they sound like soft objectives, but, actually, this is about getting people to think hard about prevention.

[85] I won't mention, again, the money we've put into social services, but also we looked at universal benefits—that was another political decision the Government had to make. Universal benefits actually do help people in their everyday lives: concessionary fares; free school breakfasts, which also provide not just a free nutritious breakfast, which evidence is showing has a very positive impact, but free childcare at the start of the day; and free prescriptions for people who have chronic conditions, who can and want to stay in work. All of these are decisions that are made as a result of looking at that preventative approach.

09:45

[86] But, also, I've mentioned Flying Start, Communities First and Supporting People; these all helped—. The evidence that we got from the investment in those programmes helped us make those decisions to protect those areas of spend.

[87] **Christine Chapman:** There was a recent, which you will be aware of, Wales Audit Office report, and they highlighted that in order to protect social

care services, local authorities have had to cut funding to the broader preventative services that help older people live independently, and I just wondered would you agree with that, Minister.

[88] **Jane Hutt:** I'm not sure when that report was, when it was published. Was it published before our draft budget? It might have been or round about. But I hope, in a sense, that the Wales Audit Office and the auditor general would see that, in our draft budget, we've tried to address that very point, that we wanted to not only continue to protect social services and put more money into social services, but actually a programme, the intermediate care fund— developed very much in partnership—is a way forward to provide that kind of integrated approach to health and social care, and has a very preventative impact. It prevents unnecessary hospital admissions and delayed discharges. So, I hope that the Wales Audit Office would see that we've actually made a difference.

[89] It is £50 million that was made available in 2014–15 for the intermediate care fund—£20 million in this financial year, but we've gone back to the £50 million. It is about learning from that partnership and co-operation in that area. But I think the older people's strategy as well is another decision; in fact, I think that was also referenced in the Wales Audit Office report. So, we're going to have more opportunities, I think, to protect those areas with the social services and wellbeing Act.

[90] **Christine Chapman:** Okay. Thank you.

[91] **Jocelyn Davies:** Just for the record, it was October that the report was—

[92] **Jane Hutt:** Thank you; I should have known that. In a way, you could say, in terms of earlier questions about independent or external evidence of impact of spend, that we always look to the WAO reports to help us and to steer us in those directions.

[93] **Christine Chapman:** When we took evidence last week with local authorities, I think it would be fair to say that they were fairly positive about what they had been offered in terms of funding. But we've also seen examples of cuts in the voluntary sector, and obviously they're under pressure from local government cuts. I just wonder how you've factored in the impact of these financial cuts on the voluntary sector. I know, Minister, that you said you did the budget tour, for example, but we are seeing

examples from the voluntary sector who are obviously struggling at the moment. So, I just wonder how you've assessed the impact on them.

[94] **Jane Hutt:** We have to produce, with the third sector, an annual report on the third sector scheme. So, we're working on the 2014–15 annual report now. And part of that is to collect information on funding. Every Welsh Government department has to look at the impact of the draft budget on the areas they fund, which includes the third sector. But I think, if you look at our record in terms of the third sector, back in 2013–14, we were offering £326.5 million to third sector organisations from the Welsh Government—a slight rise on the previous year—and that, of course, is accounted for in the report. But, also, consideration of the impacts of the draft budget has to be taken into account; it's very important. But I also met with the third sector organisations as part of my ministerial responsibilities. We're looking at the third sector infrastructure organisations, like the Wales Council for Voluntary Action and the county voluntary councils, to see how we can support them, and also looking at perhaps a more equitable model in terms of funding future services, but the third sector action line is still £6.125 million. It's a really significant budget and all Ministers, of course, are also meeting with third sector organisations that relate to their portfolios.

[95] **Christine Chapman:** I think as well, Minister, as we did take evidence last week from Welsh Women's Aid, that it would be true to say that there was concern around uncertainty of funding. Again, going back to the Well-being of Future Generations (Wales) Act 2015, that goes against the ideas of wellbeing et cetera. So, I just wondered how closely the Government is monitoring some of the impact on these organisations that are actually at the front line in providing services.

[96] **Jane Hutt:** Clearly, they are receiving funding, particularly Welsh Women's Aid, directly via the Minister for Public Services. There's actually been an increase in the domestic abuse services grant of £500,000. So, there's now an overall revenue budget of £5 million for the next financial year. But, of course, Welsh Women's Aid is only one recipient of that funding. The Minister's officials will be working very closely with Welsh Women's Aid in terms of monitoring their funding arrangements. I would imagine that Welsh Women's Aid, in terms of bringing evidence to the committee, is also thinking about all the local services that are provided by local women's aid groups and independently established women's aid groups and supporting them.

[97] I do think the fact that we've protected Supporting People is critically important for women's aid groups across Wales. It actually provides the largest amount of funding to support domestic abuse services across Wales. It's not ring-fenced, so, of course, there are those regional collaborative committees, which determine the amount of Supporting People budget for their local services, like women's aid. It is critically important that it's Welsh Government, in terms of our national bodies that we're funding, working very closely with them and through local government to see what the impact of that will be, in terms of the draft budget, on their services as well.

[98] **Jocelyn Davies:** Okay. Ffred, did you have a supplementary on this point?

[99] **Alun Ffred Jones:** O ran Alun Ffred Jones: In relation to cymorth i ferched, roedd eu women's aid, their evidence given to tystiolaeth nhw o'n blaenau ni'r us last week suggested that they wythnos diwethaf yn awgrymu eu were in difficulties. They say, for bod nhw mewn trafferthion. Maen example, that the revenue allocation nhw'n dweud, er enghraifft, fod y to prevent homelessness will be dyraniad refeniw i atal digartrefedd reduced by £500,000. They also say yn mynd i gael gostyngiad o that various branches of women's aid £500,000. Maen nhw hefyd yn dweud across Wales are looking at cuts in bod amryw o ganghennau cymorth i their budget that are very ferched ar hyd a lled Cymru yn gweld significant—up to 70 per cent from toriadau cyllid sylweddol—hyd at 70 local authorities last year. They y cant gan awdurdodau lleol y certainly felt that the financial future flwyddyn ddiwethaf. Roedden nhw'n was not bright at all for them. So, I sicr yn credu nad oedd y dyfodol don't quite understand. You say that ariannol yn llewyrchus iddyn nhw. there's been an increase in the direct Nid wyf cweit yn deall. Rydych chi'n support for them, so could you just dweud bod yna gynnydd wedi bod yn give us some detail on that? But most y cymorth uniongyrchol iddyn nhw, of their funding in relation to the felly a allwch chi jest fanylu ar hynny? refugees across Wales comes from Ond mae'r rhan fwyaf o'u cyllid, o local authorities and local partners, ac mae'r rheini, wrth gwrs, yn and they, of course, are looking at dioddef toriadau. cuts this year.

[100] **Jane Hutt:** Yes, the domestic abuse services grant has been increased

by £500,000. That is the grant that the Minister for Public Services makes available. Obviously, some of it goes to Welsh Women's Aid. I think I'd have to write to you about how that grant is historically distributed, because Welsh Women's Aid would be the main beneficiary, I believe, as the national organisation. So, this is a decision to increase that grant because of the Welsh Government's commitment to tackling domestic abuse and violence against women.

