



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

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

**Dydd Mercher, 12 Hydref 2011**  
**Wednesday, 12 October 2011**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol****Committee members in attendance**

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

**Eraill yn bresennol****Others in attendance**

Jeff Andrews	Cynghorydd Polisi Arbenigol, Cynllunio Strategol, Cyllid a Pherfformiad Specialist Policy Adviser, Strategic Planning, Finance and Performance
Phil Fiander	Cyfarwyddwr Rhaglenni, Cyngor Gweithredu Gwirfoddol Cymru Director of Programmes, Wales Council for Voluntary Action
Michael Hearty	Cyfarwyddwr Cyffredinol, Cynllunio Strategol, Cyllid a Pherfformiad Director General, Strategic Planning, Finance and Performance
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog Cyllid ac Arweinydd y Tŷ) Assembly Member, Labour (Minister for Finance and Leader of the House)
Andrew Jeffreys	Pennaeth Cyllidebu Strategol, Cynllunio Strategol, Cyllid a Pherfformiad Head of Strategic Budgeting, Strategic Planning, Finance and Performance
Joy Kent	Cyfarwyddwr, Cymorth Cymru Director, Cymorth Cymru
Michelle Matheron	Uwch Swyddog Polisi, Cyngor Gweithredu Gwirfoddol Cymru Senior Policy Officer, Wales Council for Voluntary Action
Catriona Williams	Prif Weithredwr, Plant yng Nghymru Chief Executive, Children in Wales

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Tom Jackson	Clerc Clerk
Sue Morgan	Cynghorydd Cyfreithiol Legal Adviser

*Dechreuodd y cyfarfod am 9.28 a.m.  
The meeting began at 9.28 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon  
Introduction, Apologies and Substitutions**

[1] **Jocelyn Davies:** Welcome, everyone, to the Finance Committee. You will note that headsets are available. Translation, as always, is on channel 1 and amplification on channel 0. Please check that all mobile phones and other electronic devices are off. We are not expecting a fire drill, so if you hear the alarm it is a genuine emergency.

9.29 a.m.

**Cyllideb Ddrafft Llywodraeth Cymru 2012-2013:  
Craffu ar waith y Gweinidog Cyllid  
Welsh Government Draft Budget 2012-2013: Scrutiny of Minister for Finance**

[2] **Jocelyn Davies:** I welcome the Minister and her officials. Thank you very much for agreeing to come here this morning. Would you like to introduce yourselves and perhaps make some introductory remarks before we go into questions?

[3] **The Minister for Finance and Leader of the House (Jane Hutt):** Thank you, Chair. I introduce Michael Hearty, who is our director-general for finance, Andrew Jeffreys, head of strategic budgeting and Jeff Andrews, our finance specialist adviser. I would like to make a few opening remarks, Chair, and will start by saying how pleased I am to attend the Finance Committee today, so soon after the publication of the draft budget last week. When I came before you most recently, we discussed the proposed changes to the budget motion. I said at that point that I am committed to working in an open and transparent way to help improve and support the scrutiny process. I hope that that was evident when I presented the budget to the Assembly on the day it was published. That is the first time that we have done that, and I think that was probably the right way to present it on that occasion.

9.30 a.m.

[4] As in previous years, I have published spending plans at action level. They have been presented to make it clear and transparent where we have made budget changes to previously published plans and where we have made additional allocations. I know that there is more to unpick to clarify that. However, I hope it gives a clear account of how we are aligning our budgets to deliver our priorities. Obviously, that account will develop as we go through the scrutiny of the budget and, indeed, of individual Ministers, who will go into more detail.

[5] The budget for growth and jobs that we published last week is built on our previously published plans, which were approved in the February 2011 budget, for which there was widespread support. Our commitment to delivering economic renewal and opportunity is at the heart of these plans. Last week, Members had that first opportunity to scrutinise the budget in the Chamber. Although that was only the start of the scrutiny stage, I welcomed the initial responses to the budget. They set the tone for scrutiny of the budget. What came across was a clear commitment to take action to stimulate economic growth, and I believe that this is a priority on which there is broad consensus across all political parties. There is also a consensus emerging among other stakeholders. I was interested to see that the chair of the British Medical Association endorsed the approach that we are taking to the NHS in Wales. The Institute of Directors was broadly supportive of the focus of our budget. All of that helps us in delivering a challenging and ambitious agenda. We obviously need broad consensus on the measures that we are taking to realise those ambitions, particularly in relation to economic

stimulus and growth in Wales. That must be a clear focus of the scrutiny process.

[6] I am confident that the spending plans I have presented provide the support we need to deliver jobs and economic growth in Wales and direct and ongoing support for businesses to create the necessary environment for innovation. That includes the approach I have outlined for boosting capital investment, with the development of a national infrastructure plan, and exploring all potential mechanisms for leveraging in additional investment. The plans include the additional allocations that we have announced as part of the proposals, including £75 million for the Jobs Growth Wales scheme to help to support 4,000 young people every year and £27 million for schools. To clarify, we will have invested an additional £185 million in schools over the spending review period, £55 million to double the number of children benefiting from our successful Flying Start scheme, and £288 million in the NHS over the next three years.

[7] As I said when I published the budget last week, I believe that these plans set the tone for this Assembly of a responsible Government with a credible budget and put the economic interests of Wales at the centre. From that come the opportunities for employment, training, skills development and supporting vulnerable people. Now, we need to have a dialogue, and I look forward to the scrutiny this morning.

[8] **Jocelyn Davies:** Thank you, Minister. I would like to start by asking about the presentation of the draft budget in relation to the comparisons. Perhaps you would like to explain to us why it was decided to show comparisons with indicative figures from the supplementary budgets rather than your normal approach of showing year-on-year changes.

[9] **Jane Hutt:** The way that we have presented it is consistent with the standard practice of using the latest published figures. That is the issue to do with the comparisons. We have used the first supplementary budget of 2011-12 as the baseline, adjusted to remove non-recurrent allocations. The important thing is that those indicative allocations are built on the development from the first supplementary budget.

[10] **Jocelyn Davies:** With regard to scrutiny, there is the added complication of portfolio restructuring, and it would be fabulous if you could settle on one way of presenting, so that the changes are easier to track. So, do we take it that you have now settled on one way of presenting the tables to us?

[11] **Jane Hutt:** I think so, but I will bring Andrew in at this point to say something about that.

[12] **Andrew Jeffreys:** The way that we have presented the numbers this year is the standard way that we present figures. It is probably worth mentioning the situation last year, which was quite unusual in that we were publishing a budget without having already published a set of indicative plans for future years, because we were at the start of a spending review period. When we published this budget, we had already set out plans for three years. So, the standard practice is to show the changes from those already published plans, as opposed to showing changes from a base year. It would be interesting to know whether the committee prefers that form of presentation or a different form of presentation. However, as I say, that is the standard way that we present budgets.

[13] **Jocelyn Davies:** We will ensure when we produce our report that we include a clear steer from the committee as to how we would prefer it to be done. Mike has some questions now on additional allocations.

[14] **Mike Hedges:** I know that it is only about £150,000, but it has been taken out of the budget for the National Botanic Garden of Wales for this year. Can I be certain that you will

not bring it back in in a supplementary budget later on in the year? The botanic garden has had financial problems for years—those were not unexpected; it was always going to be an expensive thing to do. I have no problem with the money, but, for clarity, is taking it out logical, or are we just taking it out to add it in later on in the year?

[15] **Jane Hutt:** This relates to portfolio changes within the year and additional allocations. In fact, it relates to an additional allocation that we made to the national botanic garden.

[16] **Mike Hedges:** Yes, but if you are likely to have to provide that for this year, for clarity's sake it is better to put it in at the beginning of the year than to have to come back with a supplementary budget part of the way through the year to add it.

[17] **Jane Hutt:** It was a one-off decision to support the national botanic garden in that way, so it should not come back. We hope that this will help the national botanic garden in terms of stability, and that is the reason why we have supported it in that way. So, I very much hope that we will not be reflecting that in a supplementary budget. However, this is about portfolio decisions, which we then have to consider in-year.

[18] **Mike Hedges:** If you do come back with it, then we can have a further discussion.

[19] **Jane Hutt:** Yes, certainly.

[20] **Jocelyn Davies:** I think that Mike would like you to let the committee know whether there are any further developments or changes to what you present to us today. Paul, do you want to ask some questions on capital?

[21] **Paul Davies:** Yes. In your oral statement last week, Minister, you said that you would be lifting investment by transferring revenue funding to capital. To what extent has that been done and what impact will that have on revenue budgets?

