



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

17/11/2016

[Agenda'r Cyfarfod](#)
[Meeting Agenda](#)

[Trawsgrifiadau'r Pwyllgor](#)
[Committee Transcripts](#)

Cynnwys Contents

- 4 Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest
- 4 Papurau i'w Nodi
Papers to Note
- 5 Cyllideb Ddrafft Llywodraeth Cymru 2017–18: Sesiwn Dystiolaeth 6
Welsh Government Draft Budget 2017–18: Evidence Session 6
- 49 Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mike Hedges Bywgraffiad Biography	Llafur Labour
Steffan Lewis Bywgraffiad Biography	Plaid Cymru The Party of Wales
Eluned Morgan Bywgraffiad Biography	Llafur Labour
Nick Ramsay Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Mark Reckless Bywgraffiad Biography	UKIP Cymru UKIP Wales
David Rees Bywgraffiad Biography	Llafur Labour
Simon Thomas Bywgraffiad Biography	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)

Eraill yn bresennol
Others in attendance

Margaret Davies	Dirprwy Gyfarwyddwr—Cyllidebu Strategol, Llywodraeth Cymru Deputy Director—Strategic Budgeting, Welsh Government
Mark Drakeford Bywgraffiad Biography	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol) Assembly Member, Labour (The Cabinet Secretary for Finance and Local Government)
Andrew Jeffreys	Cyfarwyddwr—Trysorlys, Llywodraeth Cymru Director—Treasury, Welsh Government

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

Bethan Davies	Clerc Clerk
Martin Jennings	Y Gwasanaeth Ymchwil The Research Service
Cath Hunt	Ail Glerc Second Clerk
Georgina Owen	Dirprwy Glerc Deputy Clerk
Joanest Varney- Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

*Dechreuodd y cyfarfod am 14:00.
The meeting began at 14:00.*

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau Introductions, Apologies, Substitutions and Declarations of Interest

[1] **Simon Thomas:** Prynawn da, **Simon Thomas:** Good afternoon and a chroeso i'r Pwyllgor Cyllid, yn welcome to the Finance Committee, trafod y prynawn yma gyda'r discussing this afternoon with the Ysgrifennydd Cabinet dros Cabinet Secretary for Local Lywodraeth Leol a Chyllideb y Government and Finance the draft gyllideb ddrafft. A gaf i atgoffa budget. Could I remind Members to Aelodau, os gwelwch yn dda, i put any electronic equipment on ddistewi unrhyw beiriannau silent, and also there is translation electronig, a hefyd mae yna offer equipment available for this meeting? cyfieithu, wrth gwrs, ar gael ar gyfer y cyfarfod?

Papurau i'w Nodi Papers to Note

[2] **Simon Thomas:** A gaf i ofyn i'r **Simon Thomas:** Could I ask Members Aelodau yn gyntaf i nodi'r papurau first to note the papers? Everyone sydd gerbron? Pawb yn hapus i nodi'r happy to note those papers? Thank

papurau? Diolch yn fawr iawn.

you very much.

Cyllideb Ddrafft Llywodraeth Cymru 2017–18: Sesiwn Dystiolaeth 6

Welsh Government Draft Budget 2017–18: Evidence Session 6

[3] **Simon Thomas:** Felly, awn ni ymlaen i dderbyn tystiolaeth ar y gyllideb ddrafft gan yr Ysgrifennydd Cabinet, Mark Drakeford. Croeso mawr atom ni, i chi a'ch swyddogion, ac os gwnewch chi plîs gyflwyno'r swyddogion, jest ar gyfer y cofnod.

Simon Thomas: So, we will move on to receive evidence on the draft budget by the Cabinet Secretary, Mark Drakeford. So, welcome to you, and your officials, and if you could please introduce your officials for the record.

[4] **Yr Ysgrifennydd Cabinet dros Lywodraeth Leol a Chyllid (Mark Drakeford):** Diolch yn fawr, Gadeirydd. Gyda fi y prynhawn yma mae Margaret Davies, dirprwy gyfarwyddwr cyllideb strategol Llywodraeth Cymru, ac Andrew Jeffreys, cyfarwyddwr, trysorlys, Llywodraeth Cymru.

The Cabinet Secretary for Local Government and Finance (Mark Drakeford): Thank you very much, Chair. Joining me today is Margaret Davies, deputy director of strategic budgeting for the Welsh Government, and Andrew Jeffreys, director, treasury, Welsh Government.

[5] **Simon Thomas:** Diolch yn fawr. Ac fe awn ni yn syth ati felly i'ch holi chi ynglŷn â'r gyllideb ddrafft. A gaf i ddechrau drwy ddweud y cawsom ni sesiwn y bore yma ym Merthyr Tudful gyda nifer o randdeiliaid ar y gyllideb? Roedd hi'n sesiwn fuddiol iawn i'r pwyllgor. Un o'r pwyntiau godwyd yn y sesiwn yna oedd nad oedd y gyllideb yma yn edrych yn ddim gwahanol i sut fyddai cyllideb cyn pasio Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015. A ydych chi'n gallu pwyntio i unrhyw ffordd y mae'r Ddeddf yna wedi newid y ffordd rydych chi'n dyrannu adnoddau yn y gyllideb hon?

Simon Thomas: Thank you very much. And we'll go straight ahead to ask you questions on the draft budget. Could I start by saying that we had a session in Merthyr Tydfil with a number of stakeholders on the budget? And it was a very beneficial for this committee. One of the points that was raised in this session was that this budget doesn't look any different to what the budget would have looked like before the Well-being of Future Generations (Wales) Act 2015. Can you refer to any way in which the Act has changed the way that you allocate resources in the budget?

[6] **Mark Drakeford:** Wel, rwy'n meddwl ei bod hi'n bosib i wneud hynny, ac mae'r pwyllgor wedi derbyn tystiolaeth gan dystion eraill sydd wedi cyfrannu at bethau fel yna.

Mark Drakeford: Well, I do think that it's possible to do that, and the committee has received evidence from other witnesses who've contributed to such issues.

[7] So, I believe it was in your session with Chwarae Teg, and—

[8] **Simon Thomas:** WWF.

[9] **Mark Drakeford:** And WWF, who pointed to a number of places where you could see items in the budget that had been shaped in a way that you could see the influence of the Act on that. I think, in her written evidence to you, the commissioner pointed to a number of examples as well in relation to childcare, for example, and the way that that was being taken forward. So, I tried, Chair, when I was in front of the committee on 19 October, not to over-claim the impact that it has been possible to derive from the Act in this budget. This is the first budget that's been put before the Assembly since the Act has been passed, and it's a budget created in particularly challenging circumstances. Nevertheless, I think it is possible, in individual instances, and in the way that the budget is shaped at a macro level, against preventative spend, and an emphasis on being clear about how protected groups, for example, are affected by it, to see the way that the Act has been applied.

[10] **Simon Thomas:** Wedi dweud hynny, mae'n wir i ddweud hefyd fod y tri tyst yna rydych chi'n sôn amdanynt—y comisiynydd, WWF a Chwarae Teg—i gyd hefyd wedi dweud eu bod nhw'n disgwyl i'r Llywodraeth arwain ar hyn, a bod cyrff cyhoeddus sy'n mynd i ddilyn y Ddeddf, ac yn enwedig y byrddau gwasanaethau cyhoeddus, yn rhwym o edrych ar y Llywodraeth ar gyfer arweiniad. Ac mae'r tri ohonyn nhw yn dweud y bydden nhw wedi hoffi gweld mwy yn amlwg yn y gyllideb. Gan dderbyn ei bod hi'n flwyddyn anodd, ac nid yw hi wedi bod yn

Simon Thomas: Having said that, it's also true to say that those three witnesses that you refer to—the commissioner, WWF and Chwarae Teg—have all said that they expect the Government to lead on this, and that the public bodies that will adhere to the Act, and particularly the public services boards, are bound to look to the Government for leadership. And the three of them have said that they would have liked to have seen more in the budget clearly. Accepting that it is a difficult year, and it hasn't been an easy year for many years now, you own the Act.

flwyddyn hawdd ers rhai blynyddoedd bellach, chi biau'r Ddeddf. Beth fyddem ni'n gallu disgwyl ei weld, ac a oes unrhyw obaith, er enghraifft, o wella'r gyllideb ddrafft i adlewyrchu hyn wrth symud at y gyllideb lawn?

[11] **Mark Drakeford:** Wel, rwy'n derbyn y pwynt cyffredinol. Wrth gwrs, mae lan i'r Llywodraeth i roi arweinyddiaeth i bobl eraill yn y maes, a dyna beth rydym ni wedi trio ei wneud yn y ffordd rydym ni wedi creu'r gyllideb ddrafft, a gyda pethau eraill rydym ni wedi'u cyhoeddi yn ystod y tymor y mae'r gyllideb o flaen y Cynulliad. So, rwy'n derbyn y pwynt cyffredinol yna, ac rydym ni wedi gwneud ein gorau glas i roi'r arweinyddiaeth yna hefyd. A ydym ni'n gallu gwneud mwy? Wel, yn y dyfodol, rwy'n siŵr y byddwn ni'n gallu gwneud mwy. Fe welais i, yn y dystiolaeth gan y WWF er enghraifft, eu bod nhw'n sôn am ail-greu un o'r grwpiau rydym ni wedi'i gael o'r blaen, sydd wedi cynghori'r Llywodraeth ar y gyllideb.

[12] Nid oedd amser gyda ni yn y flwyddyn yma i gael y grŵp yna gyda'i gilydd, ond rwyf wedi gweld y cyngor a oedd gyda nhw o'r blaen, ac maen nhw wedi rhoi awgrymiadau i gryfhau'r ffordd mae'r grŵp yna wedi gweithio. So, rydw i'n awyddus i ail-greu rhywbeth fel yna am y flwyddyn nesaf. Gwelais i'r un grŵp, rwy'n meddwl, yn cyfeirio at y *budget tour* yr oedd Jane Hutt wedi ei wneud. Wel,

What can we expect to see, and is there any hope, for example, for improving the draft budget in order to reflect this as we move towards the full budget?