[101] There is clearly also, and this is where you come across more than one department—. You mentioned housing and funding to prevent homelessness. Again, I would like to see—obviously, I'll look at the transcript and look at their evidence—whether they're talking about the grant that goes to Welsh Women's Aid in terms of prevention of homelessness, or whether they're talking about grants that go to local refuges—

[102] **Jocelyn Davies:** They were talking about having to turn victims away. I think, last year—

[103] **Alun Ffred Jones:** It was 270, or 280.

[104] **Jocelyn Davies:** Nearly 300, and they were worried about a loss of beds. So, I don't think they were talking about their own core funding. I think they were talking about those that deliver services to abuse victims on the ground.

[105] **Jane Hutt:** I presume that would be the case. Alun Ffred, of course, mentioned the fact that they're funded locally by local authorities. They have obviously got their provisional revenue grant settlement, which is much more favourable than they thought they'd get, but there is still a cut. But, obviously, it's a 1.4 per cent cut to the revenue support grant and it's much less than they anticipated. But, also, Supporting People we've protected. So, that will help local refuges and local groups. I think there is a move to develop a regional funding model, which might help assure services in 2016–17. I think that this is an area where you had specific evidence where I would like to more fully respond to you—and from colleagues, not just the Minister for Public Services; I know that the Minister for Communities and Tackling Poverty has an interest in this, as well as for her housing responsibility. So, I would like to—

[106] **Jocelyn Davies:** We've started something now—there's a number who want to respond. Ffred, do you want to come back? Then Julie, then we'll go

back to Chris.

[107] **Alun Ffred Jones:** Rwy'n credu y byddai'n dda iawn inni gael eglurder ynglŷn â'r ariannu yma. Mae peth ohono'n dod yn ganolog, ond mae llawer iawn ohono'n amlwg yn dod yn lleol. Mae'r arian lleol yma'n dangos y broblem. Rydych chi'n sôn am doriad o 1.6 y cant ar gyfartaledd i lywodraeth leol, sydd, mewn gwirionedd, yn doriad llawer mwy go iawn ac sy'n dod ar ben toriadau'r ddwy flynedd diwethaf. Felly, mae pob awdurdod lleol yn gorfod gwneud arbedion sylweddol iawn, iawn yn eu rhaglen.

Alun Ffred Jones: I think it would be good for us to have some clarity in relation to this funding. Some of it is centrally, but a lot of it, of course, is locally based. This local funding shows the problem that we're looking at. You're talking about a cut of 1.6 per cent on average for local government, which, in real terms, is a far larger cut and comes on top of the cuts of the last two years. So, every local authority has to make significant savings in their programme.

[108] Mae gennych chi nifer o flaenoriaethau yr ydych chi eisiau eu pwysleisio, sef gwasanaethau cymdeithasol, addysg, ac yn y blaen. Felly, yn anochel, fel sydd wedi cael ei ddweud yn barod, mae'r arian nad yw'n statudol yn cael ei wasgu. Felly, waeth inni heb a dweud bod arian ar gael ar gyfer gwasanaethau fel hyn. Y gwir amdani yw, os ydyn nhw'n dibynnu ar arian lleol, ei fod yn mynd i gael ei dorri, a'i dorri'n eithaf sylweddol, byddwn i'n tybio, yn ystod y blynyddoedd nesaf.

You have many priorities that you wish to emphasise, namely social services and education, for example. So, it's unavoidable, of course, as has already been said, that money that is not statutory is under pressure. So, there's no point in us saying that there's money available for services such as these. Because the fact of the matter is that, if they depend on local money, then it's going to be cut, and cut significantly, I would think, during the next few years.

[109] **Jane Hutt:** This is why I regret this UK Government's fiscal austerity plans and measures. We've had five years of cuts. We've got more ahead of us. We are trying to ensure that we stick to our priorities and principles and we protect those services that mean most to the people of Wales. We have to ensure that, hopefully, local government also recognises that they are going to have to make some tough decisions in terms of the priorities. But the buck stops with the UK Government as far as I'm concerned in terms of the reductions in our budget abilities.

[110] **Jocelyn Davies:** Julie, did you have—

[111] **Julie Morgan:** Yes, just very briefly on the evidence we were given last week, it was said that black and minority ethnic communities were suffering more and issues were raised about hostels and women without recourse to public funds and those sorts of issues. I just wondered, when you ask for more information from the public services Minister, whether you could include that.

[112] **Jane Hutt:** Definitely. That will be for the Minister for Communities and Tackling poverty also, with her equalities responsibilities as well. I will come back with a fuller response after engaging with other Ministers, but I do think that there is possibly an opportunity to try and have more consistency across Wales with this move to regional funding.

[113] **Jocelyn Davies:** Chris, shall we come back to your question?

[114] **Christine Chapman:** I won't pick up on the previous comments, because I think those have been made. I'll just come on to the formula, et cetera. First of all, Minister, what consideration was given to including a floor in the local government settlement this year?

10:00

[115] **Jane Hutt:** Well, we've got to recognise that, again, the settlement is better than local government was expecting, and that's been acknowledged by the Welsh Local Government Association, of course. Decisions about a floor mechanism are taken by the Minister for Public Services, but we, of course, have a provisional settlement out for consultation until 20 January.

[116] **Christine Chapman:** Okay. Do you consider the settlement is fair to rural authorities? I know there's been discussion about this. I just wonder what your views were on rural authorities and the provisional settlement they've received.

[117] **Jane Hutt:** Well, the funding formula, of course, is agreed in partnership with local government through a distribution sub-group.

[118] **Christine Chapman:** Okay.

[119] **Nick Ramsay:** That's helpful.

[120] **Christine Chapman:** My final question was to do with the formula. You know, it is 10 years' old, and do you think that it needs to be fundamentally reviewed?

[121] **Jane Hutt:** Well, I know that the Minister for Public Services has been answering points and questions about this as well. I think it is important again just to repeat that this is a formula that's agreed in partnership with local government, and it does include members that represent rural authorities, it does include independent observers, it does take into account relative need—

[122] **Jocelyn Davies:** I've got three other Members now, who I know you can predict, who also now want to come in with supplementaries, Minister.

[123] **Jane Hutt:** Yes, but I think this is something that, of course, I think, will be up to local government and the Welsh Government to consider if it needs reforming.

[124] **Jocelyn Davies:** Who is first?

[125] **Christine Chapman:** I've finished my bit now, so other Members can come in now.

[126] **Jocelyn Davies:** Oh, right. Okay. Peter.

[127] **Peter Black:** Yes, this is really a matter for the public services Minister, but the Welsh Local Government Association, when they gave their evidence, said that the distribution sub-group really just tinkered around the edges because of the limited time, and there was a lot of data in there that is out of date, needs updating and needs a more fundamental review. Would you, maybe, pass that back to the public services Minister to take that on board as a Government?

[128] **Jane Hutt:** Yes, I think that—

[129] **Jocelyn Davies:** They looked at specific aspects, never at the overall—a review of the overall formula, but just specific items in it, I think.