[22] **Jane Hutt:** I announced that we would be using this facility because of the huge cuts to capital. As I said in my opening remarks, we are doing everything that we can to try to lever funds into our capital budget. We looked at the transfer from revenue to capital in terms of what we describe, and you know, as the centrally retained capital fund. We anticipated about £57 million transferring from revenue to capital. That will be as a result of us ensuring that the business plans for those particular projects, which we would fund through the centrally retained capital fund, have been finalised and approved. So, again, it is about ensuring that we have a centrally retained capital fund that we can use for those key capital projects.

[23] **Paul Davies:** You have made it clear that you want to obtain borrowing powers to fund capital projects. Will you also confirm that you will consider other options, such as public-private partnerships?

[24] **Jane Hutt:** We had a good example yesterday of a new way of leveraging in private finance, albeit through the Welsh housing partnership fund with the Principality Building Society. We need to look at new ways to lever in private finance effectively—this will be part of our national infrastructure plan discussions with our private sector partners—given the fact that we now know that private finance initiatives, which we now recognise as outdated, did not deliver and were inappropriate to our financial basis and needs. However, we certainly need to look at new ways of leveraging in that support.

[25] **Paul Davies:** May I come back to you on that and clarify that? Will that include public-private partnerships, yes or no?

[26] **Jane Hutt:** Yes, they will be partnerships with the private sector.

[27] **Jocelyn Davies:** Mike, you wanted to ask some questions on this.

[28] **Mike Hedges:** You have moved revenue to capital—I know that I am getting boring on this topic—but if you had given that money to local authorities as revenue to use for supported borrowing, you could have had a multiplier of 10 on the amount of capital expenditure that could have been spent on projects that were of benefit, in the opinion of the Welsh Government. You could also have used it to replace some of the transport grant, giving that as credit approval, in which case, you would have had capital money left over for other things. However, you would have had a multiplier in there if you had not just spent it on capital.

[29] **Jane Hutt:** As you know, we are pursuing this rigorously with our local authority partners to find ways for us to support them, because they have borrowing powers. In fact, last week, Carl Sargeant and I met with the finance spokespersons from the Welsh Local Government Association. It is important that we use the new borrowing opportunities that, as you said, can help us to bring forward capital investment projects. However, we must recognise that this has to be done in partnership with local government to see the way forward. The work that has been done by Professor Gerry Holtham in this respect with the Welsh Local Government Association is valuable. In fact, I received a letter from the Welsh Local Government Association, Gerry Holtham and David Rosser from the Confederation of British Industry on helping to progress this with a series of proposals that we are taking forward. So, every avenue to lever in those borrowing opportunities is being pursued.

[30] **Jocelyn Davies:** On the issue of the borrowing powers of local authorities, I am pleased by that clarification, Minister, because you will probably be aware from the transcript of our recent meeting that the WLGA said that you had not been in discussions with it about using the borrowing powers of local authorities. However, you have put the record straight today that you are in discussions, but with its finance spokespeople rather than the head of the WLGA. Is that the case?

[31] **Jane Hutt:** Yes. Last week, we had a meeting of the consultative forum on finance, which meets regularly. It was a meeting of the Welsh Government with elected members and officials of the Welsh Local Government Association. Rodney Berman is the chief spokesperson for the Welsh Local Government Association, so he is the lead cabinet member in the Welsh Local Government Association. Clearly, it has an appetite for this, and there is no question, as far as I and my colleague Carl Sargeant are concerned, that this has to be the way forward. We are now engaged in good talks.

[32] **Jocelyn Davies:** We are very pleased to hear that. One of the issues that he raised with us was paying back what had been borrowed. If you borrow something, you have to pay it back. They would need a revenue stream to repay the money that they had borrowed. So, you are now in discussions with them about how that would be possible.

[33] **Jane Hutt:** Yes. This is an issue where we have to be mindful of their situation. We can have a commitment to take this forward, but we have to be mindful of the situation and what that will mean for them. In terms of the revenue streams, it is going to be a question of priorities for us as well, if we are going to support their borrowing in that way. So, this is something upon which I would certainly want to report back to this committee, in terms of the way that this moves forward.

9.45 a.m.

[34] **Mike Hedges:** What we are really talking about is supplementary credit approval by a new name, is it not?

[35] **Jane Hutt:** We know that you have mentioned supplementary credit approval, which is no longer with us, on many occasions in the Chamber, Mike, but you will see that this is a new direction.

[36] **Mike Hedges:** There is a new name, but it is the same means by which local authorities can have expectations of debt, say for new schools, wrapped up in the revenue support grant.

[37] **Jane Hutt:** It goes back to the fact that we have to be careful because this is not new money, and the cost of financing new borrowing will have to be borne. We need to be clear about liabilities that arise from that new borrowing, and it has to be a fair exchange in terms of capital projects that would be supported. This is about a partnership approach—there is no question about it.

[38] **Jocelyn Davies:** Obviously, discussions are at an early stage at the moment, but we are very keen to explore that at a later stage. Peter, did you want to come in?

[39] **Peter Black:** I just wanted to ask about the additional allocations. The narrative accompanying the draft budget details additional allocations of £139 million in 2012-13, £160.9 million in 2013-14, and £192.6 million in 2014-15. However, because of the transfers between action lines and the re-ordering of the portfolios, it is difficult to identify exactly where those allocations have been made. Could you give us some clarification as to where that money has actually gone in to the budget?

[40] **Jane Hutt:** If I could clarify in terms of main allocations from reserves, the £288 million over three years for health structural support and orthopaedics capacity has gone into the 'Delivery of Core NHS Services' line in 'Health, Social Services and Children'. There is £55 million over three years to double the numbers benefiting from Flying Start, which has gone into the 'Children, Young People and Families' line. There is £27 million in 2014-15 to increase schools funding by at least 1 per cent above the change in our block grant, and that has been split, as you are aware, between funding support for local government, lying in 'Local Government and Communities'—which is £22.4 million—and the 'Education Standards' line in 'Education and Skills'. Then there is £12.5 million per year for the Jobs Growth Wales scheme, which is allocated under the 'Employability of the Workforce' line in 'Education and Skills'.

[41] **Peter Black:** I take it that most of that money has come out of the reserves.

[42] **Jane Hutt:** Yes. If you would like some more detail about how that has come out of the reserves, I am happy to give that now, or in a note.

[43] **Jocelyn Davies:** A note would be fine. Peter, did you have any more questions?

[44] **Peter Black:** Moving on to the reserves, the budget narrative says that you have £127 million in 2012-13. Given that there are prior commitments already earmarked from the reserve in relation to transition funding and invest to save, how much of that money is already earmarked for specific purposes and how much is therefore available as a contingency for use in unforeseen circumstances?

[45] **Jane Hutt:** This is a very important question in terms of the handling of this budget. In terms of the reserves for 2012-13, to clarify, we have provisionally earmarked £12.2 million for the non-recurrent funding for orthopaedic services. That will be an in-year

allocation, and will of course be subject to certain milestones in terms of delivery. You mentioned £15 million of transitional support to help public services in their transition to new, more efficient forms of service delivery. The invest-to-save fund does not require any call on the reserves because the money is recycled. In fact, the £6.5 million for new project investment that I announced for next year will come from recycled receipts. I know you will be pleased to hear that the invest-to-save fund is actually functioning, so we will not be calling on reserves for that. That probably covers your point.

[46] **Peter Black:** So, of the £127 million in the reserves, only about £99 million is actually not earmarked already, and available for contingency.

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

[48] **Peter Black:** That takes it quite significantly below the 1 per cent, then.

[49] **Jane Hutt:** Yes. It is £99.5 million, which is 0.74 per cent of the Wales fiscal resource DEL. As you are aware, this is where we have to be clear about the risks that we are taking on with regard to the management responsibilities of the spend. I have already identified that the allocations that I have outlined have to be subject to delivery milestones, but we are confident about this level of reserve. We do not want to leave the year with a level of reserve; we want to spend the reserve as planned for the following year.

[50] On the question about contingency if something were to happen during the year, we have never been in a position when we have fixed our budgets in anticipation of unexpected events. If those events are at a UK level—issues such as foot and mouth disease have been mentioned—we have an agreement with the Treasury that means that we would work together to handle that impact. It is responsible to have a reserve that we know how we will use, and for which the Government must take responsibility in terms of flexibility and managing the budget. We are making sure that every Welsh pound gets into the economy and the community.

[51] **Peter Black:** I accept the example of foot and mouth disease, but I would have thought that a better example would be the Corus crisis about 10 years ago, which led to substantial investment in the Newport and Blaenau Gwent areas. That would have had to come entirely from the Assembly's reserves, and, from memory, it must have been about £50 million, or maybe more than that. That would be the type of crisis to which the Welsh Government would have to respond. If something like that happened again, are you happy that you have enough resource to cope with it?