Mark Drakeford: Well, I accept the general point that you make. Of course, it is up to the Government to provide leadership and guidance to others involved in this area, and that's what we've endeavoured to do in the way that we have drawn up this draft budget, and with other announcements and publications that we have put forward as we've put this budget before this Assembly. So, I accept your general point, and we have done our level best to provide that leadership. Now, can we do more? Well, yes, in future, I'm sure we could do more. I saw, in the evidence provided by WWF, for example, that they had mentioned recreating one of the groups that we've had in the past, which advised the Government on the budget.

We didn't have time in this year to establish that group and bring it together, but I've seen the advice that they provided previously, and they have made some suggestions to strengthen the way in which that group has worked. So, I'm eager to re-establish such a group for next year. I saw the same group, I think, refer to the budget tour that Jane Hutt undertook. Well, I, too, went on

roeddwn i ar daith dros yr haf hefyd, ond roeddwn i ar daith gyda phob awdurdod lleol ar ochr diwygio llywodraeth leol yng Nghymru. So, bydd posibiladau yn y dyfodol i wneud mwy; rwy'n siŵr am hynny. Rydym ni i gyd wedi dysgu am y tro cyntaf ac, wrth gwrs, i fi, mae'r comisiynydd yna, a'r grwpiau fel WWF Cymru a Chwarae Teg—maen nhw yna i'n helpu ni a bod y tu ôl i ni gan eisiau inni wneud mwy a gwell.

tour over the summer, but to every local authority, discussing the reform of local government in Wales. So, there will be possibilities in the future to do more; I'm sure about that. We've all learned lessons here from the first time, and, of course, for me, the commissioner is there, as are groups such as WWF Cymru and Chwarae Teg—they are there to assist us and to push us to do more and to do better.

[13] **Simon Thomas:** Jest i bennu ar y pwynt yna, roedd y gyllideb ddrafft wedi cael ei chyhoeddi cyn ein bod ni'n gweld nodau'r Llywodraeth o dan y Ddeddf arbennig cenedlaethau'r dyfodol yma. Sut mae gwneud yn siŵr bod—? Mae cyhoeddi nodau ar ôl cael y gyllideb yn edrych yn ffordd letchwith o baratoi. Sut yr ydym ni'n gwneud yn siŵr nad yw pethau fel yna'n digwydd yn y dyfodol?

Simon Thomas: Just to finish on that point, the draft budget was published before we saw the aims of the Government under the future generations Act. How do we ensure—? Publishing the aims after having the budget looks like an awkward way of going about things. How do we ensure that that doesn't happen in the future?

[14] **Mark Drakeford:** Wel, a dweud y gwir, nid jest i lawr i fi yw hi, achos rwy'n ymateb ar amserlenni eraill.

Mark Drakeford: Well, if truth be told, it's not just down to me, because I am bound by other timetables.

[15] So, the timetable against which I laid the draft budget is the requirement set out in the Standing Orders of the National Assembly, and the timetable against which we publish the well-being objectives was a timetable laid down in the Act itself. So—

[16] **Simon Thomas:** You can do it earlier, though. You could have the time—. It's the latest date you can do it. You can still do things earlier.

[17] **Mark Drakeford:** I understand the points you're making, but I was observing the requirements that the law had laid out. Because of the way in which various aspects of Government activity have had to be timetabled this year, with the programme for government happening after the summer

break, rather than before it, and so on, there was a case that some organisations had put to us to delay publishing the well-being objectives altogether, in order to have more time to discuss them—

[18] **Simon Thomas:** Because there was no real consultation.

[19] **Mark Drakeford:** There wasn't, no. In the end, I decided it was more important to observe the legal requirements and to do the best we could within the timescale available, but we did need to use all the time we did have available. But I did make it clear when they were published on 4 November that they were there now for a richer seam of consultation and discussion and that I would come back to them at the beginning part of next year to see how we could further shape them as a result of that process. So, look, I'm absolutely recognising the clash of timetables here; it would have been preferable to have had things the other way round, and I don't think we'll be in exactly the same position when we do it next year.

[20] **Simon Thomas:** I infer from that that the next budget will be better informed by these objectives than the current one.

[21] **Mark Drakeford:** Well, it's certainly an ambition of mine, in the way that, Chair, you suggested earlier about Government itself showing leadership in relation to the Act, that we should learn from this first go round the track—I think there are some practical things that we can do to make sure that we have a fuller underpinning of the budget process by the Act next time around; we can engage some of those organisations that are there to help us on the one hand, and to spur us on on the other, to involve them more fully next time.

[22] **Simon Thomas:** Ocê, diolch. **Simon Thomas:** Okay, thank you.
Mark Reckless. Mark Reckless.

[23] **Mark Reckless:** The Welsh Government can now pay surplus tax revenues into a cash reserve. Just on the example given, I wonder if I could just ask how much has been carried forward from the non-domestic rates into this current year. And what previously would have happened to such money? Would you have rushed to spend it on something else, or just paid it back to the Treasury at UK level?

[24] **Mark Drakeford:** Chair, the figure is some £30 million, and, of course, non-domestic rates were not devolved until 2015, so we wouldn't have been

in a position of acting independently on it. It was a UK-wide, Treasury-led system.

[25] **Mark Reckless:** So, the cash reserve issue—is that just with respect to non-domestic rates, rather than other moneys?

[26] **Mark Drakeford:** It is more than just there to—. It will be developed further as more devolution of tax responsibilities comes our way, but Andrew can you give the detail of it, I'm sure.

[27] **Mr Jeffreys:** Yes. The cash reserve is not in place at the moment, and that's something we're working through in the fiscal framework discussions with the Treasury. There are specific arrangements in place at the moment for non-domestic rates that are specific to that area of taxation, which allow for surpluses to be carried over, or deficits to be carried over, on the basis that—the intention is that they're eliminated in the subsequent year. There's an interesting question about whether the cash reserve and the borrowing arrangements post the fiscal framework cover non-domestic rates as well as the small devolved taxes, and that's something we're still talking about with the Treasury. In Scotland, they've got separate arrangements still for non-domestic rates and the other taxes. There's a question about whether you should have the two things, or all of those things, brought together into a single account.

[28] **Mark Reckless:** Cabinet Secretary, I think, in a previous meeting, we asked if you could give us a total for borrowing currently supported by the Welsh Government. I think you were happy to give us that figure—I just wondered if you are now able to do so.

[29] **Mark Drakeford:** Chair, I'm happy to do that. I wrote to you, I believe, after that meeting setting out some of this information. I'll run through it quickly, if I could, because I think it's helpful just to show how the totals are made up, because they're not always entirely of the same sort. So, the Welsh Government inherited historic borrowing on the merger of the Welsh Development Agency. The outstanding debt at that time that the WDA had incurred was £11 million, and the annual cost of servicing that debt to the Welsh Government today is £1.745 million.

[30] In the last Assembly term, my colleague, Jane Hutt, instituted a way of increasing capital available for investment in Wales by using the borrowing facilities that other organisations have. So, we enabled housing associations

in Wales to use their borrowing facilities by picking up the revenue cost of their borrowing. They borrowed around £130 million and we pay £4 million every year to pick up the borrowing costs that they incurred. We also used local government's ability to borrow over and above the borrowing that they would have been able to support themselves. So, through the local government borrowing initiative, local government borrowed £340 million at that time—£170 million for transport purposes and £170 million for education purposes. We support that borrowing with revenue of £22 million.

[31] **Mark Reckless:** When you say 'support the borrowing'—. Looking through that, the £4 million for the housing associations' £130 million—that seems an interest rate of just over 3 per cent, and I assume that we're just talking about interest. When we talk about the extra local government borrowing, that's £22 million to service £340 million—perhaps that'd be 6.5 per cent if that was all interest. So, are you saying some of that's being paid back? The WDA particularly—£11 million in total, but £1.745 million to service. Again, surely that can't be a 16 per cent interest rate. Would it be possible to strip out what's the service cost of the interest versus capital repayment on some of those sums?

[32] **Mark Drakeford:** Andrew may be able to, so we'll see what he can do to help.

[33] **Mr Jeffrey:** As the Minister touched on earlier, these are all slightly different instruments. Your maths is extremely good. The WDA borrowing, actually, was taken out in the 1970s, and the interest rate is around about 15 per cent.

[34] **Mark Reckless:** Can that not be repaid and refinanced?

[35] **Mr Jeffrey:** Well, there are very draconian early repayment arrangements for that. This is an issue that the committee's looked at before, actually—not this committee, but the previous committee. It's a pretty heavy debt to be carrying. The housing finance grant is only part-funded by Welsh Government revenue funding, so some of the repayment costs of that borrowing are financed from rental incomes. So, that £4 million is the kind of residual amount that's not funded by rental incomes. The local government borrowing, that £22 million, roughly covers the interest and repayment on that debt. They're over different terms some of these different instruments, so that is also reflected in the different amount of revenue funding that goes in.

14:15

[36] **Mark Reckless:** Looking forward—I think you referred to £150 million borrowing for flood prevention, £250 million to support building of additional houses—over what timescale is that borrowing going to take place? And what sort of annual—I think I’m probably more interested in what’s the annual interest to cost of that, once the borrowing’s been taken out.

[37] **Mark Drakeford:** Thank you, Chair. So, the intention is to borrow over 30 years in both cases, with investment staged over three-year periods. The revenue costs of the two schemes peak—from memory—in 2021, at a cost of just over £16 million—£16.3 million a year—in revenue. At that point, investment in the scheme will be £400 million in the same year. In the same way Andrew explained that there are co-financing arrangements as part of that, then, in the case of the housing element, the co-financing rate from RSLs will be 42 per cent, and the co-financing rate from local authorities in the flood prevention works will be 25 per cent. So, again, there are bespoke arrangements beneath the headline.