[130] **Peter Black:** I'm not sure these changes would help the rural

authorities, but that's what they were saying. I'm just repeating Mike's point.

[131] **Jane Hutt:** That is the difficulty. I mentioned the distribution sub-group, but the partnership council for Wales also has a finance sub-group, and that oversees, for example. The formula is kept under review and, of course, it does go back to the difficulties when we have approached this issue in the past, and Peter Black will have been involved in this more than once.

[132] **Peter Black:** Yes, I've done it once.

[133] **Jane Hutt:** We've got to ensure that core revenue funding is distributed according to need.

[134] **Jocelyn Davies:** Nick, did you have a supplementary on this, and then I think Mike has?

[135] **Nick Ramsay:** Peter Black has pretty much stolen my thunder on this one. I'll just again ask the Minister about this issue of the WLGA's attitude. Exactly as Peter said, they said that there hasn't been a thorough review—a thorough looking at the whole way that the formula works—and I think, Minister, that it would be very helpful if, at some point, there is some work done on this.

[136] **Jane Hutt:** Thank you.

[137] **Jocelyn Davies:** And, in fact, the tinkering every year makes it more and more complicated. I think that's the point that they were making. Mike, did you have—?

[138] **Mike Hedges:** I have just two brief questions. Isn't it a zero-sum game? So, if you give money to one authority, you have to actually take it off another. The second point is—and I speak on behalf of the cities of Wales here—that it does not take into account the population increase that they take on a daily basis, and the nightlife they provide and the regional services they provide, and that any examination of this does need to take into account what Cardiff and Swansea provide for their hinterlands.

[139] **Jane Hutt:** Well, I think—

[140] **Jocelyn Davies:** Just let us have a note, Minister.

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

[142] **Jocelyn Davies:** But you can see that if you take that into consideration, you then further complicate a very complicated formula and that this situation's not getting any better. Oh, Ffred wants to pitch in now.

[143] **Jane Hutt:** Can I just say that I think Mike Hedges has got the terms of reference of a review? [*Laughter.*]

[144] **Alun Ffred Jones:** Faint o bobl ar hyn o bryd sy'n deall y fformiwla llywodraeth leol yma? **Alun Ffred Jones:** How many people understand this local government formula?

[145] **Ann Jones:** Dim.

Ann Jones: None.

[146] **Jane Hutt:** Well, yes—

[147] **Jocelyn Davies:** Well, there you are.

[148] **Jane Hutt:** Good question.

[149] **Jocelyn Davies:** Okay, on that point, perhaps we ought to move on. Have you finished now? We're going to come to Julie's questions on higher education. I know a number of Members have already indicated that they—. So, I think we'll probably be spending quite a bit of time on this section. Julie, shall we start with yours?

[150] **Julie Morgan:** Fine, yes. We've had concern expressed to us about the cuts, particularly if the Higher Education Funding Council for Wales cuts direct funding for the higher education institutions. From my own area, Cardiff University said this would mean that, possibly, they'd have to cut back on part-time courses, learning through the medium of Welsh and lots of things that, really, are quite crucial to the Government's agenda for taking things forward. So, I wondered whether you could comment on the possible results of the HEFCW funding cuts and the priorities for the Government.

[151] **Jane Hutt:** I know that the Minister for Education and Skills did respond to questions fully on this at the Children, Young People and Education Committee to again put on the record—and I think I said this in my last appearance before the committee—that we haven't cut higher education

by £41 million, as has been suggested. I think it's important to put on the record again that we have had a change to the way the tuition fee grant is administered, and that means that £21 million is going to be allocated directly to universities by the Welsh Government and not by HEFCW, and that's in line with the Wales Audit Office recommendation. So, the reduction in HEFCW's budget is actually £20 million, and we do understand the challenges that this presents.

[152] Obviously, it's important that we have this scrutiny and that the Minister has also responded on these issues. But I do think we have to recognise that higher education has been relatively protected from the impact of the UK Government's cuts to our budget compared to other parts of education. We particularly see that, in terms of assessing the impact of the reduction at a sector level, it's helpful to see that recruitment to Welsh universities is very positive and that the overall income is £1.3 billion to the sector. We have looked at ways in which, in terms of impact assessments—. Obviously, HEFCW has to actually look at these impact assessments itself in terms of how it will manage these cuts, which are budget reductions that we do not wish to have to instigate. But they are as a result of making these tough decisions on all the priorities we've been discussing.

[153] I do think that it's very important that we see that there are other sources of funding for research, which is not just European funding, and the fact that research is a key priority—research, not just from EU funding, but we are also supporting science via *Sêr Cymru* and *Sêr Cymru II*. So, there are many ways in which we are helping universities in other directions.

[154] **Jocelyn Davies:** Just on some of the points you made there and before I bring Julie back in, HEFCW said that the cut was 32 per cent. They said that in December, but we know that they've been in communication with universities and say, of course, that, because of the difference in their financial year and your financial year, the cut is actually 41 per cent. You argue that it's 16.3 per cent. Perhaps we'd like to see your workings out on that. But how can the Minister justify calling 16.3 per cent a modest cut—in one year? I'm sure that, if you experienced a 16.3 per cent cut in your budget, you wouldn't be sitting there saying that it was modest, would you?

[155] **Jane Hutt:** I'm not sure whether I used the word 'modest'.

[156] **Jocelyn Davies:** No. In the press, the Welsh Government described the 16.3 per cent cut to HEFCW's budget as modest. Or perhaps it was the

Minister. But I certainly read that in the *Western Mail*. So, you don't agree that that's a modest cut?

[157] **Jane Hutt:** Well, I think I've responded as finance Minister, and I would say that, not only did I understand the challenges that this reduction does present, but I know that the Minister for Education and Skills does, and he has been meeting with the sector. Obviously, this is the time when we have to have these open and robust discussions about what this actually means. What I would like to do—. I don't know whether we can clarify this further, the points that I'm making about what actually is the cut. I've said that the actual reduction to the HEFCW budget is £20 million. I mean, whether we feel there's anything else that we can do to clarify this—. I don't know whether Jo wants to—

[158] **Jocelyn Davies:** Surely somebody can work out what percentage cut that is. You know—

[159] **Jane Hutt:** I mean the impact—

[160] **Jocelyn Davies:** There are very clever people in universities who tell me that it's 41 per cent and I can see how they've worked that out, because their financial year, of course, will be their academic year, which will be September until next summer, whereas your financial year will go from April until next year. So, they will take their cut from September, so the cut for them in the next academic year is 41 per cent. That has to be divided across universities in Wales, which, I can assure you, for Glyndŵr University, is devastating.

[161] **Jane Hutt:** Do you want to add anything in terms of that analysis?

[162] **Ms Salway:** I think one of the points to remember is that the HEFCW budget is not the only funding that's available to the higher education sector. That's where the point comes in about the overall sector; that higher education institutions are autonomous institutions and that the funding settlement, the money that goes through the tuition fee grant, a very significant portion goes through—

[163] **Jocelyn Davies:** I can see that, but we are here to scrutinise the Assembly Government budget—that's what our job is here this morning—and to make recommendations to the Assembly on that. So, we can only talk about the money, really, that you're giving, and if you make a cut and you give them a remit letter to tell them what they have to spend that money on,

how can you possibly justify saying that it's up to HEFCW how they spend their money, how they allocate money, if the remit letter dictates how it is to be done? I don't mind which of you answers that question.