[52] **Jane Hutt:** We would very much hope that we would not have to face that kind of situation again, but you cannot predict it. On the other hand, we have the opportunity to shift money; I have mentioned the centrally retained capital fund and also transitional support funding, which must be about spending on change and development within the public sector. However, there is room for manoeuvre within the allocations that we have made. I would say very clearly to this Finance Committee that, in these challenging times, I have to take the risk on delivering a budget that enables us to get money out for the economy and for public services, and I would not want money in my reserves. I would also say that I look to the reserves held by local authorities, for example, which are extraordinarily varied in their amounts, and one wonders for what purpose they are holding them.

[53] **Peter Black:** Has the Permanent Secretary as the accounting officer expressed any reservations to you about the level of reserve that you are holding in this budget?

[54] **Jane Hutt:** No.



[55] **Ieuan Wyn Jones:** Yr oeddwn innau eisiau gofyn cwestiynau am y cronfeydd wrth gefn hefyd. Yr ydych wedi dyrannu £83 miliwn yn ychwanegol y flwyddyn nesaf i'r gwasanaeth iechyd, sy'n rhywbeth yr ydych yn arfer ei wneud o'r gronfa wrth gefn tua diwedd y flwyddyn, ond yr ydych yn ei wneud ar ddechrau'r flwyddyn ar gyfer y flwyddyn nesaf. Pa mor hyderus yr ydych na fydd byrddau iechyd lleol yn dod ar eich gofyn am fwy o arian, o ystyried fod y gronfa wrth gefn bellach mor isel?

**Ieuan Wyn Jones:** I also wanted to ask questions on the reserves. You have allocated an extra £83 million next year to the health service, which is something that you usually do from reserves towards the end of the year, but which you are doing at the start of the year for next year. How confident are you that local health boards will not come to you for more money, bearing in mind that the reserves are now so low?

[56] **Jane Hutt:** It was a very difficult set of discussions and negotiations, as you can imagine, in terms of making this decision to give more money to the health service. It was very much based on a commitment from the health service, which was demonstrated last week in the statement made by the Minister for Health and Social Services, that it was about giving it the opportunity to ensure that it can deliver a sustained and robust health service, including the changes and development in the service that are clearly indicated. However, the health service is making progress in the changing way in which it delivers. The efficiencies that have already been delivered have been impressive, and we now have the opportunity with this extra money—the funding was greatly welcomed in the orthopaedic capacity—to support the health service in that way. It knows that this is the bottom line in terms of the funding available.

[57] **Ieuan Wyn Jones:** Yr ydych yn cydnabod ym mharagraff 6.24 y ddogfen ar y gyllideb bod angen i'r gwasanaeth iechyd ddod o hyd i arbedion gwerth £250 miliwn y flwyddyn er mwyn rhyddhau arian parod. Os ydynt yn cael £83 miliwn yn ychwanegol, ond yn gorfod gwneud arbedion o £250 miliwn, mae'n eithaf amlwg bod pwysau ariannol difrifol yn mynd i fod ar y byrddau iechyd lleol yn ystod y flwyddyn. Mae'n hawdd dod o hyd i arbedion pan fo'r gyllideb gyffredinol yn cynyddu, ond yn anoddach gwneud hynny pan fo'r gyllideb, mewn termau real, yn mynd i lawr. Sut yn union yr ydych yn disgwyl i'r byrddau iechyd wneud arbedion o £250 miliwn ar adeg pan mae'n amlwg bod eu cyllideb craidd, mewn termau real, yn debyg o fynd i lawr?

**Ieuan Wyn Jones:** In paragraph 6.24 of narrative document, you recognise that the health service needs to find cash releasing savings of £250 million each year. If they are getting an additional £83 million, but have to make savings of £250 million, it is quite evident that there will be serious financial pressure on the local health boards during the year. It is easy to find savings when the general budget is increasing, but much more difficult when the budget, in real terms, is going down. How exactly do you expect the health boards to make savings of £250 million at a time when the core budget, in real terms, is likely to go down?

[58] **Jane Hutt:** I go back to the fact that they have already been under a firm savings regime. They delivered savings of more than £300 million last year. I was interested to hear the response last week from Dr Bailey, the chair of the British Medical Association's GP committee, who said that they are going to have to work harder to deliver important changes in getting more patients supported in the community, recognising that new technologies can help and supporting the workforce in that way. The NHS Confederation has been supportive of the budget, and its director in Wales welcomed the extra funding. The seven health boards and three NHS trusts in Wales are working hard to ensure that high-quality, safe and cost-effective services are available to everyone. The money will help to progress that work. There is a will within the health service to deliver on this budget, as well as recognition that we have allocated extra resources to support a tough and challenging time.

[59] **Jocelyn Davies:** Minister, you have a commitment, as far as GPs are concerned, that their opening hours are going to be flexible and that you will improve the service that the public is getting within this reduced budget.

[60] **Jane Hutt:** GPs recognise that they do not need the extra funding. Within the health service, 10 per cent of Welsh GP practices are already providing extended evening opening hours. This is about spreading best practice across Wales within their contract. We are developing a detailed plan setting out what our expectations would be and how we could improve access. The plan will have key targets for delivery in the coming years.

[61] **Ann Jones:** There is much talk over the border of the council tax freeze and the way in which the Government has found the money to do it. However, there is a consequential from that to the Welsh block. Do you know how much that is, and have you any ideas about how it will be spent?

[62] **Jane Hutt:** We think that it is approximately £38.9 million. We are deciding how to use that consequential funding. The announcement came too late to be considered as part of the draft budget. People are aware that this is one-off funding for this year only. The First Minister indicated last week that we are going to be using the money as part of a package to stimulate the economy in Wales, and he will be making a statement on that this afternoon.

10.00 a.m.

[63] As I said last week, the Welsh local government settlement that we announced last year is better than the one in England and council tax bills have consistently been much lower in Wales than in England—in fact, it is a difference of 19 per cent in terms of the average bill for band D properties. It is important to point to the fact that, if we are to use every lever and every Welsh pound that we have to stimulate the economy—we are probably going to get grim figures shortly on rising unemployment, particularly youth unemployment—we have to use that funding appropriately to stimulate the economy, to support our young people to acquire skills and provide levers for the Minister for Business, Enterprise, Technology and Science as well as across the whole Cabinet. I am not making the statement this afternoon—the First Minister will be doing that—but that will be what we will be indicating.

[64] **Ann Jones:** It is interesting that council tax is lower in Wales. We have also had some very significant benefit take-up following the previous take-up campaign. I do not expect you to know off the top of your head, unless you can carry figures like that, but I wonder how many people in Wales pay a full council tax, and what percentage of the people who pay council tax have some sort of reduction or benefit. It would be interesting to know what that yields.

[65] **Jane Hutt:** Those are certainly figures that we could get. I do not know whether Andrew can get any closer.

[66] **Mr Jeffreys:** The Department for Work and Pensions produces very detailed figures on council tax benefit recipients in Wales, so I am sure that we could provide a note on that.

[67] **Ann Jones:** Is it possible to find out the number of adults who pay a full council tax without any benefit? Is that easily traced? I do not want you wading through censuses.

[68] **Mr Jeffreys:** Local authorities will have those data, so we can look into that.

[69] **Jocelyn Davies:** I think that that would be very useful. Did you have another question, Ann?

[70] **Ann Jones:** No, I am fine.

[71] **Jocelyn Davies:** I know that Chris has indicated that she wanted to come in on the equality impact assessment, and I have several Members waiting.

[72] **Peter Black:** To follow up on that, could we also have the figures for the council tax collection rates?

[73] **Julie Morgan:** I am very glad, Minister, that you made the point strongly about council tax being lower in Wales, because this is an issue that the public do not really recognise, certainly in my constituency; it is quite hard for them to realise that. So, I make a plea for you to keep on saying that as much as you can. However, have you felt any pressure to follow what is being done in England?

[74] **Jane Hutt:** We met with council finance chiefs last week and they expressed their views. However, I certainly have not had other representations; I am not aware that the Minister for Local Government and Communities has received such representations.

[75] **Ieuan Wyn Jones:** He has received them from the leader of the opposition.

[76] **Jocelyn Davies:** Yes, in the Chamber. You can class that as ‘representations’.

[77] **Mike Hedges:** I will start by saying that local government had far more in the settlement than it expected; not necessarily as much as it wanted, but more than it expected. You are talking about it being a one-off payment. Can I confirm that it is going to be one-off in the sense that it assumes that the Government will not continue this policy into next year? If it continues the policy into next year, will the money be recurring?

[78] **Jane Hutt:** Yes. This is the UK Government’s decision. It took it out of its underspends—it is not new money. Whatever it decides to do next year, we will decide what we would do with any consequential next year.

[79] **Jocelyn Davies:** I think that Paul Davies has now been provoked into asking a question on the consequential. [*Laughter.*]

[80] **Paul Davies:** On the consequential, you mentioned that the First Minister will make a statement today. Will you confirm that you are looking at the possibility of funding enterprise zones as well, above what you will receive from the UK Government?