[38] **Mark Reckless:** Thank you. Finally from me, could you give me similar information with respect to the prospective M4—certainly for the black route—borrowing, in terms of what period you’d be looking to take out that borrowing for and be repaying it down over that period, and what’s the interest cost expected to be with that?

[39] **Mark Drakeford:** Well, Chair, we haven’t yet borrowed any of that money, because the capacity to do so is not yet on stream. We will be borrowing from the National Loans Fund. As I understand it, loans are typically over a 30-year period, although it is possible to vary the term depending on the life of the asset that the loan is financing. The interest rate that you would incur, I don’t know whether you can anticipate it, or whether it’s something that you strike at the point where you are incurring the borrowing.

[40] **Mr Jeffreys:** That’s right, and that’s the same for all of these, actually. Any of these future borrowing plans that we have, the figures that we’re able to provide at this point are based on our current assumption of what the rate will be at the point that we borrow.

[41] **Simon Thomas:** Sorry, can you just speak up a little?

[42] **Mr Jeffrey:** Sorry. The figures the Minister quoted earlier in terms of the revenue cost of the housing finance grant and the flood programme, that's based on our assumption of the interest rates at the time the debt is taken out. The actual amount might differ a bit, depending on what happens to interest rates and, yes, you get the rate you get at the time you take the debt on.

[43] **Mark Reckless:** Thank you.

[44] **Simon Thomas:** Mike Hedges.

[45] **Mike Hedges:** The WDA debt: who is it with? The Minister or Cabinet Secretary said it was a 1970s debt, which means it's—. Anything pre 1986 would be over 30 years, so over how many years was it taken out over?

[46] **Mr Jeffrey:** I think it runs to 2041.

[47] **Nick Ramsay:** Wow.

[48] **Mike Hedges:** So it's—.

[49] **Mr Jeffrey:** Sixty years. This was borrowing to finance housing construction and these are assets with a long life, so it's not—. It looks a ridiculous thing to have done 30 years in the future, and interest rates were very high at the time, inflation was very high at the time—we're in a different world now. Taking on debt over a 60-year period is, in hindsight, not necessarily the ideal.

[50] **Mike Hedges:** Who would you blame?

[51] **Simon Thomas:** We remind ourselves on the record that it was non-devolved Government that—.

[52] **Mark Drakeford:** It was a long time ago.

[53] **Mike Hedges:** Who was it with?

[54] **Mr Jeffrey:** I think it's National Loans Fund. Yes.

[55] **Mike Hedges:** And it was taken out over 60 years. Why were the WDA—you probably can't answer this, but why were the WDA building houses as opposed to housing associations and local authorities?

[56] **Mr Jeffrey:** It was actually—. I think it was even—. I don't think the WDA existed then, I think it was—

[57] **Simon Thomas:** Newtown, was it?

[58] **Mr Jeffrey:** I think it was in Newtown—it was the Development Board for Rural Wales.

[59] **Mike Hedges:** But didn't—sorry, I'll stop with this one. But didn't some of that pass from the Newtown corporation on to the local authorities? It did in England, I assumed it happened in Wales as well.

[60] **Simon Thomas:** I'm not sure if we're going to get to the bottom of this on the draft budget, to be honest with you.

[61] **Mike Hedges:** But if you're paying £1 million out a year, then that is having an effect on someone who isn't getting £1 million.

[62] **Nick Ramsay:** It's more of a public accounts issue, isn't it?

[63] **Mike Hedges:** Thank you. The Chair of the Public Accounts Committee wants to look at it—I think it's an excellent idea.

[64] **Simon Thomas:** Well, perhaps I'll ask—.I think the Chair of the Public Accounts Committee does have a question on this, so, perhaps—

[65] **Nick Ramsay:** It was just that I could see the Cabinet Secretary smiling at me, because I think he anticipated—. We're not going to be sitting here, or Mark Reckless's descendants aren't going to be sitting here in 30 years' time saying, 'Why did we take out that borrowing for the M4 at such high interest rates?'

[66] **Mark Drakeford:** As you know, Chair, one of the strongest arguments for borrowing at the moment I'd say is the historically low rate at which you can borrow for investment purposes. So, we are, at least in this way, in very, very different circumstances to those that would've been faced in the 1970s when people were borrowing.

[67] **Eluned Morgan:** Although, Gerry Holtham has suggested that we're missing the boat now, because, with Trump's election, interest rates are likely to increase quite significantly. That's his prediction. Any views on that?

[68] **Mark Drakeford:** Well, I don't think it's—. It isn't just Gerry, is it?

[69] **Eluned Morgan:** No, but specifically on Wales.

[70] **Mark Drakeford:** I think there are other serious commentators suggesting that inflation could reach 3 per cent next year, and there's obviously a relationship between inflation and interest rates. These rates are not going to last forever, are they? Historically low levels of borrowing rates are not going to last forever, which is why many commentators have been urging the Chancellor, in his autumn statement, to take advantage of this moment and to borrow for investment. Because the public will never get it cheaper than they're getting it now.

[71] **Mark Reckless:** But you're not going to do that yourself, though? Lock in the borrowing now in case rates go up. That's not your approach. Because haven't got the £500 million—that's not there. What date do you expect that to commence?

[72] **Mark Drakeford:** I'm sorry, Mark. I just missed the last bit.

[73] **Mark Reckless:** The £500 million borrowing power, I understand, is not yet authorised. Do we have a fixed date that we know when there's going to be authorisation to do that? Are you looking, potentially, to borrow before the requirement for capital, given the low rates, or will you just borrow whenever the capital is needed?

[74] **Mark Drakeford:** The 2014 Act sets out the timetable, so there is a timetable at which we are able to access borrowing. We are in some discussions with Treasury about whether it might be possible to make a modest early start on that, but it would be modest. I think, as I've said to the committee previously, I wouldn't be looking to use borrowed money until I'd exhausted the conventional capital that I have available. So, in the short run, even if there is some modest availability, you wouldn't choose to use expensive money if you've got cheaper money available to you. That's the only point I'd make.

[75] **Simon Thomas:** Before we make progress with other matters, because you have mentioned the autumn statement, just to ask, on the record, if you've got any indication of what might be in that autumn statement.

[76] **Mark Drakeford:** We have no—

[77] **Simon Thomas:** Or any way that you can prepare for it, I should say.

[78] **Mark Drakeford:** Well, Chair, I met with the Scottish and Northern Irish finance Ministers with the Chief Secretary to the Treasury a small number of weeks ago. The autumn statement certainly was discussed then. I don't know that we were told anything more than we would've got by reading the financial press, but what he told us, I think, were two things: that the Government was listening to arguments about investment and not to expect to see the tap turned on on revenue.

[79] **Simon Thomas:** Right, okay. That's quite a strong hint, anyway. Eluned Morgan.

[80] **Eluned Morgan:** I'd like to ask you about the evidence that you used in determining your budget priorities. What do you require in terms of evidence to inform those decisions, and is it consistent across all the different Government departments? And to what extent is it also driven by the programme for government?

[81] **Mark Drakeford:** Well, the budget is quite certainly aligned with the programme for government. When I first published it, I tried to say that it was a budget for stability and ambition. Stability in that we've been able to offer our major public services probably a settlement at the more optimistic end of the spectrum than they might have been expecting, but ambitious because it is clearly aligned with the programme for government and provides funding to begin the delivery of all the major commitments that the Government made during the last election. So, a significant investment to make sure that we can deliver 20,000 affordable homes is represented in this budget, but also in announcements I've made since about deploying reserves; £10 million as a modest first step in relation to childcare, but that's in order—thinking of what I was asked earlier about the well-being of future generations Act, we have a commitment in that Act to co-design services with those people who are going to use them, and that's what next year is about. It's about pilot schemes with users to make sure that, as we move to increase capacity in the sector, we do it in a way that is usable to them. There

is money in this budget to alter capital limits, so that people going into residential care are able to retain more of their savings than they would otherwise be able to. There is significant money in there to make sure that we can reach our 100,000 apprenticeships target over this Assembly term. So, the alignment between the programme for government and the budget, I think, is there for anyone to see.

[82] How do we use evidence in the budget? Well, maybe I could just briefly illustrate it in relation to capital, because there is a four-year capital budget here. So, how did we approach the decisions that had to be made there? The first thing we do is to ask all departments whether there are legal, contractual commitments that are already entered into where we have to meet the capital costs. So, the first thing you do is meet your legal obligations. Then we look at the programme for government and we make sure that we are able to align capital to make a start on that. Then, with every department, we went through their list of priorities, interrogating the evidence that they had to support them, their alignment with the programme for government, their deliverability in terms of, you know, 'Can you actually make this happen if we give you the money? Is everything else you need in place?' And then, in a lot of iterative discussions with Cabinet colleagues and, finally, with the Cabinet itself, we drew a line where those projects with the best evidence, the best impact and the greatest likelihood of deliverability get funded.

[83] **Eluned Morgan:** That's good. Thank you. A good, comprehensive answer there. I wanted to ask you next about the strategic approach to certain subjects that has been a hallmark, I think, of the Welsh Government. If you look at something like equality, how do you ensure that that is assessed in every different department and budget line to make sure that you are delivering on those kind of cross-cutting areas?

[84] **Mark Drakeford:** Thank you, Chair. In a way that I think Eluned was alluding to, those assessments have to be made at the main expenditure group level—you know, the Minister responsible bringing forward programmes. They have to make those assessments. What we do through the budget is to produce a strategic integrated impact assessment, where we try and look at that in a connected way across everything that Government does. We've changed the approach in some modest ways this year in that we've presented that assessment alongside the budget documentation, rather than as a stand-alone document, and that is to try and help people to see, in the way that you suggest, how we are making our decisions in a way that aligns

with what that assessment tells us.

[85] We use key things like demographic projections and age profiles, because we know that demands for services vary across the life-cycle and so on. We look at the protected characteristics individually, and then we do our best to balance these things together into that strategic, overarching assessment that we produce alongside the budget.