[164] **Jane Hutt:** I think the issue, which I think Julie Morgan was also asking about, is what the impact of this cut might be on universities. In particular, I think you mentioned research and development. The other area, which I know Members have raised, and they raised with me last week, I think, is impact on part-time students. That's something that I know, also, the Minister's very concerned to address. This is the point of scrutiny, isn't it, constructive scrutiny? It's for us to understand the impact, taking into account that, as Jo Salway has said, this is only one avenue of income in terms of HEFCW grant to universities. I've mentioned the other opportunities for funding, particularly for research and development via the EU Horizon 2020.

[165] Also, looking at the committee appearance by the Minister, he said that he was looking at his remit letter to HEFCW, but he said that he was confident that part-time provision would be a stated priority, which I think is important for people who've raised those concerns.

[166] **Jocelyn Davies:** Then it's not a matter for HEFCW—. We've got a number of—. Ffred and then Peter.

[167] **Alun Ffred Jones:** A gaf i ject ofyn—? Rwy'n deall bod £20 miliwn o'r gostyngiad yn mynd i gael ei drosglwyddo i ymateb i gost gynyddol grantiau ffioedd dysgu. Os felly, mi fydd 40 y cant o hynny'n mynd allan o Gymru yn gyfan gwbl, achos bod 40 y cant o'r myfyrwyr yn gwneud hynny. Beth sy'n gyfrifol am y trosglwyddiad yna? A oes yna fwy o fyfyrwyr, neu ydych chi wedi cam-amcanu faint o arian? Dyna'r cwestiwn cyntaf. Yr ail gwestiwn ydy: beth ydych chi'n meddwl bydd effaith y toriad yma ar ariannu'r Coleg Cymraeg?

Alun Ffred Jones: Can I just ask—? As I understand it, £20 million of the reduction is going to be transferred in response to the increasing costs of tuition fee grants. So, 40 per cent of that will go out of Wales completely, because 40 per cent of the students do so. What is responsible for that transfer? Are there more students, or have you misestimated the amount of money? That's the first question. The second question is: what do you think the effect of that cut will be on funding the Coleg Cymraeg?

[168] **Jane Hutt:** Well, it's £21 million that's going to be allocated. It's students on four-year courses, in fact, where there was a shortfall. I mean, I can't answer you now, Alun Ffred, on the Coleg Cymraeg, but I have no indication that there are any cuts. But again, that's something I need to come back to you on.

[169] **Jocelyn Davies:** So, when were you aware of this £21 million underestimation?

[170] **Jane Hutt:** I don't think it's an underestimation. It's a way in which we are administering the tuition fee grant. That again, obviously, is for the Minister for Education and Skills. I can certainly—. This was a change that was agreed in line with the Wales Audit Office recommendation.

10:15

[171] **Alun Ffred Jones:** Either it's a demand or it isn't a demand. It's nothing to do with the Wales Audit Office.

[172] **Jane Hutt:** Well, it is a change in the way it's being administered. It's not—. I can certainly get you an account of why that's come about, if that would be helpful, and the Coleg Cymraeg issue.

[173] **Jocelyn Davies:** Peter, did you—?

[174] **Peter Black:** I think, Minister, there's been quite a lot of obfuscation about the way that university finances work. Clearly, universities do have a number of diverse sources of income, but a lot of those sources of income are for specific things. So, they get a huge amount of money—I must declare an interest as a member of the court of governors of Swansea University, as all the local Assembly Members are in that area—they get money in particular for research, which has to be spent on research. But of course the core business of any university should be to teach students, and that's why this particular funding is there, to deliver precisely that. Now, as I understand it, yes, there's been a £20 million reduction in the grant, but the £21 million that has been transferred to the tuition fee grant is still a loss to those universities, because there aren't any more students. In fact, there are an increasing number of students going to England and a reduction in the number of home-grown students going to Welsh universities. So, we actually have a total of about £90 million of Welsh Government money going to England following those Welsh students. So, in reality, the Welsh universities

are facing a £41 million cut on top of an in-year cut in their current grant, which is where I think the 41 per cent—

[175] **Jocelyn Davies:** It's 41.7.

[176] **Peter Black:** That is where I think the 41.7 per cent comes from. So, I think, Minister, the universities themselves are concerned that, no matter what the remit letter says—and it may well say that you should concentrate on this and this and this—they have less resource overall to deliver those priorities, and if they deliver those particular priorities in terms of, for example, poorer students or part-time students, that means they have less money to invest in other courses and in full-time students elsewhere. I think the concern is that the very expensive students, which are the STEM students—the science, technology, engineering and mathematics students—those particular students cost more than the £9,000 fee, whereas the students who cost less are the arts students—like my degree. We're the cheaper ones, but they're the ones who—. So, what's going to happen is you're going to get situations where they're no longer going to be able to afford to invest in those STEM subjects, which of course are a Welsh Government priority. That's going to hit research, and it's going to hit my region in Swansea, with the second campus that has just been opened to lots of fanfare. The First Minister was there opening it. We've had Ministers trooping in weekly to go and see that second campus.

[177] **Jocelyn Davies:** He's going to come to a question soon.

[178] **Peter Black:** So, the question is, Minister: do you fully understand the impact of this particular cut on those universities? What are you doing to mitigate it, to try and make sure that they don't have this loss of jobs that they're predicting, and loss of students, particularly around those STEM subjects?

[179] **Jocelyn Davies:** While you're thinking about that, in the evidence that HEFCW sent us, it says that the draft budget will provide funding of approximately £87 million to be allocated to the Welsh universities to spend on your strategic priorities. That is less than you are giving now to English universities. Are you comfortable—*[Interruption.]* Well, it is less money that you are asking them to spend on your strategic priorities than is now going to English universities. There has been no bigger supporter of the money following students than myself, but we are getting to the point where it means that we are starving Welsh universities for the strategic priorities that

your Minister will be outlining in his remit letter to HEFCW. Are you comfortable with that situation? They also tell us—and I know you say that money comes from elsewhere—but in their written evidence, they also tell us this is going to mean, I think, about 1,500 full-time equivalent jobs. Sorry, it's 1,150—I'm wrong there—full-time equivalent jobs.

[180] **Jane Hutt:** Perhaps if I could just respond to Peter Black's questions first, I did mention—. You say the money's going out of Wales in terms of student support, but, actually, I said earlier on that recruitment to Welsh universities is very strong and is improving.

[181] **Peter Black:** To some universities.

[182] **Jane Hutt:** Well, no, that's—. It's important that we recognise that this is benefitting Welsh students anyway, wherever they study, but it's certainly benefitting Welsh students who study at Welsh universities. I think the issue—. You mentioned, importantly, issues around, for example, perhaps more vulnerable students and disadvantaged students. I think we have chosen to protect support to students, through student support, and we would expect that the sector does use some of that funding to help, for example, protected groups, as well as vulnerable students in terms of the funding that has been made available for student support. And, I mean, this is—. Again, it goes back to the overall picture of having to develop a draft budget with a 4.5 per cent cut and decide what the priorities would be. One point that I made, I think, when I came on 9 December was that we did decide this year also that we were going to put money into protecting further education, and money into apprenticeships. So, it does go back to tough choices and difficult circumstances in terms of the cut in our budget from the UK Government.