[81] **Jane Hutt:** The statement this afternoon will be the First Minister’s opportunity to indicate the direction that we will be taking in terms of this consequential and further economic stimulus, which brings into play the fact that we have now announced five enterprise zones. This is not the end of the road; this is a starting point. He made the point yesterday, in answer to questions, that he wants to see an opportunity, through his statement this afternoon, to consult the views of the Chamber as well as those of businesses and local government on how we can most effectively use the funding that is coming to us. The consultation will also cover how this funding can be part of the wider economic stimulus that this budget is trying to achieve.

[82] **Paul Davies:** The Government is, therefore, considering this matter, is it not?

[83] **Jane Hutt:** Of course.

[84] **Christine Chapman:** We were pleased to see the exercise undertaken on equality

impact assessments last year. In your report, you say that the Welsh Government has not repeated that detailed work. I understand the reasons for that, but are you confident that as much thorough work as possible has been done this year, bearing in mind that you are repeating some of last year's work and that the recession and cuts could have a huge impact? You make the point that the Welsh Government is highly constrained by the overall fiscal consolidation undertaken by the UK Government. However, you say that you have been able to mitigate some of the adverse impacts of lower public spending on disadvantaged groups through your spending decisions. That is welcome, but where will the risks be? Money is tight, and the situation with poverty levels is difficult, so will you say something about the risks?

[85] **Jane Hutt:** As you say, we delivered a detailed equality impact assessment last year; we were the first administration in the UK to do so. We went beyond the legal definitions; for example, in looking at the impact of the budget on the voluntary sector. We also looked at the impact on business, to ensure that we were looking at all of our priorities. This time, we have an update on the assessment that reflects any changes. If you look back at some of the decisions that we made last year, which were reflected in our budget in February, the protection that we afforded to social services was a direct result of an equality impact assessment. We knew from the evidence that older people, vulnerable people and carers would be affected if we did not give them some protection. I was asked this question last week—possibly by Peter—and we are giving the same degree of protection to social services in 2012-13 and 2013-14 as we are giving in this financial year.

[86] Other areas also reflect our assessments; for example, we are putting double the funding into Flying Start. The new money that we are allocating is going to help directly some of the most disadvantaged children and families before the children reach school. More funding is also going to schools providing free childcare. I visited a Flying Start centre last week, and the parents said that it has helped the development of their children and has helped them get back to work. The school had a breakfast club and an after-school club, so there was wrap-around care in a most deprived community. Last night, we heard from Save the Children about the work that the Institute for Fiscal Studies has done on the increase in child poverty, and how universal credit is not going to make any difference. It goes back to jobs; those who are out of work in workless households are most likely to have children living in poverty. A commitment to economic renewal and social justice is at the heart of this budget.

[87] **Ieuan Wyn Jones:** Weinidog, yr ydych wedi derbyn ein bod yn wynebu amser anodd ar yr economi, gan gyfeirio at y ffaith ein bod yn disgwyl ffigurau gwael iawn ar ddiweithdra heddiw ac yn y blaen. Mae'r economi mewn sefyllfa waeth nag yr oedd pan oeddech yn paratoi eich cyllideb ddrafft. Gwelwn y bydd y gyllideb busnes, menter, technoleg a gwyddoniaeth, sydd eleni yn £280 miliwn, yn gostwng y flwyddyn nesaf i £271 miliwn, sy'n doriad sylweddol mewn blwyddyn. Yna, bydd toriadau gwerth £17.5 miliwn yn cael eu gweithredu dros y cyfnod hyd at 2015. Gan gymryd bod canran uchel o gyfalaf yn y gyllideb honno, ac mai dyna'r rheswm yn rhannol pam mae'r toriadau hynny'n edrych yn fwy na'r toriadau mewn adrannau eraill, a ydych chi, yn wyneb y sefyllfa economaidd gyfredol, yn fodlon ailystyried y dyraniad i'r adran honno?

**Ieuan Wyn Jones:** Minister, you have accepted that we are facing difficult times on the economy, referring to the fact that we expect very poor unemployment figures today and so on. The economy is in a worse situation than it was when you were preparing your draft budget. We see that the business, enterprise, technology and science budget, which for this year is £280 million, will decrease next year to £271 million. That is a significant cut in one year. Then, cuts worth £17.5 million are to be implemented over the period to 2015. Given that there is a high percentage of capital in that budget, and that that is partly why those cuts look worse than the cuts for other departments, would you, in the current economic situation, be willing to reconsider the allocation to that department?

[88] **Jane Hutt:** I would like to clarify the point on the business, enterprise, technology and science budget line before moving on to how we can provide support, in terms of the economic situation. In fact, if you look at the resource budget alone, the budget for BETS is maintained and sees a small cash increase of just under £1.6 million in the period of the draft budget. It is important to note that the capital element will arguably be the real hit on economic development and renewal. We have to maximise the capital available to us. The significant cuts in capital budgets are so regrettable, in terms of what they mean for the economy.

[89] I have made the following point over the past week, as has the Minister with responsibility for BETS: we are putting funding into the Jobs Growth Wales scheme through another MEG—through the Department of Business, Enterprise, Technology and Science. So, that is an extra £75 million over the next three years, which will create 4,000 jobs. It is also important to recognise that the funds that we are putting in and the support that we are giving to the JEREMIE fund are key factors. This is going to be about how we can support economic renewal and development, not just through the BETS MEG, but through the other levers that we have. We also have to recognise that there are some adjustments across and between these actions that we may need to clarify. However, the JEREMIE fund has attracted £60 million in European funding, and it is important that we use European funding as well to help fund the Jobs Growth Wales scheme for young people.

[90] **Ieuan Wyn Jones:** Yr wyf yn gwranddo ar yr hyn yr ydych yn ei ddweud, ond mae hefyd yn wir fod cronfa Twf Swyddi Cymru, a gyhoeddwyd yn eich cyllideb ddrafft, a'r arian JEREMIE, yn bethau yr oeddech yn eu gwneud yn barod. Yr oedd y pethau hynny yn y gyllideb yn barod; nid ydynt yn bethau newydd o ran mynd i'r afael â'r sefyllfa economaidd. Yr wyf yn derbyn bod llawer iawn o'r arian sydd gan y Gweinidog busnes yn arian cyfalaf. Dyna pam mae'r gostyngiad yn edrych yn waeth yn ei hadran hi na'r gostyngiadau mewn adrannau eraill. Wedi dweud hynny, mewn cyfnod y gwyddom y bydd y sefyllfa economaidd yn gwaethygu, mae'n edrych yn ddrwg iawn ar y Llywodraeth fod y symiau a fydd yn mynd i'r adran honno yn gostwng yn fwy na'r symiau a fydd yn mynd i unrhyw adran arall, ar wahân i'r adran tai, a hynny ar adeg argyfwng economaidd. A ydych yn derbyn hynny?

**Ieuan Wyn Jones:** I hear what you are saying, but it is also true that the Jobs Growth Wales fund, which was announced in your draft budget, and the money obtained from JEREMIE, are things that you were doing already. Those things were already in the budget; they are not new things with regard to tackling the economic situation. I accept that a lot of the funding that the Minister for business has is capital funding. That is why the reduction looks worse in her department than the cuts in other departments. Having said that, at a time when we know that the economic situation is going to deteriorate, it seems very bad for the Government that the sums going to that department are decreasing more than the sums going to other departments, apart from the housing department, and that at a time of economic crisis. Do you accept that?

[91] **Jane Hutt:** That is one reason why we believe it is important to use the nearly £40 million that will come to us in the current financial year to support the work of BETS, to support economic renewal. So, we are seeking to increase budget lines this year, taking on board the views of the Finance Committee and the views of business. We are trying to address this issue. All the budget cuts are regrettable. It is important that there is this small cash increase and that we look to all of the routes. Quite a bit comes through the Department for Education and Skills; that is how we were going to fund the £77 million. We recognise that public expenditure per head on enterprise, economic development and employment policies is significantly higher in Wales than across the UK as a whole. The latest figures show that expenditure per head is 70 per cent higher in Wales than it is in the UK as a whole. So, we

have to use our finances to good effect.

10.15 a.m.

[92] **Ieuan Wyn Jones:** I will finish with a couple of questions. I understand the point you made about the BETS cash budget being flat in resource terms, but in real terms, there is an 8 per cent reduction according to your own tables. In real terms, I think that that is the case. Your Jobs Growth Wales allocation, which you say is £75 million, is actually £25 million a year, and it is split each year between your own resources from the block and European funding. You have given an indication in your budget book that it is about half and half. So, I would expect that you will put it into the budget next year at £12.5 million, expecting that the other £12.5 million will come from European funding. How confident are you that that will be the final result, because you say in your book that you may have to review that? Can you confirm that, if it is not, you may have to review the figure?