[86] **Eluned Morgan:** Thank you. Can I ask you next about the impact of Government cuts in certain sectors and how you make that objective assessment in terms of the impact of those cuts? We've heard evidence from some stakeholders this morning telling us, 'Look, actually, the consequence of this cut is a knock on to this, that and the other.' How do you make sure that you are having that objective take on the impact of those cuts?

14:30

[87] **Mark Drakeford:** Chair, the first thing for me to say is that I sometimes think I'm in danger of certainly not giving enough emphasis to this point when I'm answering questions and describing the budget, which is that the impact of austerity on our budget is absolutely real, and it is inescapable that, if you've got 10 per cent less revenue to provide for public services in Wales over a decade, you're not going to be able to do that without there being real impacts in real services and in real people's lives. That's why, as a Government, we reject the whole policy of austerity as a way of organising our economy in the United Kingdom.

[88] I am always having to explain what we are doing, I'm always having to try and explain how we are doing our best to mitigate things, and I sometimes run the risk of not putting on the record our clear recognition that there are real impacts if you're trying to manage in the circumstances we are managing in. This particular budget, as I've said already, is a brief breathing space in some of the worst impacts that we've seen, and there are tougher times to follow and harder decisions to be made, and I'm always saying to public services in Wales that they need to use this opportunity. But where there are reductions, then it is for the individual Cabinet Secretary to manage those things. So, at the moment, as you know, the Cabinet Secretary for Communities and Children is minded to recast the Communities First budget, and he is involved at the moment in the sort of discussions that need to be had with groups and with individual communities about how changes of that sort will impact on them and how they can be managed into the

future. But nobody here should be under an illusion that those things aren't real.

[89] **Eluned Morgan:** Can I ask you, just finally, on outcomes? How do you ensure that what we're doing is just not pushing money out without paying heed to deliverability and outcomes? How confident can you be, and how do you measure that?

[90] **Mark Drakeford:** Well, I think it's one of the bigger changes that I think I have seen during what is now a long time that I've been hanging around in the Assembly. When I first arrived here in the year 2000, I think most of the discussion at this sort of committee would have been on inputs. It would all have been about 'How much are you spending on x?', and the assumption would have been that if you were spending more, that was by itself guaranteed to be doing better. I think we've moved beyond that, and about halfway through devolution we would probably be having a discussion about outputs. We would have been not saying, 'How much are you putting in?' but 'How many widgets are you getting for your money?', and now, in the last few years, we've become much more attuned to a discussion about not just inputs and output, but outcomes, in the way that you just described. So, when we were doing our capital analysis with colleagues, then the outcome from that is what we ask people to report to us on. It isn't simply 'How many of something are you getting?' but 'What difference will that make in the lives of the people who you are trying to assist?' It's not always easy because it's not a direct line, always, between what you put in and what the outcome will be. But we collect that information much more systematically than we did, and certainly I think the system as a whole is much more focused on trying to capture outcomes and the difference that spending makes in people's lives than it is in simply looking at how much we spend and how many hours of activity or whatever it is that we secure as a result.

[91] **Eluned Morgan:** And have you put any conditionality on that for the future? So, are you able to say, 'Right, if we're going to give x amount here, these are the outcomes that we're expecting, and if they're not reached, then there will be consequences in the following budget year.' Is that something you've—?

[92] **Mark Drakeford:** Well, quite definitely, individual spending Ministers will be having those sorts of discussions and will identify specific outcomes that they expect programmes to secure. A good example, Chair, briefly, would be the reablement movement, where, in the past we would have been

counting how many hours of homecare we are securing; now, we're much more interested in what impact those services have in the lives of local people. So, if you went to Llanelli, for example, they would describe the very different way they do things now than they did a few years ago. They actually provide fewer hours of homecare than they used to, but with much better outcomes for the individuals, because they provide the service in a way that is attuned to the things that matter to the people that they are providing the service for. And that is captured in data, and then can be used to design how we provide services and fund them in the future.

[93] **Eluned Morgan:** But is there any sanction if they don't meet those outcomes, or any—? Otherwise, it's meaningless. I don't know. I'm just wondering how do you—

[94] **Mark Drakeford:** Well, look, of course it is an important question and you'll understand that it has a rather complicated answer because, let us take two health boards, one of which secures poorer outcomes for investment than another health board, you could say that the logic of your question is that money should be withdrawn from the health board that is securing worse outcomes. The real likelihood of that is that our local population will have even worse outcomes next time, because it now is funded at a level that is more likely to reinforce its difficulties than it is to solve them. So, I don't think it is a simple, linear argument that says that you set outcomes, if people don't match them, you take the money away from them, because you have to think about what impact that will have, not just on the service, but on the people who rely on it.

[95] **Eluned Morgan:** So, you need to do it more as an incentive, rather than as a sanction.

[96] **Mark Drakeford:** Well, I think incentives can be a preferable way. The question's a really important one, and finding better ways in which we can align money with the outcomes we want to achieve and to be able to move money to support better outcomes is a really important one. I'm just saying that, when you try and do it, there are lots of considerations you have to weigh up when you try and operationalise that concept.

[97] **Simon Thomas:** I have visited the Llanelli rehabilitation service; it's good.

[98] **Mark Drakeford:** And very uplifting it is.

[99] **Simon Thomas:** Thank you for mentioning that. Steffan Lewis.

[100] **Steffan Lewis:** Two points on the areas of questioning that Eluned Morgan's been following. On the Well-being of Future Generations (Wales) Act 2015, you described the process earlier on that you go through in your department in terms of budgets and departmental aims and objectives, and matching them up, but was there a provision in this budget process where an official or somebody in the department was responsible for future generation-proofing the budget, especially when you consider capital commitments, because I suppose those ones are very often infrastructure based and physically tangible and therefore will have environmental footprints? So, was there somebody from the outset whose role was, or part of their role was, to ensure that your own budget was compliant with your own legislation in terms of the well-being of future generations Act?

[101] **Mark Drakeford:** Well, Chair, it certainly doesn't devolve onto the shoulders of a single individual in that way. So, there isn't a well-being of future generations officer, and really that would be to defeat the spirit of the Act if there were, because the Act cannot be reduced to a single person checking what other people are doing; it's got to permeate the system much more than that. Does that mean that nobody was watching in the way that Mr Lewis suggested? Definitely not.

[102] **Simon Thomas:** Ultimately, you should be watching.

[103] **Mark Drakeford:** Well, exactly. So, I looked to see, in the first letter that I sent out to my Cabinet colleagues at the start of the budget process this year, and I was relieved to find that, in it, I identify specifically in this letter that, in the bilateral meetings that I would have with them, I would expect to be discussing with them how their budget proposals align with the well-being objectives of the Act. And, indeed, that was something that was on the agenda in every one of those bilaterals. Colleagues make budget proposals and I need to hear from them what work has gone on to satisfy them, and for them to be able to pass on to me how those proposals have been viewed through the lens of the Act. So, in the end, it is my responsibility to make sure that those questions are asked, and then to secure the answers, but the answers come from the people; it isn't my responsibility. It's everybody's responsibility in that way to be attending to the lens that the Act provides, and then to be able to give an account of it.

[104] **Steffan Lewis:** Okay, we'll keep an eye on how that develops. On the second point that I had, again, it's a process question, really. Given the evolution now of the fiscal responsibility of Welsh Government and the fiscal capability of Welsh Government, I'm very pleased to hear you describe your focus increasingly on outcomes. I think that's welcome. One of the biggest areas of change over the coming period, hopefully, given the greater fiscal responsibility of the Welsh Government, will be its ability to impact upon the nation's economic performance more broadly. In which case, is it your view now that it's time to consider greater transparency in terms of outputs and how your budgets and your tax plans, et cetera, are matching your programme for government and the outputs and the targets that you've set yourself?

[105] For example, what I'm getting at is instead of leaving it budget to budget, shouldn't we have a state of the nation address by you on the floor of the Senedd midway through a budget process, or what have you, to be able to say, 'Well, we are making so and so adjustments because things have changed in terms of the wider economy; we haven't had as many tax returns on this element of newly devolved taxes', so that Wales, I suppose, and the Welsh Government and your department match up to the change in the level of responsibilities that they have? At the same time, we might have greater transparency on Wales's economic indicators, for example, so that there's a growing link between fiscal decisions made here and policy decisions and the overall economic performance of the country.

[106] **Mark Drakeford:** Chair, I definitely agree that we will be in an evolving set of arrangements over the next few years. I don't think next year's budget round will necessarily be conducted quite as this one has been, because this time next year I will for the very first time be having to think of rates and bands in relation to devolved taxes. And as you know, we are in discussions within the Business Committee in relation to the budget process, but also in terms of a refreshed protocol with this committee to try and refocus some of the time we have to look at the sort of things that Steffan has just mentioned.

[107] As we get additional fiscal responsibilities should the Wales Bill succeed, and should there be partial devolution of income tax, then the job that I do today will be a different job by then, and the need for it to be presented to the Assembly differently and for the Assembly to be able to scrutinise it differently, I think that's going to be one of the big landmark changes of this Assembly term.

[108] **Steffan Lewis:** Thank you.

[109] **Simon Thomas:** Okay. David Rees.

[110] **David Rees:** Cabinet Secretary, talking about outcomes, you've increased the allocation of the NHS core budget by £240 million this budget, although the Health Foundation indicates that perhaps the pressures on social services will be rising faster. We've recently seen, and I think today we're seeing that the calculation of country and regional analysis for 2015–16 shows that we're actually spending more per person on health and social services. How do you assure yourself that the outcomes that have been achieved for the money you are allocating to that budget are being met and are delivering for the people of Wales, so that as they come back to you—as has happened again this year for winter pressures; we understand that—and they ask for more money, you are comfortable that the money you have already allocated is being used effectively in delivering those outcomes?

[111] **Mark Drakeford:** Chair, I think there are two parts to the question, really. I think the first question was about how you make decisions against competing demands. And that's not an easy business, quite certainly, and it's partly to do with political priorities.