[183] But I think the important point about giving evidence today is listening to you about concerns raised, listening to you about representations that have been made to you, not just by HEFCW, but by other organisations, and I do respect that.

[184] **Peter Black:** Can I just say—? In terms of priorities, I accept that, obviously, you have to choose priorities, and you say you've chosen apprenticeships, which I agree with, you've put money to FE, which I agree with. The economy is a major priority for the Welsh Government. This is going to hit not just jobs, but the economy, because our economy is depending on that research and the quality jobs that come from that. Do you

think that you're undermining your own priorities by cutting this HE in this way?

[185] **Jane Hutt:** Well, I do think that—. You're quite entitled, Peter to say, but don't just dismiss this EU funding as something specific for one project—

[186] **Peter Black:** I'm not dismissing it; it's just it's earmarked. It's earmarked.

[187] **Jane Hutt:** Don't dismiss the fact that we've got £27 million of grant income for Sêr Cymru from COFUND—£17 million from COFUND, £39 million for fellowship schemes. We are investing in science, research and development to benefit the economy. I did make the point, and I will make it again because it's very topical, that, when I went to Tata, and when I went to Swansea bay and the university, Tata managers and engineering doctorates, benefitting from our money and EU funding, said that this is vital to keep Tata steelworks open.

[188] **Peter Black:** But then you're undermining it by cutting the core funding.

[189] **Jocelyn Davies:** Okay. Don't have a conversation. Nick, did you have a supplementary? Then we must go back to Julie.

[190] **Nick Ramsay:** I did—very briefly, because Peter Black has stolen my thunder again. But it's a critical point that Peter made to you, Minister. You've reiterated a number of times now that you've had cuts to your budget from the UK Government. Okay. The point that this committee is concerned about, in terms of the whole draft budget process, is that, yes, you can choose your priorities, and you've had to make those with the cuts that have come to you, however, if you're undermining your own priorities as a Government with your budget decisions, then that is surely a huge flaw within this process.

[191] **Jane Hutt:** I think if I'd made the cuts to further education, we'd be sitting here having a long conversation about that, wouldn't we, which is also crucially important to the economy in terms of high-level skills.

[192] **Jocelyn Davies:** Julie, shall we come back to your questions, because I know you've got more on this?

[193] **Julie Morgan:** I think we'll probably move on from higher education now, shall we?

[194] **Jocelyn Davies:** Unless you've got further—

[195] **Julie Morgan:** No, I think it's mostly been covered. My main concern was the part-time courses, the widening of access and the fear that those areas might disappear. But, as the Minister says, the point of this is to have this debate and see where it takes us. Obviously, we all appreciate that it's very difficult to juggle between different budgets when you are in a situation of having a budget cut from Westminster. So, I was going to go on to ask about preventative spending, which, obviously, is absolutely key. So, how do you ensure that preventative spending is prioritised consistently when you're allocating funds between portfolios and within portfolios in Welsh Government departments?

[196] **Jane Hutt:** I've already answered this point, I hope, in the context of other spending priorities, but it's absolutely critical that we look at investing in prevention as a hallmark of our draft budget. Again, going back to looking to use the future generations Act to guide us, it's been very influential in shaping those budget preparations and draft spending plans. Every Minister has had to look at what their priorities are in terms of prevention, assessing the impact of spending decisions. I mentioned evaluation earlier on in answer to a question from Ann. Statistics—are we making an impact, looking at policy decisions in the round and, you know, considering those impacts not just from one perspective? Clearly, this has to be at the forefront not just because we've got a reducing budget, but because prevention, integration and collaboration—all points that are part of the future generations Act—are crucial to spending scarce public money responsibly.

[197] **Julie Morgan:** Thank you. What about making a definition of preventative spend? What progress has there been in doing that?

[198] **Jane Hutt:** I very much welcome the committee's focus on this, and your recommendation that we should be clear about the definition of preventative spend. I've been looking at contributions made by Ministers to other committees and have seen that there is a broader—. There are questions coming forward that are very welcome in terms of what the impact of their spending decisions are on prevention. The third sector is very engaged in this, and we've set up a Welsh Government and third sector working group, who are now looking into this in terms of developing that

wider definition. I think, also, that the committee is well aware of the work of the early action taskforce, who've done a lot of work on the methodology, and they're supporting us in taking this forward.

[199] **Julie Morgan:** So, the third sector working group, when is that going to report? Has that—?

[200] **Jane Hutt:** Well, it's started work. I met with them before Christmas, and they've got a remit, which is—. I'm very happy to issue a written statement on this, as soon as I've got clarity of their timelines.

[201] **Julie Morgan:** I think that would be good.

[202] **Jocelyn Davies:** Yes, it'd be interesting. Okay, Julie?

[203] **Julie Morgan:** That's all; I've finished.

[204] **Jocelyn Davies:** Okay. Thank you. Nick, shall we come to your questions?

[205] **Nick Ramsay:** Thanks. Minister, on affordability and prioritisation, the committee welcomes the production of a strategic integrated impact assessment for the budget. However, the document provides limited information on some of the key decisions, such as the negative impacts of reduced funding on sectors and groups. Do you plan to release more of the supporting detail in future?

[206] **Jane Hutt:** Well, of course, as you say, the whole purpose of the strategic integrated impact assessment is to get the impact of our spending decisions at a very high level, at a strategic level—very much, again, responding to your committee's inquiry into best practice budget processes and also to our budget advisory group for equality. So, Ministers have to undertake this in terms of their relevant areas, and we do that alongside subject committee scrutiny of the budget. But I think we do take into account very clearly the issues in terms of it. We're not looking just at negative impacts; we're looking at how we can protect as a result of the impacts of reduced funding.

[207] I think what we have to do is look at not only what the impact would be positively if we made this spend, but how we could actually finance and put our priorities into mitigating the effects of cuts and austerity. That has

been a big influence.

10:30

[208] **Nick Ramsay:** Do you anticipate you'll be releasing more of the information in future—more of the supporting detail?

[209] **Jane Hutt:** I think we've got to go back to—. There are two things I'd say on that: we've had a very, very short timeline to produce this strategic integrated impact assessment because of the two-week period between the spending review and draft budget, although it's been very much influenced by the work we did over the summer in the budget tour. I think the future generations Act, as it comes into force in April, will help us with that. I know that you're gathering evidence as well, and I hope we can answer any questions in terms of the impacts, negative or positive, which you might want to explore.

[210] **Jocelyn Davies:** So, you would expect, under a normal planning cycle, to produce a lengthier, more detailed document, but it was just that you were pushed for time in terms of preparing it on this occasion. Is that what you're saying?

[211] **Jane Hutt:** Yes. We were very squeezed for time. I would hope that we could produce—. I think once we produced a very extensive one, and it was considered too long.

[212] **Jocelyn Davies:** Too long—well, yes.