[93] **Jane Hutt:** We are confident that we will get £12.5 million from European funding to back this. Indeed, it is possible that we could get more than £12.5 million. We are optimistic about that. It is a totally appropriate bid in terms of structural funds remit, as you know. It is about final approvals; we are at that stage. Clearly, if there was to be an adverse move, we would have to address it, there is no question about that, but there could be a positive move in our favour on this.

[94] **Peter Black:** I have a question about the 10-year national infrastructure plan. The draft budget states that that is in development. Could you give us an indication as to which capital streams will be brought into that plan and who will be directing them?

[95] **Jane Hutt:** The national infrastructure plan is an important development that you will want to scrutinise a great deal more. As you know, we have the centrally retained capital fund, which stands at £92 million by 2014-15, and in 2010-11, we brought forward a £119 million capital investment to provide an economic boost during recession. We have mentioned the fact that we have switched £57 million from resource to capital. The capital spend by departments is approaching £1.3 billion. So, we have the capital base, and we hope that we will have more as a result of the consequential that is coming to the Welsh Government. However, we now need to look for further ways to lever in funding for this national infrastructure plan.

[96] **Peter Black:** Will this national infrastructure plan encompass all £1.3 billion of the Government's capital spend?

[97] **Jane Hutt:** That is the allocation that is already programmed for delivery, and we seek to have a more strategic way of delivering on our capital base. However, we have additional funding, as I have said, which we can use to kick-start the national infrastructure plan.

[98] **Peter Black:** That is what is there now. Is it going to be in the national infrastructure plan?

[99] **Jane Hutt:** We will bring together all our capital programmes in a strategic way in the national infrastructure plan, but the point about the plan is that it is taking us beyond the programmes. It is going to be about how we identify key infrastructure priorities across the economy, transport, education and health and social services. We are already being more strategic about our programming, and we need to use what we already have in the capital programme as the baseline for that.

[100] **Peter Black:** May I take that as a tentative 'yes'?

[101] **Jane Hutt:** It is early days—

[102] **Jocelyn Davies:** I think that the Minister has clarified that point as much as she can.

[103] **Peter Black:** I got that. Can I ask, therefore, how this infrastructure plan is going to be directed? Will there be a board? Will it be you? Will it be the whole Cabinet? How will that money be directed?

[104] **Jocelyn Davies:** That is not really about the draft budget, Peter. I think we could pursue—

[105] **Peter Black:** The draft budget refers to the 10-year national infrastructure plan as being under development.

[106] **Jocelyn Davies:** Okay, but we are out of time, and Paul has been waiting to ask one more question. Minister, can you give us a note on the detail?

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

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

[109] **Peter Black:** That would be helpful.

[110] **Paul Davies:** The First Minister has made it absolutely clear that his Government must concentrate on delivery and outcomes. In the Government's recently published programme, there were no specific targets. Can you tell us, as the Minister for Finance, how you are going to test those outcomes? How are you going to ensure value for money across all portfolio areas if there are no specific targets to measure against?

[111] **Jane Hutt:** We have very specific targets in terms of the five that were included in our programme for government. As you know, we go further in the annex. There is one for each chapter of the programme document. Our programme covers a great deal more in terms of making a difference to people's lives and the ambitions for the next five years. The key point about milestones and assessing progress and delivery is that we will be reporting on this every year, starting in May next year—a year after we were elected. That will demonstrate what we are doing to deliver and how we are working for the people of Wales, particularly in this very uncertain global economic climate. That will be for everyone to see, to judge progress and to assess the impact and outcomes. That will be how we will show the delivery of the programme for government.

[112] **Jocelyn Davies:** Thank you very much, Minister. You have promised to send us more details on one or two matters. As normal, we will send you the transcript to check for factual accuracy. We expect you back towards the end of this month for further scrutiny. Thank you.

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

10.24 a.m.

**Cyllideb Ddrafft Llywodraeth Cymru 2012-2013—Tystiolaeth gan Gyngor  
Gweithredu Gwirfoddol Cymru  
Welsh Government Draft Budget 2012-2013—Evidence from Wales Council for  
Voluntary Action**

[114] **Jocelyn Davies:** I welcome the next witnesses to the Finance Committee. We are very grateful that you are able to come to give evidence this morning. Before we begin the questions, perhaps you could introduce yourselves. I think that you probably have some introductory remarks to make.

[115] **Ms Matheron:** I am Michelle Matheron. I am the senior policy officer at the Wales Council for Voluntary Action.

[116] **Mr Fiander:** I am Phil Fiander, the director of programmes for the WCVA.

[117] **Ms Kent:** I am Joy Kent. I am the director of Cymorth Cymru, but I am here in my capacity as a board member of the WCVA.

[118] **Ms Williams:** I am Catriona Williams. I am the chief executive of Children in Wales, and I am also here as a WCVA board member.

[119] **Ms Matheron:** First of all, we just want to say thanks very much for the opportunity to give evidence to you. We appreciate that the time available for scrutiny of the budget is limited so we are grateful for the opportunity to put forward the third sector's perspective. I know that the committee has had our paper, which was submitted in advance of the publication of the budget, but most of the comments in that paper still remain. We understand that these are difficult times. Difficult decisions need to be made. We do not expect the third sector not to be affected by those decisions.

[120] There are not any major shocks or surprises in the budget, from what we can tell, but I will come on to that in a minute. Much of this was forecast in last year's budget and the sector had to get its head around it then and take it on board. It is important to note that funding for the third sector comes from a range of the main expenditure groups, not just from under the communities and local government portfolio. There is funding from health, environment and housing, so the sector is affected across the portfolios. Various parts of the sector experienced some quite significant cuts last year. For example, there was an 11 per cent cut in the third sector budget line. So, the baseline has been reduced. Things this year seem to be roughly level, from what we can tell, but we are starting from a lower baseline and, without an increase, it is a cut in real terms. In previous years, there was parity of funding between local government and the sector. That seems to have stopped. That is not a comment on the funding of local government, because some of that money ends up in the sector and is important for us, but it is worth noting that the sector has taken quite a significant hit.

[121] The Wales Council for Voluntary Action is the umbrella body for the sector. The sector is incredibly diverse and so the budget will affect organisations, small and large, in different ways. Given the level of detail published in the budget, it is difficult for us to scrutinise and assess the impact on the sector effectively. We do not have the detail under that action level, so it is hard for us to know, and hard for external organisations to understand, what the impact might be. We would ask that the committee requests that the Minister for Finance publish that more detailed level in future, to help external organisations engage with the budget scrutiny process, and that each Minister assess the impact of their budget on the third sector. I do not know whether anyone else would like to make any opening remarks.



[122] **Ms Williams:** I would like to reinforce the point about the difficulties that we have in analysing the budget from the sector's point of view and also from the point of view of particular specialist networks within the sector. For instance, how to cost the anti-poverty strategy is a challenge and a lot of the sector is working in that area. So, it is about how we marry what is in the programme to the budget and then to the impact on the sector. We would love to have more transparency.

[123] **Jocelyn Davies:** Thank you for those pertinent points. You anticipated the question that I was going to ask, so I will go straight to Mike and his question.

[124] **Mike Hedges:** Where do you think that the voluntary sector can assist the Welsh Government in achieving its strategic outcomes?

[125] **Mr Fiander:** As you know, the sector is wide and varied and it contributes across the whole range of Government objectives. It was nice to see that, in the programme for government, the WCVA was mentioned in eight chapters, and the sector itself was mentioned in 10 chapters, so, obviously, the Government recognises the value of the sector. However, going back to the point made earlier, what we cannot see at the moment is how exactly that will be resourced because that is not transparent in the budget. For example—

[126] **Ieuan Wyn Jones:** Do you not just ask the Government for that level of detail? Does it not give it to you?

[127] **Ms Matheron:** We asked for the breakdown last week, after the budget was published. Last year, we were given the breakdown in the communities and local government portfolio, because that is where the specific budget line for third sector is. We asked for that this year, and, up until yesterday, we had not received the information. It would be hugely beneficial for us to get that information; we assume those decisions have been made.

[128] **Jocelyn Davies:** That is the thing: we do not know whether you are being denied the information or whether it does not exist yet and so the Government is not able to give it to you. That is something that we will take on board in our discussions later about the report.

10.30 a.m.

[129] **Mr Fiander:** To go back to the question, I was just going to highlight some examples, and Joy and Catriona will also chip in. Within the WCVA, I have responsibility for some of the employment initiatives, and we currently have, through domestic and European funding, around £34 million of investment in jobs and helping 20,000 people into employment. So, the announcement yesterday of the new Jobs Growth Wales fund and everything else is of great interest to us as a sector. We understand that some of that money will go to the private sector, but there has been little discussion as to how the third sector could get involved, despite the fact that, under previous schemes, we played an active role in this area.