14:45

[112] This Government has been clear that we will invest in the NHS in Wales while we are in a position to do so, and in a way that is based on evidence, and the £240 million fills the Nuffield gap and was largely endorsed in the Health Foundation work that's been carried out this year. The figures that David refers to show that, once again this year [correction: once again in 2015–16], we outspend England in relation to health spending—we're 1 per cent ahead there. But, on health and social care together, we are 6 per cent ahead. And what I think that demonstrates is a point that I had to make many, many times when I was responsible for health and social services, that, in Wales, we have protected the system in the round and we haven't done what has been done elsewhere, which is artificially to rob social services budgets and pretend that that investment is available in a fresh way to the health service, because it really doesn't work like that. We've protected the system in the round. We've done it again this year: 240 million to the health service, £25 million additional in the revenue support grant for social

services, and a £50 million¹ confirmed intermediate care fund that straddles the boundary between the two. So, we have to balance these things against one another, and I think our record of doing that stands up to examination.

[113] The second part of the question was about how you know whether the money you've spent is being well spent. And, in that sense, from my point of view, I cannot put myself in the position of every portfolio Minister. I rely on my colleagues who have responsibilities for those areas to pursue those issues, and if there are things that need attention during the year, they come back to me. And the hurdle they have to be able to cross in order to get money out of the centre, to me, is high, because there is so little money available that you have to have a very compelling case for it. But it's for them to do and then to come to me as necessary.

[114] **David Rees:** Obviously, the health budget is actually half, basically, or almost—it's 49 per cent of the block grant, and is therefore a large proportion of your allocation. And I would want to ensure that you're comfortable in your knowing that, as and when someone comes back to you, you are confident and comfortable that the allocation previously given has been well spent, effectively.

[115] **Mark Drakeford:** Yes.

[116] **David Rees:** In that relationship therefore, are you confident that the allocation you've given will cover the impending costs and budgets for the health service in the coming year, given that we've already allocated an extra £50 million this year, for the in-year figure, and will it cover also any accumulated deficit that might arise during this year? Clearly there are three-year and one-year plans in place that will trigger to the health Secretary an indication as to the spend. So, are you confident that you will cover that?

[117] **Mark Drakeford:** Well, Chair, the ultimate responsibility for the portfolio holder is to live within the means that the National Assembly for Wales has voted for them.

[118] **Simon Thomas:** When was the last time that happened?

[119] **Mark Drakeford:** Well, in the health case, it's happened in every one of

¹ Eglurhad/Clarification: The overall budget is £60 million, including £10 million capital.

the last three years, because I was the portfolio holder then, and my job, in the end, was to make sure that I managed the main expenditure group in a way that lived within its means, and it did every single year. Elements of that budget did not live within their means, and I had to find ways of offsetting it by actions taken elsewhere. The Cabinet Secretary responsible for health now, I know, told the health committee that he was confident that he would live within his means at the MEG level in this year. The question of whether he wishes to deal with overspends and claw back money within his own MEG is then a decision for him.

[120] **David Rees:** Okay. Let me ask you another question. It may be a decision for him, but perhaps what would be helpful for all us is that—. As you know, because you were Minister for health, the budget figures and tables for health are quite sparse in one sense, and there's no clear breakdown between some of the services. Would it be more helpful for all of us, when we look at the budget, to understand how that share and proportion, perhaps between primary, secondary, mental health, physical health, and to have that type of approach, so that we can have an understanding of baselines somewhere? We may not stick to them, but at least, we'd have an understanding of the proportions that have been allocated to different areas of the health sector.

[121] **Mark Drakeford:** Chair, I think that information is available, if Members want it. It doesn't come through the budget process, but what happens is that, every year, there is a health circular, which is sent out under the name of the chief executive of the health service—the last one would have been in April of this year. That sets out for health boards their budgets at a level below the level that the budget [correction: the Welsh Government budget] itself has in it. That is published every year, and I think it would be possible for an analyst to take that information and to track those sorts of changes. But it isn't done at this stage in the process; it's done when the National Assembly has confirmed a budget, and then the portfolio Minister makes decisions within the allocation available to her or to him, and then that information does break it down to mental health, for example, showing what's in the ring fence and so on, that's available in that circular annually.

[122] **David Rees:** I'm going to get the same answer to the next question, so I won't ask it.

[123] **Simon Thomas:** Okay. Mike Hedges wants to have a go.

[124] **Mike Hedges:** In education, I can find how much is paid by each local authority per primary pupil, how much is paid by each local authority per secondary pupil, what the overall attainments are in terms of GCSEs and A-levels in terms of local authority areas. How do I get the same information to find out the cost of a cataract operation in Betsi Cadwaladr compared to a cataract operation in ABMU? What I'm trying to ask is: how do we know that we have a level of efficiency in the health service that the unit cost of doing a relatively general procedure is within the bounds of acceptability between the different health boards?

[125] **Mark Drakeford:** Well, I don't know that I'm in a position to give you a technical answer to the question. I'm certainly happy to agree that the question is one that is important to answer, and what you will find, because there are health economists who spend their lives providing answers to exactly that sort of question—. But what they will tell you is that it will depend on, for example, the nature of the population on whom the operation is being carried out, the nature of the building in which the operation is being carried out—if you're operating in a brand-new theatre with every efficiency immediately to hand, your costs will be very different than if you're operating in a building that is nearly 100 years old and being made to manage—it will depend on the skill level of the person who is carrying out the operation, and then they can find you a figure that you can look at. But it will not be as simple as saying how many operations were carried out in Betsi Cadwaladr, dividing it by a sum of money and comparing it to what's going on in Aneurin Bevan.

[126] **Mike Hedges:** Sorry, I was talking specifically about cataracts, for example, which I would say are described as fairly straightforward, where anybody having a cataract operation is having something very similar done to them. For a number of these different operations, hip replacements, a lot of these things that are—if I use the word 'straightforward', I might be not using quite the right word, but which should be comparable. I also remember you in another guise, as health Minister, coming along and telling us that there were twice as many tonsils being removed in one part of Betsi Cadwaladr than in another. These are things where expenditure has been taking place and, really, I'm only asking you because you happen to be the person here, but surely, someone, somewhere should be digging into this in terms of efficiency in health, because, for somebody looking from the outside, health asks, health gets given, and the rest of the areas funded by the Welsh Government are cut back accordingly.

[127] **Mark Drakeford:** I think the second point that Mike makes is actually a bit more straightforward than the first, because clinical variability—the fact, as you say, that you are only half as likely to have your tonsils still with you if you live in Anglesey than if you live in Wrexham, in the same health board, because the rates of tonsillectomies in Ynys Môn is twice the rate in Wrexham—that is not explicable by population difference or any of those other factors; it is to do with clinical practice and variation in clinical practice, and a lot of work goes on in the health service to try and bring that rate of intervention to the right level.

[128] The second part of your question: even with relatively straightforward things—. I agree that your two examples are good examples of that: procedures that happen every single day in the health service. But in hip replacements, for example, the age of your population will make a difference to the costs involved, because if you're 85 and you're having a hip replacement, you will be in hospital for longer than if you're 55. Hospital costs are based on bed occupancy rates and so on. So, even with quite standard procedures, there will be variations in costs that are genuinely explicable and cannot just be eliminated on cost grounds alone.

[129] **Simon Thomas:** I suppose the question is, though, finance Minister: do you expect the health Minister to be using these tools—these health economics tools—to try to drive efficiency in the system, or are you content just for these to be locally decided matters?

[130] **Mark Drakeford:** No, I wouldn't be content, and I'm sure the health Minister wouldn't be content either. He's recently established an efficiency board within the health department, chaired by the chief executive, which is about how you get more of an impact for the money you've got in there now—those sorts of efficiencies. It's also about driving those longer-term efficiencies—a prudent healthcare agenda, if I could be allowed to say it, where a focus on variation was one of the first principles of that. You would certainly expect for the centre to take a close interest in all of that.

[131] **Simon Thomas:** While we're on health, can I just ask you something that was raised by the stakeholders this morning? It's about mental health expenditure. There's £20 million, which I understand is a genuine additional £20 million, as part of the overall additional allocation to the health portfolio. Mental health has been ring-fenced for some time now by the Welsh Government, in recognition that it's been underfunded in the past. Is there any further work within this budget that you, with the extra allocation as

well, intend to do, or you intend to ask the health Minister to do, to ensure that the outcomes from that are actually tracked and properly monitored? Again, the stakeholder feedback has been a little bit, 'Well, we have seen this ring fencing, which is a positive step, but we haven't necessarily always seen the effects of that in the local health board'.

[132] **Mark Drakeford:** First of all, Chair, you're right: the £20 million is additional money. It's there as part of the agreement with Plaid Cymru for mental health purposes, and I've confirmed with the health Minister that that money will go into the ring fence. So, it is protected in that way, and you will know that the PricewaterhouseCoopers review of the ring fence, which was instituted because there were some concerns among some groups that the fence wasn't as robust as it might be, actually gave the fence a pretty clean bill of health and said that almost every health board in almost every year spent more on mental health services than the ring fence money would have—

[133] **Simon Thomas:** About £60 million, apparently.

[134] **Mark Drakeford:** Tracking outcomes in mental health is as important as anywhere else, and I know that in the health field, because of being involved in it, that, for example, the extra money provided for dementia services within the mental health budget will have an evaluation alongside it that will look exactly to see whether those new forms of early identification and intervention lead to better outcomes for people.

[135] **Simon Thomas:** Steffan Lewis.

[136] **Steffan Lewis:** I just want to go back to the point—. You mentioned an efficiency board for health, and that they looked at variation in costs. Was that in terms of trying to do a like-for-like comparison between health boards?

[137] **Mark Drakeford:** The efficiency board, Chair, has a broad agenda, and it's on the agenda of next week's finance liaison committee between the Government and Plaid Cymru, where Andrew Goodall is going to come and give a presentation to the group about its work programme and the things that it has got, first of all, on its list. I don't have them in my head today, but it's available and it's going to be shared on 22 November.