[213] **Jane Hutt:** So, you know—

[214] **Nick Ramsay:** You can't win. [*Laughter.*]

[215] **Jane Hutt:** What we need and you need is the proper evaluation, and evidence that we have taken into account the impacts.

[216] **Nick Ramsay:** Okay. Have you made an assessment of the impact of the loss of local authority employment, especially on communities in rural areas and areas with limited employment opportunities?

[217] **Jane Hutt:** Of course, with reducing budgets, Nick, difficult decisions have to be made. I think the key points made are we have to look at our

priorities in terms of spend. We also have to look at impacts—adverse or, hopefully, positive—in terms of prevention. But we also have looked very clearly at what the adverse impacts of these cuts are on people and what we should protect. I think also we've got new opportunities with social services delivery, through the social services and wellbeing Act, for example, to really look at impacts on communities—and, you know, across the board, not just in rural areas.

[218] **Nick Ramsay:** Will there be a loss of local authority employment? Is that your assessment?

[219] **Jane Hutt:** Local authorities, of course, have got their budget, they've got their provisional settlement. They'll have to set their budgets and council tax for 2016–17. We've given them financial flexibility and we've given them a much better settlement than they'd anticipated. But also we're working very closely with them to ensure that we can put capital funding into twenty-first century schools, and the intermediate care fund is going to be hugely important to them in terms of employment. I think Peter focused on the fact that our protection of schools, of education and social services, means—. Those are huge areas in local government in terms of employment and delivery of services.

[220] **Nick Ramsay:** Okay. Thanks. What are you doing to ensure all departments co-ordinate and embed poverty reduction into the policy decision process?

[221] **Jane Hutt:** That, of course, is a key responsibility of all Welsh Government Ministers and departments. Again, I think what's important for our draft budget for next year is that we have an emphasis on socioeconomic disadvantage as well as children's rights and Welsh language equality and sustainable development. So, that socioeconomic disadvantage, which we in the Welsh Government decided was key in terms of impact assessments, is also taken into account in our spending plans. That's why Flying Start, which provides free childcare in the most disadvantaged areas, Communities First, tackling provision in terms of health and training, Supporting People—again critically important, all, in terms of the ways in which we can prevent and support services and tackle poverty. But, you know, this is across the board, because we've got tackling poverty champions in every department of the Welsh Government.

[222] **Nick Ramsay:** Okay. Thanks. How are you ensuring that policies to

eradicate poverty and mitigate welfare reform have maximum impact?

[223] **Jane Hutt:** That's where it's very important that we do, again, assess and evaluate the impact of our programmes, and I've mentioned Communities First, for example. In this financial year, Communities First has supported 3,500 people into work. Also, the evaluation of Flying Start has suggested that outcomes for families living in those areas may now be on a par with outcomes for families in less disadvantaged areas, and I'm sure, again, people have seen that from their constituencies.

[224] I have mentioned measures to mitigate poverty, and I would like to put on record for the committee again some of those statistics you don't always hear. Three hundred and seven thousand households have been supported through maintaining entitlements to council tax relief in 2014–15, 2015–16 and 2016–17. It was good to see that go through yesterday without any opposition. That's a very important way in which we're mitigating poverty. Sixty thousand individuals have been assisted to get online through the six years of the Communities 2.0 programme; 42,500 people have been assisted with requests for advice and information through investment in front-line advice services; and 70,000 people have been assisted through the Welsh Government's discretionary assistance fund. An additional 774 one to two-bedroomed homes, again to deal with the bedroom tax; that's a one-off cost of £40 million from 2013 to 2016. So, despite the cuts to our budget, we are also prioritising action to mitigate poverty.

[225] **Nick Ramsay:** Did you have any discussions during the draft budget setting on the longer term sustainability of universal benefits?

[226] **Jane Hutt:** I mentioned this earlier on in terms of priorities and the fact that, for many—and that has to be a decision that we took as a Welsh Government—the evidence, most recently in fact, about the beneficial impact of free school breakfasts, not only in terms of providing that free school meal for children, which is particularly important in disadvantaged areas, but also in terms of free childcare, is that, also, it's actually having an impact on their learning as well, and that research from Cardiff University was extremely important. Also, the evidence in terms of the concessionary fares, not just for older people but for disabled people, providing access to learning, leisure, and independence for disabled people is that, again, they have a very important, positive impact. Also, free prescriptions enable people to work.

[227] If you look at welfare reform as a whole and the cuts to people's incomes in terms of tax and welfare reform changes by the UK Government, the universal benefits have a major beneficial impact, particularly on the most disadvantaged people in Wales.

[228] **Jocelyn Davies:** You didn't mention the student fee grant in that universal benefit. Did you have discussions about the long-term sustainability of that?

[229] **Jane Hutt:** Clearly, the Diamond review is now considering that, and we will await—

[230] **Jocelyn Davies:** It's a question mark, possibly, over that one, but the others—

[231] **Jane Hutt:** We've had an interim report—

[232] **Jocelyn Davies:** —you've been able to demonstrate some very tangible—. Okay, did you have any more questions?

[233] **Nick Ramsay:** No, I think it's fine. It's time for Mike's invest-to-save, I think.

[234] **Jocelyn Davies:** Yes. Come on, Mike—invest-to-save.

[235] **Mike Hedges:** I've got two questions on invest-to-save. The first one is about the Public Policy Institute for Wales review. What I don't quite understand is why good practice doesn't travel. We've had lots of people have invest-to-save for energy saving, which should work anywhere, yet it's, at best, patchy and, at worst, very rare for people to make the investment. You've had Wrexham council make investments on it; you've had the botanic gardens, but there seems to be a lack of other organisations of their type taking advantage of it. What can be done to get what you believe and I believe are proven means of saving money through using invest-to-save to be used by more organisations?

[236] **Jane Hutt:** Thank you, Mike. We've had the Public Policy Institute for Wales report, which came out with recommendations of what we could do. I'll just list a few: more accessible case studies; quick guides to good practice; using networks to increase awareness of the fund; greater awareness of bidding rounds; writing to all the chief executives of local authorities, which I

do; facilitating links between organisations; and making sure that we've—. We actually have had an increase in activity over the last year as a result of doing all of these things. So, I think you can see now—. One area is energy efficiency. If one university can save a great deal of money through invest-to-save with LED, why can't the rest of them? That's a good point for higher education institutions at the moment.

[237] **Mike Hedges:** Can I just follow on with a further question on that? Why don't you or somebody else write to organisations and say, 'Organisation X has done this'—LEDs or whatever—and, 'This is saving them so much money; why are you not doing it?' Rather than tell them about the good case studies, why don't you actually put pressure on them to give a response as to why they're not doing it?

[238] **Jane Hutt:** Well, I think that that suggestion, if it comes from the committee, is very helpful. We can't mandate them. It is a voluntary scheme. I think it certainly has improved, particularly with further and higher education. It's a lot more difficult when they are sort of autonomous institutions like that, whereas with the health service, the health boards know that they can learn from each other and do so. But local government is beginning to pick up now. They know that they can save money through it, and it actually is working for them.