[130] **Ms Kent:** From a Cymorth perspective, the third sector plays a massive role in housing, in tackling homelessness, in supporting vulnerable people, and in the strategic outcomes around health and social care, in terms of having a healthier nation and in looking after our most vulnerable citizens. So, the third sector is a key player in that and it is good to see that recognised by all parties. However, it is difficult at this point in time to give a robust response with regard to the finances, because we do not know whether that rhetoric about us being a key player in achieving strategic objectives is backed up financially in the budget. Obviously, we feel strongly that we should be seen as important to achieving strategic objectives, and that applies across many different client groups and issues. For example, it

might be that a local authority has a legal responsibility to provide certain services, but the third sector, from a Welsh Government perspective, is the safety net for people who do not have any legislative framework around them to ensure that they get the services that they need to survive. So, in that sense, our partnership with devolved Government is fundamental, because we fill in some of those gaps.

[131] **Jocelyn Davies:** Your paper was helpful in demonstrating how much money is saved as a result of the money that is spent on your services. Chris, do you want to come in on that?

[132] **Christine Chapman:** In your paper, you state that 32 per cent of voluntary sector funding comes from central Government—that is, the UK Government and the Welsh Government. How much does that 32 per cent represent in cash terms and what proportion is provided by the Welsh Government?

[133] **Ms Kent:** I will have to defer to Michelle on that one. We might have to come back to you with the figures.

[134] **Ms Matheron:** From the most recent figures, we know that the total income of the sector is approximately £1.6 billion per year, but my mathematics is not good enough to work out right now what 32 per cent of that figure is. Again, I do not know off the top of my head what the split of that 32 per cent is between the UK Government and the Welsh Government. It appears that the level of funding from Government increased over the past 10 years, but it has plateaued a bit and is now perhaps starting to decrease. We know of voluntary organisations that are funded by the UK Government, for example by the Home Office, that are losing quite a bit of their funding. However, perhaps more significantly, of the amount of money that the sector gets, 2.7 per cent is from the Welsh Government budget, about 3 per cent is from the local government budget and only 0.3 per cent is from local health board money. What the sector can do with that money and can add to it financially and in terms of outcomes is vast and the sector relies heavily on that money, so we would certainly not want to see those proportions decrease further.

[135] **Ms Williams:** Funding through different grant programmes and funding streams varies across Government. For example, the child and families organisation grants given to core-funded organisations in my field were being cut by 5 per cent, 5 per cent and 5 per cent over three years, and had gone down with inflation. A critical issue at the moment is whether more of the identified moneys that go out to local government and then to health boards will be retained by those bodies rather than going out to the third sector. However, the sector has value in delivering on strategic objectives, as raised in the question earlier, and in early intervention, being close to service users and clients, and the community involvement and engagement that goes with that. It is a challenge for our sector to get that message through to local government and to ask it, if it is thinking of changing the route of the money, to think about all of the things that might then be lost.

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

[137] **Mike Hedges:** Yes. I am confused, which is not an unusual state for me. *[Laughter.]* How much of the money comes via grants, how much via contracts and how much via competitive contracts, which you can win or lose in competition with private sector or other organisations?

[138] **Ms Kent:** I cannot give you exact figures and I am not sure whether we would have them to give you at a later date. However, there is a definite trend towards more competitive procurement, particularly in local government. That is a real concern, because of what it does to the sector. We would all prefer to be in collaboration rather than competition, and having competitive tendering as the main route for procurement undermines that significantly, as it

pits parts of the sector against other parts, when we want to work together more closely. It also drives a wedge between local government and third sector organisations. If one organisation gets the money that other organisations are competing for, that will have a knock-on effect on their relationships. We believe that we are all in this together and we want to play our part in getting Wales through the difficult times that we are in and that we are anticipating. However, that kind of environment makes it difficult to do that.

[139] A key policy area for Cymorth Cymru is to try to create something that puts collaboration at the centre. I would urge Assembly Members to look at that development, because the way that we are looking at the Supporting People programme working is to say that we are all around the table, recognising the equality aspect and recognising the knowledge and expertise that people bring to the table from different areas within the whole system. So, there are some good examples of policy development that is making collaboration work. However, we are also seeing, in other areas, an aggressive approach to the retendering of services, and I worry about what that means for the people at the end of that.

[140] **Mr Fiander:** Interestingly, yesterday, the Minister was at our funding conference, making it clear that collaboration was the way forward, yet that does not seem to be happening on the ground. If anything, there is more competition and local authorities are less likely to talk to service users, so there is no collaboration in the design of services, although those service users are the ones for whom the services are being procured, potentially. So, you end up with a mishmash of services.

[141] **Jocelyn Davies:** Did you have something to add on that, Catriona?

[142] **Ms Williams:** I have a few quick points. There are two concerns here. Intelligent commissioning of services that will actually work for people is really important. Some third sector organisations that are quite large and deliver many services may have examples from other parts of the United Kingdom where they have had successful feasibility studies and so forth on outcomes. However, some of our members are saying to us that, with the trend towards procurement at local authority level and competition, where price is obviously important, they are not then tendering, because, if they feel that they cannot give a high-quality service, they begin to question whether they want to go into that area.

[143] There is also an issue of how many jobs in Wales are created through this process. I do not want to be quoted as ‘sell to England’, but there is huge competition now, especially with what is happening over the border in terms of withdrawing funding to the third sector. We are seeing many previous colleagues over the border now becoming competitors. The whole issue of procurement, as opposed to grant giving—which was the Welsh way—is not helping collaboration.

[144] **Jocelyn Davies:** I know that Julie has a supplementary question, and Mike also wants to ask another one.

[145] **Julie Morgan:** With regard to competitive tendering, is it true that some of the smaller bodies are almost counted out because of the actual process?

[146] **Ms Williams:** Yes, certainly. We are supportive of the push to collaboration; we do not want duplication and we do not want to waste money. Many of our members are collaborating if the fit is right and if the organisations can deliver a better, leaner and more efficient service. However, when you go from 40 funded organisations in an area to 12 within five weeks, for example, that sort of practice is not going to deliver the service on the ground. In the past week, my organisation has had half a dozen phone calls from smaller organisations asking if we could be their partner and that is not the way that collaboration should be developed. It should be developed in a way that will help the public service delivery in Wales.

[147] **Mr Fiander:** There is a huge capacity issue with the smaller organisations. Certainly, in some of the work that we have done on the European programmes, when we have looked at procurement exercises, we had to spend an inordinate amount of time trying to work through the process that allows organisations at the smallest level to access procurement step by step, and even then, the take-up is so low because they are frightened of some of the consequences.

[148] **Mike Hedges:** I agree with everything that you have said, and I fully support it. Do you have any feel for the percentages at some level and the movement that is taking place? You talked about the changes and that more work is following the procurement route. Do you have any numbers floating around somewhere that we can use to turn your anecdotes into facts if we wanted to take it up with other people?

[149] **Ms Matheron:** I do not have them now, but I am sure that we could get them, and we would be more than happy to give them to you.

[150] **Mike Hedges:** If we wanted to take it up with other people, we would need numbers rather than anecdotes.

[151] **Ms Matheron:** That would be no problem.

[152] **Jocelyn Davies:** That would be useful.

[153] Just to clarify, I suppose that the bulk of the budget that you are talking about pays people's wages. So, when that gets cut, it will push wages down, and I am guessing that these are not highly paid individuals.

[154] **Ms Williams:** There are a lot of redundancies, but it depends, as it varies across the sector, and that is difficult from WCVA's point of view. There are some areas where outsourcing everything to a third sector organisation is happening. However, there are other areas where many services are kept in-house. I suppose that our position is that they are public service jobs, whichever sector that they are in.

[155] **Ms Matheron:** There are about 50,000 people employed in the voluntary sector. We have been surveying the sector since 2008, trying to assess the impact of the financial climate, and looking at about 750 redundancies made. The other issue with the funding of the sector is that when a project or contract comes to an end, redundancies are made, but then some new money may come in. It is often difficult to assess the actual picture, but these are people's jobs, and the impact on service users is obviously key for us.

10.45 a.m.

[156] **Ms Kent:** The other thing to recognise is that, as you say, the third sector generally is about people-facing jobs. For example, our members say that 90 per cent of the funding for Supporting People goes directly into wages. As Michelle has said, there are 50,000 people employed in the third sector in Wales. What we would really like to see is that being recognised, and for the language to be about public service jobs being important, rather than public sector jobs.

[157] **Julie Morgan:** I just wanted to point out that you have said that 32 per cent of the funding is from the UK and Welsh Governments, so that means that 68 per cent is coming from somewhere else. You may need to send us a note on this, but how much of that is voluntary income and how much is in the form of grants from trusts and so on? Do you have those sorts of figures? Is that money being hit?