[138] **Steffan Lewis:** On the question that Mr Hedges was asking you about

looking across the health boards and trying to do some sort of an analysis and comparison, the data are there—someone has the information in terms of how much each health board spends and there are budget lines out there that exist. I think that there was a fair point that Mr Hedges made: you can see how schools perform and how much they spend per pupil, and that gives us an opportunity to understand why there are differences—sometimes there are legitimate ones—but it's not the same in health. So, it sounds to me that, maybe, it's possible to do that, because the figures are there.

15:00

[139] **Mark Drakeford:** It is in health in this way, in that I can give you a cost per head of the population in all health boards in Wales. So, I can tell you for certain that we spend more per head on those parts of Wales where health is best and least per head in those parts of Wales where health is less good. That's the Townsend work that was done early in the Assembly and the formula that we use. So, you've got figures that look quite like those education figures on that level. When you try and burrow below them and provide some of the comparisons that Mike was looking at in terms of cost per procedure between health boards, then all I was saying is that the analysis that is there, and you can look at it, just begins to tell you that lots of the reasons for variation in costs are to do with the intrinsic nature of the work that you're doing—the sort of patient you've got in front of you, the sort of equipment you've got, the sort of place you're in—all of those things begin to make a difference.

[140] **Mr Jeffreys:** It's definitely part of that group's remit to look at unexplained variation in costs, because as the Minister says, there are some variations that are explicable by your case mix and those kinds of things, but where there are things that aren't explicable, those are areas where you can look for better efficiency.

[141] **Simon Thomas:** Okay. Nick Ramsay.

[142] **Nick Ramsay:** Thanks, Chair. Additional funding has been provided over the past two years for the NHS with a specific focus on moving services into the community, as we know. What evidence do you have of the impact this investment is having on the demand for hospital services and reducing pressure on the NHS and Welsh Government budgets?

[143] **Mark Drakeford:** Thank you. I think the two clearest examples that are

there, to answer Mr Ramsay's question, are the intermediate care fund and then the £40 million additional funding that's been provided for primary care last year. The intermediate care fund is very directly evaluated and was from the very beginning. So, there is a plethora of examples right across Wales where you can look directly at the impact that it has had on use of secondary care services. Cwm Taf has extended reablement services for people with dementia. It showed that, in the year 2015–16, over 100 bed days were saved as a result of its intervention. The Pembrokeshire intermediate voluntary organisations team—the evaluation there showed that it had avoided 100 hospital admissions and that, in 230 referrals, 960 bed days had been avoided because people were now being looked after in the community, who otherwise would have been in hospital.

[144] So, on the intermediate care fund, one of the reasons—going back to a question I was asked earlier about evidence—one of the reasons why we've been able to protect its budget at £50 million [correction: £60 million] again next year is because it has that solid evidence of how services provided at the interface between health and social care have succeeded in keeping people in the community.

[145] The £40 million primary care fund is, equally, being evaluated—money directly to clusters, bypassing the health board. Members here will know of the range of investments the clusters have made, particularly in diversifying the primary care team. So, for the primary care audiology service in ABMU, you can see the figures very clearly indeed. For those people who would've had to go to hospital in the past, for outpatient appointments and sometimes for inpatient treatment, it's now being delivered in the GP surgery by a primary care audiology team, and that team didn't exist without that fund. That's another direct example of the way you can use the money to divert services.

[146] **Simon Thomas:** Can I just ask one particular question? You've mentioned the intermediate care fund several times; to be fair, other witnesses have done it several times. You've talked about protecting the expenditure, but given the weight of evidence we've had about it, you might've expected this budget actually to increase the expenditure on the intermediate care fund. Is there any reason why you haven't looked to expand this? It's obviously successful and being evaluated regularly. The Pembrokeshire people were here only at the start of last week, so it's been shared quite widely. So, perhaps even more investment would be even better.

[147] **Mark Drakeford:** Well, Chair, it went from £30 million to £50 million [correction: £60 million] last year. Money is tight, but I think you've also got to think about the capacity of the system to absorb additional funding as well. That was a significant step up—

[148] **Simon Thomas:** But they took that on, didn't they?

[149] **Mark Drakeford:** They did, and, partly, that was done by diversifying the range of people whom the fund could work with, so £4 million of it is now specifically for people with learning disabilities who can be helped to remain in the community who otherwise would not have been. So, if there is further evidence, and if it can absorb it and if the money is available, of course, as you say, the evidence is strong on its behalf.

[150] **Simon Thomas:** Others have spoken about the preventative element of this; it's a very positive one. Okay. Sorry, Nick.

[151] **Eluned Morgan:** Can I follow up on that?

[152] **Simon Thomas:** Yes, certainly, if you're—

[153] **Eluned Morgan:** From the evidence we had this morning, I think it's relevant to this question, and that was that, whilst some of the people who gave evidence this morning appreciated the intermediate care fund and that that had gone a long way to relieving some pressures, actually, there is still this issue about social care actually not having the money that it needs. That almost 4 per cent cut that they've seen—it's effectively a cut because of the increase in the minimum wage and travel costs, and, actually, they're having to take on those extra financial burdens whilst there's this increase in demand. So, whilst they accepted that's excellent, they're still saying, 'You're not going to resolve this problem.'

[154] **Mark Drakeford:** Chair, I'm very well aware of that issue, and have correspondence from the WLGA and so on on it. We're continuing to explore what the actual impact of that is on the sector and then to see what a solution to it might be. The solution will not be able to be entirely to say, 'Send the bill to the Government'—

[155] **Eluned Morgan:** Would you consider raising the cap, the £60 cap? Is that something you considered in this budget?

[156] **Mark Drakeford:** Well, while I was the health Minister, a report was prepared for us—it's in the public domain—that showed that, if you raised the cap, you did raise additional income for local authorities and showed what that would be as you stepped it up. I think what I'm saying is that, if we are to have a solution to those cost pressures, a contribution to the solution will have to come from a number of different sources. I'm not ruling out Government being part of that. The sector itself will have to be part of that solution too, if it is to have a better remunerated workforce in the future, as we would like, and a better recognised workforce—and the last Assembly passed the Regulation and Inspection of Social Care (Wales) Act 2016 that will register that workforce—then it will have a more stable workforce, as well. It's a sector that has 30 per cent turnover at the moment of staff, every single year, and that has huge costs for the sector in terms of advertising, interviewing, training, and replacing people with agency staff when they're not available. If we succeed in creating a more stable workforce, that will drive costs out of the system for providers and they're going to have to be prepared to reinvest some of that as part of a solution.

[157] **Simon Thomas:** Back to Mr Ramsay.

[158] **Nick Ramsay:** I've forgotten what I was asking now. It was a little while ago. It's not just a question of money, is it, Minister? As we've heard, we've taken evidence from a variety of NHS organisations and economists, and they are pretty adamant that this is about transformation and will involve or should involve redesigning patient pathways, looking at the way services are structured. So, how do you respond to the views that transformation is not happening on the scale that we need at the all-Wales level for services to be maintained?

[159] **Mark Drakeford:** I don't dissent from that, and I see again that the Cabinet Secretary for health said in front of the health committee that the pace of change has to be stepped up. I think we have to be fair and recognise that there has been very substantial change in the health service. That Nuffield report that I referred to earlier, that said there was a £200 million gap that had to be filled, said that if it wasn't for change that the health service itself had introduced that would be £1.2 billion this year, and that £1 billion of that gap has been filled by changes that the health service itself that brought about, and the Welsh health service in particular by diverting chronic conditions admissions, emergency admissions and readmissions, reducing those very effectively by continuing to look after people in the community.

[160] So, there's been a lot of change. Change is difficult in the health service, isn't it? I think it was the King's Fund, Chair, who said that change in the health service was easy, that the only things that got in the way of it were patients, professionals and politicians, and, without them, transformational change in the health service, you could do it easily enough. But we know here, I certainly know here, changing women's services in Pembrokeshire, for example—with every support from the royal colleges and independent people who were brought in to look at that change, did it make it easy? Was it easy for local populations to accept it, and so on? Change is difficult. The pace of change has to be increased, I don't disagree, but I don't think we should just think that it's because the health service is reluctant to change or just not up to it.

[161] **Nick Ramsay:** I liked your earlier soundbite, 'You've never had it so cheap', but I think I prefer that recent one. Macmillanesque I thought the earlier one, Minister. You mentioned—. In fact, earlier, you did mention as well about the way that, had you been sitting here in 2000, the questions would all have been about how much money is going in, why is money being diverted from one budget to another, all of that, but now it's about outcomes. So, in terms of that additional funding you've just mentioned, and any further funding that you haven't mentioned, how will the outcomes of that funding in this budget be measured? What evidence are you collecting to gauge its impact? Because we know from history that getting an evidence base for outcomes is not always the easiest thing.

[162] **Mark Drakeford:** No, I agree with that, Chair. It isn't always easy, and, as I say, it is not always easy to track a direct line between investment and outcome, because many other things can be affecting that outcome as well as the investment. But, in the health field, which I think is what Mr Ramsay was asking me, quite certainly NHS organisations provide a wide range of performance and outcome indicators. There is this thing called the NHS outcomes framework that they have to report against, and then it is the evidence from that framework and the outcomes data that are collected that help to determine changes in policy and different policy directions.

[163] **Nick Ramsay:** Thanks, Cabinet Secretary. You've sent out a clear message to local government that this—. In previous evidence to this committee you've said that this budget provides a period of 18 months' stability to guard against tougher times in the future. Are you giving that same message to the NHS?

[164] **Mark Drakeford:** I absolutely have to, Chair. I have to give it right across everything the Government in Wales does. I've come from the workforce partnership council this morning, which has representatives of trade unions and all public services around the table there, and it was a message that I was felt very obliged to deliver in stark terms.

[165] **Nick Ramsay:** Okay. And, finally, do funding discussions, when deciding the Welsh Government budget, discuss the balance between the elements of care? So, you mentioned the balance between primary and secondary care earlier, and social care. So, all of those areas, I'm not asking you so much has this budget got that balance right, but do the budget discussions take into account the variety of pressures between each of those areas?