[239] **Mike Hedges:** Of course, local authorities—

[240] **Jocelyn Davies:** We were told that there was a cultural problem of not wanting to do what other people do within Wales. Have you come across that at all, Minister, of a kind of people setting their face against copying what somebody else has done?

[241] **Jane Hutt:** I think what we've found is that they don't want to copy exact schemes. So, they like to give it a different name, but to be fair also, perhaps be a bit more innovative. So, actually, I'd say positively—. I mean, for example, with the Gwent frailty project, which is a very—

[242] **Jocelyn Davies:** Oh, well, we knew that was going to crop up. [*Laughter.*]

[243] **Jane Hutt:** Yes, well, I'm glad—. I wanted to mention it because, actually, every health board now in Wales has a variation on a theme of the Gwent frailty programme.

[244] **Jocelyn Davies:** But they've all got different names for it.

[245] **Jane Hutt:** But they've also actually learnt lessons from the Gwent frailty project. So, they've got better and better at it. So, you can look at this as a way in which it is—. Culturally, they might be resistant to saying, 'We are copying the Gwent frailty project', but they might be doing something better.

[246] **Jocelyn Davies:** Perhaps Ministers ought to re-look at their remit letters to see what they can include in terms of best practice.

[247] **Mike Hedges:** Of course, local authorities are using internal borrowing rather than the Welsh Government invest-to-save fund, so I think it matters more what is being achieved rather than how it is being set about. We also know that a lot of the invest-to-save has been used for redundancy and early retirement both in Natural Resources Wales and in the health service. How can I follow that and see the savings?

[248] **Jane Hutt:** It has been important, with limited financial resources. Invest-to-save has developed at a time of reducing budgets, hasn't it? So, it has support, and I think it's a valid use in terms of voluntary early release. But, you know, it's still the number of projects is low in proportion to total schemes.

[249] **Mike Hedges:** But we know that health has had an increase in budgets year on year, and yet they've used a substantial amount of that invest-to-save fund in order to make savings through redundancies. The real question is: how can I follow that invest-to-save within the health—? Tell me or direct me to health boards, or ask the Minister for health to write to me, but how can I follow those savings to see they've actually come through?

[250] **Jane Hutt:** Well, certainly, we can identify the way that they have recycled the funding, that it's come back, or that they've delivered on that. In terms of invest-to-save in health, though, we've had 15 projects that have actually supported innovation and improvements in care in the Welsh NHS. So, it hasn't just been in terms of voluntary early release. Clearly, that voluntary early release was based on a business plan that was clearly evidenced about how this could release those roles and jobs that perhaps weren't at the forefront of innovation and change.

10:45

[251] **Mike Hedges:** I don't think I can't get anything further on that one, so can I move to capital and capital reserves? The Minister for enterprise and business, Edwina Hart, stated in the Enterprise and Business Committee last week that she's anticipating further capital allocations towards the end of February. She said that these are a matter for the finance Minister. I'm also informed that you're holding three times more reserves than in last year's draft budget. Do you plan to allocate any of this funding in the final budget, and how will you decide what to prioritise?

[252] **Jane Hutt:** Yes, well we certainly are going to be making allocations in terms of the capital programme shortly.

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

[254] **Alun Ffred Jones:** A fuasech **Alun Ffred Jones:** Could you tell us chi'n gallu dweud faint o ddyraniad y how much of the block grant bloc grant sydd heb ei ddyrannu yn allocation hasn't been allocated in eich cyllideb ddrafft 2016-17, a'i your draft budget for 2016-17, and osod yn yr arian wrth gefn, yn y has been placed in the reserves? *reserves?*

[255] **Jane Hutt:** I will be making further capital announcements, as I said, in line with the Wales infrastructure investment plan. If you look at table 4.1, it shows the total allocation to Welsh Government MEGs, and the resource reserves and capital reserves. But my announcement is going to be very shortly forthcoming in terms of capital announcements.

[256] **Alun Ffred Jones:** Y cwestiwn **Alun Ffred Jones:** The question I had oedd gen i oedd: faint o'r arian sydd was: how much of the money that wedi dod yn y bloc grant sydd heb ei has come in the block grant hasn't ddyrannu yn eich cyllideb chi, ac been allocated in your budget, and sydd felly wedi mynd i'r *reserves?* has therefore been put into reserves? Faint? Beth ydy'r swm? How much money? What is the number?

[257] **Jane Hutt:** I've told you that it's in table 4.1. Do you want me to read it out? I'm very happy to do so. Our fiscal resource DEL is £221,017,000. I think it is all here in the table, if that's helpful, but I will certainly read it out if you'd like me to.

[258] **Alun Ffred Jones:** A ydy o'n iawn i ddweud felly fod yna £0.75 biliwn o arian yn aros felly yn yr arian wrth gefn? **Alun Ffred Jones:** Is it right to say, therefore, that there's £0.75 billion that has stayed in the reserves?

[259] **Jane Hutt:** The reserve is as I've laid out in the budget, and I'm going to allocate from that the capital allocations for the next financial year as is appropriate.

[260] **Alun Ffred Jones:** Y cwestiwn ydy: pam bod yna gymaint yn fwy o arian? Mae yna dros £220 miliwn yn y refeniw, ac mae yna bron i £300 miliwn yn yr arian ar gyfer cyfalaf. Pam bod y swm hwnnw gymaint yn uwch eleni nag y mae wedi bod yn y blynyddoedd diwethaf? **Alun Ffred Jones:** The question is: why is there so much more money? There's more than £220 million in the revenue and nearly £300 million in capital funding. Why is that amount so much higher this year than it has been in previous years?

[261] **Jane Hutt:** It isn't so much higher. I'm very happy to give you a note on this in terms of previous years, and also to make the point again, which I made earlier on. We had such a short period of time in terms of being able to develop this draft budget, and then, of course, I am going to make decisions on capital. We do normally hold reserves around 1 per cent, but, as I said, we didn't know what our settlement would be until the twenty-fifth. And, also, we have unconfirmed reductions facing us, so we have to balance the need in terms of early funding certainty and announcements, and being able to ensure that we are responsible in terms of financial management.

[262] **Jocelyn Davies:** So, this is in case you get a surprise—an unwelcome surprise—in the near future. And when will you know that?

[263] **Jane Hutt:** Well, we won't know about unwelcome surprises—

[264] **Jocelyn Davies:** No, you won't know what it is, but have you any idea when that's going to be?

[265] **Jane Hutt:** The fact is that reserves do have to provide us with a degree of flexibility. We may face cuts in the budget next year. You will recall that, back in June, we had a cut of £50 million to our budget—unannounced and unexpected in June last year. I took it out of reserves, and that's what I have done as finance Minister. I've never made in-year cuts. I didn't make them in

2010 to cut back the kinds of services that we've all been concerned about today, and I certainly wasn't going to do it last year. That's what reserves are for. We've had our budget cut by £46 million this year, as I said.

[266] **Jocelyn Davies:** Okay. So, you had a £50 million unannounced, unexpected cut last year, so you know you've got to keep some of it just in case that should happen again. So, how much do you intend to keep there just in case you have a cut, because you just said you're going to make some capital allocations?