[158] **Ms Matheron:** We have figures from 2009, so they might need updating, and we could probably do that. About 25 per cent comes from public donations, and then there is about 3 per cent from the lottery, 3 per cent in grants from trusts, and about 20 per cent from trading and investment, with support from business accounting for about 3 per cent. There is a bit of European money as well. There is evidence that all of those sources of income are being cut, particularly things like public giving. In the current financial climate, it is one of the things that people are—

[159] **Jocelyn Davies:** Take advice from the Chair of the Finance Committee—do not put your investments in Icelandic banks. [*Laughter.*] You had better strike that from the record, actually.

[160] Julie has a question about the current draft budget that we are talking about.

[161] **Julie Morgan:** Are you able to say what the current draft budget suggests in terms of provision for 2012-13 as compared with the previous year? I do not know if you are able to say that.

[162] **Ms Kent:** It is difficult, really, because so many of the organisations are funded underneath that action level, so it is very difficult to identify. We also acknowledge that everyone is being hit. We acknowledge the difficult situation that the Welsh Government is in. From a WCVA perspective, the breadth of the organisations within our membership—from small, local scout huts to Oxfam or Cartrefi Cymru, with 1,100 staff—illustrates that this is a variable sector, and money is accessed in different ways. It is really difficult to give you a robust answer on that. As I say, the evidence that is available suggests that, as Michelle says, it is kind of plateauing now, or going down. For example, the Welsh Refugee Council has taken about a 40 per cent cut from the UK Government, and I understand that Citizens Advice has had its legal services cut, so it depends on the area that you work in—it is really variable. All that we can say is that we have not heard of an organisation that has had an increase.

[163] **Mr Fiander:** If you take the 11 per cent cut as a starting point—that is, the cut that the sector took last year—there is to be no increase in the budget, and if you only allow for inflation, that would mean a further 5 or 6 per cent cut, therefore, over two years it is potentially a 15 or 16 per cent cut.

[164] **Ms Matheron:** As I said at the very beginning, the sector is funded by loads of different pots, but if you look at the third sector budget line, it went from, I think, £10 million to £8.8 million last year, and it is about £8.8 million again this year, we think—this is based on looking at this year's indications in last year's budget, because we have not had them in detail yet for this year. It will go down to £8 million, with another cut next year, if things stay the same. Even that levelling off and slightly lower decrease is a cut, because of inflation—it is a cut in real terms.

[165] **Jocelyn Davies:** When do you imagine that you will get the detail?

[166] **Ms Matheron:** I do not know. I would hope that we will get it and organisations will want to see it, because, again, we can look at overall patterns, but this is funding for individual organisations, and they will be thinking about whether they need to make someone redundant in April. The sooner that organisations can get that level of detail and discuss it with the relevant departments, the better, from our point of view, because that is in line with codes of good funding practice and the way that we hope that the Welsh Government wants to work with the sector.

[167] **Jocelyn Davies:** Paul, may we move on to your question, please?

[168] **Paul Davies:** You have made it clear that you want to be in collaboration rather than in competition. What role can you play in increasing collaborative opportunities between third sector organisations themselves and between third sector and public sector organisations?

[169] **Ms Kent:** As Catriona has already intimated, many organisations are already talking to each other and setting up different arrangements, from mergers through to partnership working and many other different ways of working. As Catriona said, it needs to happen where organisations know that there is a natural fit and where the culture can be aligned. You can mess things up considerably if you are forced into a partnership with an organisation where there is no natural fit and to whom you are culturally very different. The motivation for such partnerships is as fundamental as what comes out the other end of this kind of process. However, we are seeing many different ways in which organisations are coming together, whether that is under an umbrella, merger or just closer working together.

[170] However, I do not want to give the impression that everything is awful between the public sector and the third sector—there are people in local government working really closely and positively with people in the third sector. We need to build on that and highlight that, so that people can see how and why that works. At the moment, that work is taking place primarily because individuals believe in it, rather than because the system encourages it. I would like us to have a distinct approach in Wales, and I would also mention the way in which we are trying to take the Supporting People programme forward in partnership. You need a system that encourages that, so that it becomes the norm. For example, in the policy area in which I work, Swansea has always been held up as an area where people work in partnership to make difficult funding decisions, to start new projects, to meet demand and to respond quickly to what is happening on the ground. That is primarily because of those people in those jobs, and they often work against the system and break the rules to make that happen. We need a system where the rules mean that that is the norm, and that it is not down to individuals. I reiterate the example of the Supporting People programme and the way that it has been taken forward.

[171] I think that other people might want to give a more general view.

[172] **Ms Matheron:** There are examples in our paper of where it has happened, and whether it is actually a merger. For example, there is the high profile merger of Help the Aged and Age Concern. Other organisations are starting to share back-office functions and we, as the WCVA, provide support to organisations in the sector that want to do that. We also try to provide support to organisations at a more local level, through the county voluntary councils, that want to work with local government and local health boards. However, as Joy said, it is a very mixed picture as to how well that is received and how successful it ultimately is, because it depends on the point from which you are starting.

[173] **Ms Williams:** There are many different levels of collaboration. Among the children's organisations in the third sector, despite the push to compete, there is a definite sense of trying to work together so that whichever organisation is best suited to the work in a particular area will take the lead and be supported. There are examples of the big third sector organisations, such as Barnardo's and Action for Children, working with small local organisations to provide a service in a community that is suitable for the people there.

[174] Although my own organisation is a third sector organisation, it is also an umbrella body covering health, education and social services as well as the third sector, and there is a lot of interaction between the different agencies. However, as Joy says, the aims must be the same for each agency, and there should be clarity about where everyone is heading because the money always follows the direction of the primary aim. That is where the Welsh Government could help with clarity regarding what we are trying to achieve together, which we might come on to later. There should also be clarity about the guidance and the budgets.

That may mean that health might have a direction within a target, and may consider that community early intervention for child and adolescent mental health might be better delivered by third sector organisations. At the moment, there is no big budget for the third sector from the health budget. Collaboration is happening across the whole sector—colleagues in environment and in all different areas are working with the statutory bodies.

[175] **Julie Morgan:** Given that the sector is so varied and has so many different fields, how much is the WCVA able to strategically help move things along under the collaborative agenda?

[176] **Mr Fiander:** ‘We do as best we can’ is the answer to that. We spend a lot of time working with various networks, with partnership councils and some of the European networks. We work with a range of networks to try to enable collaboration. We work with the county voluntary councils and provide them with the tools to enable them to work at a localised level. We do what we can in that respect. For example, we work heavily with Communities First at a national level looking at collaboration and we pass that information down to the CVCs so that there is collaboration at a localised level between the sector and local authorities.

[177] **Jocelyn Davies:** Julie, I wonder if we can move on to your question.

[178] **Julie Morgan:** Yes. Regarding the dormant accounts fund and the big society bank, how much do you think may be available, either through grants or loans, to the third sector in Wales from those funds?

[179] **Mr Fiander:** From the dormant accounts fund, early indications show that there will not be a huge amount of money. My understanding is that it will be targeted at two specific areas: young people who are not in education, employment or training, and climate change. The fund is not a huge amount of money. I cannot tell you off the top of my head what the amount is, but it is not huge. It seems to be a one-off payment in the first year, and then it is taken right down. The funds are not going to be huge.

[180] **Julie Morgan:** When you say ‘not huge’, how much do you mean?

[181] **Mr Fiander:** I am getting varied figures, potentially between £7 million and £5 million in the first year. At the moment, we are hearing whispers that the banks are getting uneasy about dormant accounts, given the current state of affairs. There is no full clarification on the money that is coming. Every time that we ask, it seems to be reducing, and expectations are being played down further.

[182] **Julie Morgan:** What about the big society bank?

[183] **Mr Fiander:** We are doing some early work on that. We are not sure what will come to Wales. We are in discussions with the Big Lottery Fund and so on to find out what is available. We have done work on loans and investments, but those still have to be paid back. That is not going to suit every organisation, and that is the problem. There will be certain third sector organisations that will be able to take up that sort of stuff, but there will be an awful lot at a localised level that may not be able to. So, there is not necessarily going to be a major advantage.

[184] **Julie Morgan:** So, the picture is not clear at all.

[185] **Mr Fiander:** No, not at present.

[186] **Ms Matheron:** The sector is working to diversify its funding base. We host a project

that helps organisations work out how to make their funding more sustainable—organisations looking at trading, social enterprise and so on. Again, none of that is the silver bullet that is going to sort out the sector’s funding. There is a bigger picture that needs to be looked at. The sector is doing what it can, because it realises that it is not immune to the difficult financial climate.