[166] **Mark Drakeford:** Well, they did in this round, quite definitely, and the nature of the discussion is against the big policy thrust that the Government would like to support and accelerate, which is the shift of resource and activity from the acute sector to the primary care sector, and to invest in those conditions that create good health so that the demand on the health service itself can be mitigated. That's why we've sustained the budget in public health in Wales without any cuts to it from last year.

[167] **Nick Ramsay:** Can I have one more? This is more Steffan Lewis's territory, really, in terms of the Well-being of Future Generations (Wales) Bill.

[168] **Steffan Lewis:** Act. It happened, mate.

15:15

[169] **Nick Ramsay:** Act, yes. I'm behind the curve. I'm not a fan of the future. In this morning's stakeholder event, we discussed the potential for planning—not planning budgets exactly, but looking down the line 20 years, 25 years and considering where we want to be. I would imagine that you would say in 20 years' time you would hope that that balance we've just discussed would be far more towards social care, the social care side of the budget, and trying not to see admissions to hospitals where they're not necessary et cetera, and people can get there. So, if that shift has got to happen, how do you make sure that, in the future you are putting that money into social services but it's not being taken away too early from the current system, if you see what I mean, so that those services that are affected—

That's a question relating to the longer term, really, but I was just interested in at what point you say, 'Right, we are now able to take that money away from those services and put them into the social sector'.

[170] **Mark Drakeford:** I think the way I would see it, Chair, is just very slightly differently, which is that it's more a shift between primary and community health services, which includes social care and the acute sector, rather than money coming out of the health sphere altogether to somewhere different. And it's a very genuine dilemma. The health service always tells you that you've got to run the two services together—you've got to double-run, as they say, for a while while you're making that transformation—but we're really not in that territory; we don't have money to double-run services very much. I think we probably have to be a bit bolder about it.

[171] One of the areas that I know the health Minister will be looking at in detail is out-patient services. I have a bit of a hobby horse about out-patient services—I'd better not run it too much—but I think you can take a view of out-patient services that they generate an enormous amount of activity of relatively low clinical value, with people being told, 'Well, come back in 12 months' time; I'll see you again in a year'. The clinical purpose of that visit isn't always very clear, and it can be a very long and inconvenient journey as well.

[172] I think I may have bored you already, Chair, here with my story of the memory clinic in Bronglais Hospital, which wasn't able to take any new patients because it was seeing on a recall basis all the patients that it had built up over the previous five years. These were people with dementia often, so these journeys are disorientating and difficult and long in the case of Bronglais, and, when they did the analysis, those patients were, on average, being seen six times a year already in primary care. So, it wasn't that they were otherwise invisible to the health service, and what they were able to do, with agreement between clinicians, was that the routine monitoring would take place in primary care and that freed up a lot more spaces again for the specialist clinic to see new people. And they managed to do it without needing to double-run—they just did it by a bit more fundamental redesign of the relationship between the out-patient service and the community service that was there already.

[173] **Nick Ramsay:** Can I come—

[174] **Simon Thomas:** Yes, go on.

[175] **Nick Ramsay:** So, in terms of the announcement that's been made recently about the critical care centre, which we all welcome, but, leaving that investment aside, do you think that—? Are you saying that, with the pressures, understandable pressures, that are on the NHS at the moment, that restricts the scope for innovation where we are currently economically, and therefore delivering on the future generations Act—

[176] **Mark Drakeford:** No, I think I was actually saying the opposite, Nick. I was saying that money is so tight that the need for innovation is greater than ever, and that the more incremental way of building up one service while you still have the other one, and then swinging gradually between the two, that that won't be the way we'll be able to do things in the future. And innovation and a willingness to do things in a slightly bolder way—if that's not the wrong word—will be more of a necessity, not less.

[177] **Simon Thomas:** David.

[178] **David Rees:** Cabinet Secretary, your previous experience as the health Secretary has been well demonstrated this afternoon, but just for clarity—

[179] **Simon Thomas:** It is half of the budget.

[180] **David Rees:** Just for clarity as well, when we talk about outcomes, when funding is hypothecated, clearly, outcome can be linked into funding to an extent. For example, we've got the gender identity and the eating disorders funding hypothecated for that. Who makes the decision to hypothecate? You, to look at the priorities of the programme for government, or the Cabinet Secretary with responsibility for the portfolio?

[181] **Mark Drakeford:** Well, I think you'd have to say that there are a number of different strands in it. In that particular strand, it is as a result of a budget agreement with Plaid Cymru, where we've been able to find money for those two purposes. The gender identity work is a very good example, I think, of how, by now being able to invest in more services locally, we will avoid some financial costs, as well as human costs, in people having to travel further away for services that we are now—. Maybe we weren't five years ago, when these things were more specialist; they're more part of the service now. So, that's a good example of where we're spending money, but we're saving money at the same time. Generally, it is for the portfolio Minister to identify those things, and then we will agree, where we can, to fund those priorities,

but it isn't the only route in.

[182] **Simon Thomas:** Okay. Mike Hedges.

[183] **Mike Hedges:** Can I talk about the person not the patient? Too often, we start concentrating on somebody when they're in a state where they need to be in hospital. A number of people end up in hospital for reasons such as inadequate and poor housing, especially children who live in damp and cold conditions, who are more likely to have chest infections and chest problems than those who don't. Things like if you have enough pavements that are uneven, more and more people will fall. So, it's the importance of local government, and some of the services it provides in order to keep people out of hospital. Is enough attention paid to the preventative work done by local authorities in order to ensure that people don't end up in hospital? Rather than saying, 'Well, we need to fund them when they get there', let's stop them getting there.

[184] **Mark Drakeford:** Well, I entirely agree that we would want, as much as we would find it possible, to spend money on creating conditions where people can avoid difficulties happening in their lives than spend money on attending to the difficulties after they've happened. So, I think the general point is very well made. I'll add one other caveat to it though, Mike, which is that the argument was often put to me, when I was health Minister, that by spending money over here, I was saving the health service money over there. And, actually, it isn't like that, because these are not cashable savings, because the bed that isn't full with a person who hasn't tripped on the pavement is simply filled by somebody else. So, yes, you have avoided a demand on the health service, but you haven't avoided the costs. So, it's the difference between cashable savings and non-cashable savings. But the general point you make, I completely agree with.

[185] **Mike Hedges:** The answer you've given is something I've been throwing at people who've come in here from the third sector for the last five years. And one point I've always made with is that I have minor problems with cartilage in my knee. It's a problem that isn't much of a problem to me and I don't have anything done with it. If I thought I could go into hospital and have it done at a time of my choosing, in a fortnight when I wasn't doing very much, I'd have it done. And I think that is one of the problems.

[186] The question I was going to ask, though, is on social services. People may need social care for the last 30 years of their lives, from 70 to 100, 75

to 105, and the social care will be increasing in its cost and complexity as they get older. I'm very pleased that people are living longer, and nothing pleased me more than when the actuarial suggested that, as an Assembly Member, I was going to live until 88, and I'm hoping the next time we do one, it will be a bit higher, and I'm sure everybody else in this room is equally pleased with that.

[187] **Simon Thomas:** It's not a personal prediction. [*Laughter.*]

[188] **Mike Hedges:** But it does come, though, with a cost to social care. As we have an ageing population, the social care pressures increase. Health not necessarily so—perhaps you'll correct me if I'm wrong, but I saw somewhere that people tend to be ill in the last 12 months to two years of their life, no matter when that it is. So, if it's 70 to 72, 80 to 82, 90 to 92, or 100 to 102, it's those last two years that affect them, whereas the social care can be much longer. Is the pressure being faced by social care really being funded?

[189] **Mark Drakeford:** Well, I certainly think it's better funded in Wales than elsewhere, as the figures I showed you earlier suggest, and we've done our best to reinforce the ability of social services departments to go on doing the very important job they do again next year. Fundamental to addressing the situation you describe, though, is the shift that the Social Services and Well-being (Wales) Act 2014 brings about, where the aim of social services is to reinforce people's own ability to go on managing their own lives for as long as possible, rather than creating the conditions where some people can't manage without social services, and moving upstream in a way that you asked me in your previous question, Mike. So, there's a big job of work that social services departments are engaged in now to change that way of working, so that the funding they've got available goes further and does better in terms of outcomes.

[190] **Mike Hedges:** Last question—we are in total agreement there—one of the problems is that people are looking after themselves at home, they end up in hospital for two or three weeks and, following release from hospital, they become much more dependent, because hospitals are not enabling them during that time there. I think we've all had examples of this as casework or people we know, and hospitals aren't enabling them, and, after coming out of hospital, they're in a worse state than they were when they went in.

[191] **Mark Drakeford:** Well, I was tempted to answer a question that Nick

Ramsay asked me by riding another hobby-horse around the room, but one of my firm sort of beliefs is that one of the key challenges for public services is to focus on the way that we provide for people, not in palliative care, but when people are on the last lap of long and sometimes successful lives, and the problem with the health service is that, with every good motivation, what it does is to intervene in that person's life, sometimes very intrusively and very insistently, and instead of focusing on how you can assist that person to get the most out of the time that is still available to them, you can end up robbing them of that time, because you're determined to help them. And, actually, what you do is that you admit them to hospital, you spend a fortnight investigating everything that is wrong with them and you say, two or three weeks later, 'There's an awful lot wrong with you and not a lot that we can do about it, and by now, you've lost some of the ability you had before to cope.' So, how do we rethink the way that we provide services to people at that time in their lives and to focus on—? This was a lesson I learned, Chair, in Ysbyty Alltwen, when a fantastic group of women that I met there, who work at the health and social care interface, told me how they had completely changed the way that they went out and provided services, and said, 'We used to go from here and we would say to someone, "What's the matter with you today?"', and now, the first question we always ask people is, "What matters to you today?", and when we know what that person wants and what matters most to them, then we try and provide services to allow them to live their lives in the way that would be right for them, and, as a result, we often do much less than we would have done before, and we do different things, because people tell us, "It matters much more to me to go to the bowls club once a week than it does to have lots of other things that you might be doing." That 'What matters to you?' question maybe is a way into that conversation about how we get social care right for people at that point in their lives.