[267] **Jane Hutt:** I think it's only fair to me, as finance Minister, to make those allocations, and then, obviously, that will have a bearing on the reserve. But, very shortly, I'll be able to account for that.

[268] **Jocelyn Davies:** Mike.

[269] **Mike Hedges:** I've finished.

[270] **Jocelyn Davies:** You've finished. Ffred, shall we come to your questions, then?

[271] **Alun Ffred Jones:** Rydym wedi mynd dros y materion gyda'r arian ar gyfer y cymorth i ferched, felly mi symudaf ymlaen at y Gymraeg. Roeddech chi'n sôn ar y dechrau mor bwysig oedd Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015 wrth i chi lunio'r gyllideb yma, ac, wrth gwrs, un o'r amcanion yn y Ddeddf honno ydy hyrwyddo diwylliant a chreu Cymru ddwyieithog. Felly, sut mae'r toriad o 6 y cant yng nghyllideb y Gymraeg yn mynd i helpu hynny?

Alun Ffred Jones: We have already looked at the issues with the funding for women's aid, so I'll move on to the Welsh language. You mentioned earlier how important the Well-being of Future Generations (Wales) Act 2015, has been in drawing up this budget, and, of course, one of the objectives in that Act is to promote culture and create a bilingual Wales. So, how is the cut of 6 per cent in the budget for the Welsh language going to help that?

[272] **Jane Hutt:** Of course, our commitment is absolutely critical to our programme for government, and our commitment to the Welsh language and a bilingual Wales. So, we've limited the cut to the total Welsh language budget actually to 5.9 per cent, allocating £1.2 million to support Welsh in the community. Obviously, the First Minister also announced, before

Christmas, grants of over £4 million to show that we want to protect funding to those main grant recipients to promote language at a community level.

[273] **Alun Ffred Jones:** Heb fynd i'r manylion, mae'r Prif Weinidog wedi dweud ei fod yn blaenoriaethu hyrwyddo'r Gymraeg yn yr economi a'r gymuned. A ydych chi'n gwybod beth mae'n feddwl wrth ddweud 'hyrwyddo'r Gymraeg yn yr economi'?

Alun Ffred Jones: Without going too much into detail, the First Minister has said that he prioritises the promotion of the Welsh language in the economy and the community. Do you know what he means in saying 'promoting the Welsh language in the economy'?

[274] **Jane Hutt:** Well, he's very clearly promoting it by reducing the cut to the Welsh language budget, and I've demonstrated how he's doing that particularly at community level. But I think, also, it's very important as well to recognise that we are making progress in terms of some of the areas of our investment, in terms of the Welsh language.

[275] **Alun Ffred Jones:** Roeddech chi'n dweud mai 2.5 y cant oedd y toriad, ond, yn y gyllideb, mae'r toriad yn 5.9 y cant.

Alun Ffred Jones: You said that the cut was 2.5 per cent, but, in the budget, the cut is 5.9 per cent.

[276] **Jane Hutt:** I apologise; I thought I'd said 5.9 per cent.

[277] **Alun Ffred Jones:** Mae'n ddrwg gen i; arna i oedd y bai. Mae yna doriad hefyd o dros 10 y cant i'r grant i Gyngor Llyfrau Cymru, ac mae yna gryn dipyn o ohebu wedi bod ynglŷn â hynny. A ydych chi'n ystyried bod hwn hefyd rhywsut yn gyfraniad tuag at greu Cymru ddwyieithog?

Alun Ffred Jones: I am sorry; that was my fault. There is also a cut of more than 10 per cent to the grant to the Welsh Books Council, and there has been quite a lot of correspondence about that. Do you think that this is also some sort of contribution towards creating a bilingual Wales?

[278] **Jane Hutt:** Well, certainly, the Deputy Minister for Culture, Sport and Tourism is well aware of the concerns that have been raised about this, and this is a matter for him and the Minister for Economy, Science and Transport. But I also think, and I'm sure Members are aware, that it's important to know that the Deputy Minister made additional funding available for the Welsh Books Council to undertake urgent works to its headquarters and distribution

centre, and to upgrade ICT systems.

[279] **Alun Ffred Jones:** Iawn. Ac yn olaf, ydy'r Llywodraeth wedi gwneud unrhyw waith i geisio asesu effaith safonau'r Gymraeg o fewn y gwasanaeth iechyd, ac a fydd unrhyw gostau ychwanegol yn deillio o hynny?

Alun Ffred Jones: Okay. Finally, has the Government done any work on trying to assess the impact of the Welsh language standards in the health service, and will there be any additional costs attached to that?

[280] **Jane Hutt:** Very importantly, the regulatory impact assessment, of course, was undertaken when those regulations were made particularly applicable to local authorities, as well as to the health service. So, that RIA is crucial to ensuring the standards are delivered. But they are, of course, being prepared for NHS bodies, and they'll be consulted upon after the Assembly elections.

[281] **Jocelyn Davies:** Just one last question, Minister, and that's on the overall cost of legislation. We very much welcome the estimated costs in 2016–17 of the impact of new legislation. Obviously, most of the information that you've been able to supply is based on that contained in the original regulatory impact assessment. We know that there is further work being done on this and we welcome that. So, can you tell us whether you expect in the future to be able to say, 'We thought it was going to cost this much, but actually it's turned out to cost this much'? That is so that we can make an assessment of how accurate the figures are and, of course, improve the way that regulatory impact assessments are carried out.

[282] **Jane Hutt:** I welcome the fact that you found that table useful. I'm absolutely vigilant with colleagues about the fact that we have to have fully costed proposals in terms of legislation, when we're planning and developing Bills. It's not just for us, but for delivery partners as well. So, consulting and engaging with them is crucial. But when they actually implement it, it's those actual costs, which you quite rightly say, that have to be met from existing budgets. So, if they vary from what was anticipated in the regulatory impact assessment, there will be lessons learnt. I think we have given you as much transparency about what we expect from the cost of legislation.

[283] **Jocelyn Davies:** Yes and, as I say, we're very pleased about that. You're keeping an eye on your Ministers and the departments in order for that work to be kept up in future years so that we'll be able to see the accuracy of it as

things develop.

[284] **Jane Hutt:** Yes and I'm sure, of course, as you know, delivery partners will also be making their views known. But it's also very important, in terms of budget cuts, that if they weren't realistic or were underestimated, then that would have an impact on other important budgets and services.

[285] **Jocelyn Davies:** Okay, Minister. Thank you very much. You've put up with us for two hours, so well done. I know it doesn't normally last that long, but we're very grateful for your time this morning, and well done for enduring the entire two hours. We'll send you a transcript as usual. If you check that for accuracy, we will be very grateful.

[286] **Jane Hutt:** Thank you very much.

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

10:57

**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**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod ac o eitem 1 o'r cyfarfod ar remainder of the meeting and for 28 Ionawr 2016 yn unol â Rheol item 1 of the meeting scheduled for Sefydlog 17.42(vi).

28 January 2016 in accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[288] **Jocelyn Davies:** I propose under Standing Order 17.42 that the committee resolves to meet in private for the remainder of today's meeting and for item 1 of the meeting scheduled on 28 January. Do you all agree? Lovely, thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:58.
The public part of the meeting ended at 10:58.*