[187] **Mr Finader:** One big thing at the moment is social investment bonds. They work providing that you can identify a potential saving and a department that is willing to accept the potential saving and earmark it in its budget to pay back the underwriter—you are trying to get three actions in one. It is very difficult.

[188] **Ms Williams:** Income generation for third sector organisations in Wales is particularly challenging. There are a variety of charity shops and trading activities, but the question for the sector is how much time and investment of charitable funds to put into those activities to generate money. So, that is a sort of balance question.

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[189] Also, I know that, over the years, Wales has had very little access to UK-wide trust-fund funding. There are lots of criteria that would mean that Welsh third sector organisations were excluded from applying for charitable funds over the border. I would not like to have it recorded, but a few years ago, the percentage of all trust-fund funding that came to Welsh third sector organisations was something like 0.7 per cent. That might have improved, but it is minute. Children in Wales is excluded because of our budget size and our location—that is my own organisation—and a lot of Welsh organisations do not have head offices of large companies that have trusts and foundations based around them. So, there is a challenge and local authorities are cutting back on sending people on training courses and those sorts of activities. It is challenging for us.

[190] **Ann Jones:** I suppose that this is pretty much along the same lines as Julie Morgan’s question. Have you been able to assess the possible additional funding that may come to the third sector from the carrier bag levy? I know that it has only been going for 12 days, but have you built in any assessment for future years and future budgets?

[191] **Mr Fiander:** I am not aware of any at this present time.

[192] **Ms Matheron:** Again, we have been involved in discussions around that, but I do not think that it will be the saviour of the sector—not that we do not welcome it.

[193] **Ms Williams:** It is probably going to go to those organisations that have very large marketing arms, as opposed to small local organisations. That has always been the disparity within the sector—those that have very active fundraisers tend to get the money.

[194] **Ms Kent:** I would endorse that. Again, things can unintentionally undermine collaboration, and there is a bit of a beauty contest sometimes between different charities. Some charities are very successful at getting their name up there and are not the flavour of the month with other charities, which feel that they do just as much valuable work. Also, from my perspective, certain issues resonate more with people than others. So, our members, who work with ex-offenders for example, or people with drug and alcohol issues, are under a lot more pressure, because those client groups are not going to win the beauty contest.

[195] **Jocelyn Davies:** No, they are not politically popular.

[196] **Christine Chapman:** I just wondered, bearing in mind the comments, whether there would be a role for the WCVA in trying to help those smaller organisations create a level



playing field.

[197] **Mr Fiander:** We will certainly have a look at that.

[198] **Ms Matheron:** We have been involved in discussions around the carrier bag levy, but I do not know exactly where that is now. However, I know that we are providing information to the sector about what the implications might be and how it can get involved in that. However, it is not my policy area, so I am not quite sure exactly what we are saying, but that is a very valid point.

[199] **Ms Kent:** As a WCVA board member, it is a very difficult job. My organisation only has 110 members and it is still difficult balancing everyone's needs and wants. The WCVA does a lot to bring people together, in an event such as yesterday's for example, to get the big issues on people's agendas; to see the big picture and to highlight to people the challenges that are ahead. We must also remember that charities have their own boards of trustees and their own charitable objectives, all of which needs to be taken into account as well. Also, we are all looking at how we can work together better, but sometimes people are presented with an oversimplified notion of this duplication issue. Often, people see a list of organisations and say 'So, why are there that many charities in that area?', not really thinking that a big chunk of those will access no public money at all, and are providing good community-based services. People will sometimes look at this and ask, 'Why are there so many organisations working with drug and alcohol?', but they will not necessarily know from the information presented to them that one organisation is involved in, for example, an abstinence programme while the other is a harm-reduction programme. Although it might look like duplication on the face of it, the reality is different. We are providing citizens with choices and things that will work for them, so we need to be careful that we do not end up unintentionally returning to a situation where the individual has to fit to one programme, and if it does not work for them, then 'tough', because that is the only thing that is on offer.

[200] **Mr Fiander:** Again, that is where procurement falls down, because you get those sort of views made and end up with that procurement and those services.

[201] **Jocelyn Davies:** It is not necessary and vital that procurement is conducted along those lines.

[202] **Peter Black:** The Department for Work and Pension's work programme has given a significant number of Welsh voluntary sector organisations sub-contracting opportunities. What is your view of this as a potential additional source of funding for the third sector in Wales?

[203] **Mr Fiander:** Early indications are that the sector has not benefited as much as it had potentially hoped. We have found that the prime contractors had already had discussions with potential sub-contractors, and early indications are that the sector is not as well supported under the work programme as we had initially thought. In discussions with the two prime contractors, it appears that it is difficult for them to open up the process because of the way that DWP has set it up. Merlin prevents them from potentially engaging with wider things. I do not know whether that will change as the service develops, but we know that a lot of the Working Links contract, for example, has been delivered by the prime contractor itself, and not a lot has been sub-contracted. Rehab Jobfit is slightly different, but the take-up in the sector is very low.

[204] **Peter Black:** Is that across the whole of the UK, and not only Wales?

[205] **Mr Fiander:** It is a pattern across the UK, but we have only been looking at things in Wales. I know that, in other parts of the UK, the third sector has played quite a major role; a

couple of third sector organisations in England have taken on the prime contractor role, but they are few and far between. The biggest problem with the work programme is that it is reliant on the prime contractors making the investment for some of the services that can make the programme work. They are under tight restraints in their budgets because of the way that they have had to be procured and delivered, so not that much money is available in the work programme that would allow for some of the investment and services that the sector would provide.

[206] **Mike Hedges:** You have already alluded to this, but there has been a reduction in income, coupled with increased demand, which brings its own difficulty. Have you any evidence to show the increase in demand for services for the last three years?

[207] **Ms Kent:** In homelessness—I can supply the figures—the number of people presenting to local authorities as homeless, as well as the number of people in bed and breakfast or temporary accommodation were falling in Wales. Over the last two quarters, they have been going up. That is the tip of the iceberg. We are beginning to see increases in demand. I do not think that we have seen the worst of what is to come. Probably next year and the year after, we will see it really increasing. As organisations that work with the most vulnerable know, part of that is because people have some resilience. They are able to turn to family and friends, or move to an interest-only mortgage. There will be some built-in resilience, and it takes a while before this is reflected in the figures. Some people will get a job or move on, which is great, but we know from research that was done in previous times of economic difficulty that we will see more mental health problems, more drug and alcohol problems, more domestic abuse and more young people falling out with their parents and leaving home in an unplanned way. For some people, these things will result in homelessness. We know that this is coming, and we are beginning to see the start of it. Some of the data that are collected supports what is being said on the ground, but I do not think that we will really see the results for a couple of years.

[208] **Ieuan Wyn Jones:** I am interested in the issues of domestic abuse, crime, homelessness and mental health problems. One of the remarkable features of the recent recession was that an explosion in those problems did not happen in the same way as in previous recessions. We were expecting an increase, but it has not happened. Are you saying that you are now beginning to see signs in those indicators of the figures increasing, when the increases happened much earlier in previous recessions?

[209] **Ms Kent:** Yes, we are beginning to see increases. As with everything, the situation is different in different areas. One of the front-line hostels for the homeless in Cardiff has seen a 40 per cent increase in demand this year compared to the same time last year. From our work with our members, we know that other people are saying that they have not seen an increase in other parts of Wales. However, they are receiving more questions from people who are worried about the future, for example, recognising that if they have not sorted their problems out in three or six months' time, they are going to need help. Some people are reporting early indications that problems are on the way.

[210] **Jocelyn Davies:** There is, then, a time lag between the recession and the full force of its effects, depending on which area you are working in.

[211] **Mr Fiander:** The figures for last June in our regular recession survey show that 40 per cent of the organisations that we surveyed were showing an increase in demand for services.

[212] **Ms Matheron:** That is happening pretty much across the board, but particularly in organisations providing advice and advocacy, such as debt counsellors and credit unions. There is quite a lot in the survey document about need and how the sectors have responded;

we can send it to you with the note that we promised.

[213] **Jocelyn Davies:** From what you have said, I already know the answer to the last question, but I am going to ask it anyway. Have you made representations to the Welsh Government about the increased demand that you are experiencing and expecting, so that your funding will reflect the increase?

[214] **Ms Kent:** Yes.

[215] **Jocelyn Davies:** I thought so. [*Laughter.*] Thank you for your evidence; it has been very enlightening. Once a transcript of the meeting is available, we will send it to you to check for factual accuracy.

11.13 a.m.

### **Cynnig Gweithdrefnol Procedural Motion**

[216] **Jocelyn Davies:** I now propose that we go into private session. I move that

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

[217] Does any Member violently object to that? I see that the committee is in agreement.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.13 a.m.  
The public part of the meeting ended at 11.13 a.m.*