[192] **Simon Thomas:** Just for clarity on that, the £1 million extra that you've put into end-of-life care, is that for that kind of question, or is it something more clinical?

[193] **Mark Drakeford:** It is likely to be more to the hospice sector and end of life.

[194] **Simon Thomas:** So it's more—. Okay.

[195] **Mark Drakeford:** But there's some very interesting stuff going on there, Chair, where you have clinicians at Velindre, in Cardiff, who will now

explain to patients that they might get more use out of the time that they have left, and a bit more time, if they have good palliative care than if they have a highly intrusive form of therapy. Otherwise, they're going to have it automatically.

[196] **Simon Thomas:** I think we can all think of those examples in our families.

[197] **Mark Drakeford:** Having that discussion with a person—not a patient, with a person—and getting them to make a decision that's right for them.

[198] **Simon Thomas:** Steffan Lewis.

[199] **Steffan Lewis:** Thanks, Chair. I wanted to ask about transformational changes to service provision and collaborative arrangements at local government. The Welsh Local Government Association manifesto this year called for Welsh Government to create a £20 million capacity fund for this sort of area. In the budget, the transformation and legislation budget has increased by £2.7 million to £5 million. I just wonder whether that is sufficient, really, to match the growing demand that is placed on local government for collaboration and transformational changes to service provision.

15:30

[200] **Mark Drakeford:** Chair, it's a matter of trying to align the money to the point we're at in the cycle of reforming local government. So, my ambition as the local government Minister is to have some detailed discussions with the sector over coming weeks about some of the matters that I set out in my statement on 4 October. If that succeeds, then what will happen next year is that we will, hopefully, be in a position where I could argue for a local government Bill in the second year of this Assembly term—I'm not guaranteed to get one at all, but I'd like to be in a position to argue for one.

[201] So, in the next financial year, we will be preparing for the point at which those more mandatory and systematic regional arrangements that we've talked about will come into being—£5 million is not a great deal of money to help with that, but it's more than what was there before. In the next years, when we're doing it for real, we'd have to look again at what would be required to help to make that happen.

[202] **Steffan Lewis:** As part of that, looking forward to you being in a position, maybe, to argue for a new local government Bill, are you supporting local government in the meantime, in terms of helping them prepare budgets—that, although not finalised and maybe with no legislative conclusion, you're at least assisting them through dialogue in terms of their budgetary preparations for the longer term, beyond this financial year?

[203] **Mark Drakeford:** We do that, Chair—we do it partly through the WLGA, of course, which we fund, but we do it directly through some of my officials, who have those conversations with local authorities. Local authorities are in different positions and, in the end, are organisations with independent democratic rights and accountabilities of their own. In terms of assisting them, I want to make sure that they get good advice and know the range of tools that they can use for these purposes—we take an active part in that conversation.

[204] **Steffan Lewis:** Thank you for that. Finally, on this particular point, we've taken evidence from local government and others, and a question that is of concern to me is: because we haven't gone down the route of local government mergers and we haven't gone down the route of wholesale rewriting of the Welsh constitution in terms of regional and local government, we are in this area of collaboration, which is good in principle, but the democratic accountability and transparency is a lot harder to follow, especially when we look at budgets and how much authorities are pooling together for regional expenditure. For example, I discovered—I think it was last week or the week before—that there's a shadow cabinet in the Cardiff capital region that meets every fortnight. I'm somebody who's very sad and likes to follow regional collaboration, and I didn't know about that—that was news to me. So, I'm just wondering how you, as the Welsh Government, are assisting the public and those of us who are elected to scrutinise the financial implications of regional collaboration and how taxpayers' money is being spent.

[205] **Mark Drakeford:** Chair, the key questions that I am trying to explore with local government and its partners over the coming weeks—there are five of them: if we are to have regional arrangements, what are the footprints? If services are to be organised on a regional basis, which services should they be? Then—and this gets closer to your question, Steffan—what are the governance arrangements for those regional arrangements? How does finance flow through the system? And how do we try to get some sense of answerability in the system so that a citizen wanting to know where a

decision was being made would have a fighting chance of knowing where it is being made and how they could influence it? I don't have answers to all of those questions. I think I know where I've heard the weight of evidence so far, but I'm not even halfway through the discussions that I need to have. But there will be answers to those questions.

[206] Part of the answer to your final question, I think, will lie with the different importance of local councillors themselves. We're retaining the 22 local authorities. If a map behind the front door is more complex than it was before, then your local councillor ought to be the person that you can go to, to be your guide and to be the person who helps you to understand how the system works, and how you can be influential in it. We're retaining all councillors, and we need to make sure that people have important jobs to do, and I think the significance of local councils will increase in the future as a result.

[207] **Steffan Lewis:** On that point; I think it's a fair point to make, that we are in this transitional period, and therefore not everything matches up, maybe, as neatly as it can, but I'm heartened to hear that it might change. Just to clarify, because we're speaking largely about local government financing—individual councils' finances—that it is a duty on them to make it obvious to citizens that regional collaboration is happening. So, for example, something basic like: who do you send in a freedom of information request to if you have a specific freedom of information request on the regional collaboration question? Do you have to do it to all the local authorities you think might be part of the consortium, or is there a one-stop shop? I think there are a questions like that.

[208] **Mark Drakeford:** It's a very good question. One of the reason why I was persuaded and, actually, positive about the retention of the 22, was that they will provide the front door through which the citizen will walk for every local authority service. So, whatever service you're using, you will come through the front door of, say, Newport county borough council. Now, because things behind the front door will be more complicated, a lot of the time it really won't matter to you that much, as a citizen. There is the fact that we have a national adoption service. Now, to people who come through the door of the local authority thinking they may want to be adoptive parents, do they need to know that behind that front door lies a regional service? Probably not, but it's a better service than they would have had before. But, if you do need to know, then I think it's your local council that ought to be able to provide you with the information you need to then go on

and take your enquiry to where it needs to rest. So, there will be that extra responsibility that the local authority on the one hand, and your local councillor on the other, will have to provide you with the information you need to make sense of the system.

[209] **Steffan Lewis:** Thank you for that. One final one: do you have an estimate of the cumulative impact of the cost of meeting the Welsh language standards for local authorities and the NHS bodies in 2017–18?

[210] **Mark Drakeford:** I might ask for some help on the local authority side. As I remember the NHS position, it's that there's been a recent consultation on draft regulations to specify the standards. But the intention is to bring the regulations themselves in front of the Assembly in the first half of next year. There will be a regulatory impact assessment, therefore, published alongside the standards, and the costs involved will, therefore, be in the public domain in that way. In relation to local authorities, Margaret, you may know more than me.

[211] **Ms Davies:** Just to clarify that when the regulation for local authorities were introduced in 2005 [correction: 2015], they were asked to estimate then the cost of providing the service. But that was pre the Welsh language standards actually being published, and I think the information that came back then showed that there was a range of estimated costs, varying across local authorities. I think the expectation was, because local authorities had already been delivering the Welsh language scheme, that, to a greater or lesser extent, they were absorbing the cost within the existing services that they were providing.

[212] **Mark Drakeford:** Chair, maybe I could just add that a recently emerging theme in my discussions with local authorities has been the number of local authorities saying to me that they think that some of their Welsh language services could, in future, be better carried out at the regional level, and that, if they were, they could pool resources at that level.

[213] **Simon Thomas:** We've had that evidence as well.

[214] **Mark Drakeford:** Now, if that were to happen, then some of the costs involved would have to be exposed in order to create that regional capacity. So, it may be hard to disentangle in future, but if we were to move in that direction, those costs would, I think, have to become more apparent.

[215] **Steffan Lewis:** Yes, that was going to be a follow-up, actually. There's a prime example: in the south-east, we have fewer Welsh language secondary schools, but they're a natural place for local government to go and recruit and to bring through Welsh speaking staff that can provide front-line services. Also, one thing that dawned upon me after the evidence we had from the WLGA was the fact that, even though we are fragmented into 22 local authorities, we are a nice sized country of 3 million people, and, actually, internal secondments between Gwynedd and Blaenau Gwent and Pembrokeshire and Wrexham shouldn't be impossible either, which, again, could help raise awareness and understanding of linguistic needs and rights across the country. Hopefully, that's something that may be considered later when you look at the future of local government.

[216] **Mark Drakeford:** Diolch.

[217] **Simon Thomas:** Ni fyddai'n briodol eich bod chi'n dod gerbron y Pwyllgor Cyllid heb inni ofyn ichi am y fframwaith cyllidol. A oes unrhyw ddiweddariad ers inni ofyn ichi ddiwethaf?

Simon Thomas: It would not be appropriate for you to appear before this committee without us asking you about the fiscal framework. Are there any updates since we last asked you about this?

[218] **Mark Drakeford:** Rŷm ni wedi cael yr ail gyfarfod nawr gyda'r Trysorlys, ac mae'r un nesaf yn y dyddiadur. Fel dywedais i'r tro diwethaf, yn y cyfarfod cyntaf, roeddem ni jest yn creu'r agenda ac yn cytuno ar beth ddylai fod y tu mewn a thu fas i'r trafodaethau. Yn y cyfarfod olaf, roeddem ni'n bwrw ymlaen i ddelio gyda'r ddau beth pwysig. Nid oeddem wedi dod i benderfyniadau, ond jest trial tynnu'r dewisiadau i lawr. Yn y cyfarfod nesaf, byddwn ni'n cael cyngor oddi wrth swyddogion sy'n gweithio ar y pwnc i'n helpu ni i drial, os gallwn ni, ddod at yr un penderfyniad ac i ddechrau ar un neu ddau o bethau eraill nad ydym wedi'u trafod yn

Mark Drakeford: We've had the second meeting with the Treasury, and the next is already in the diary. As I said on the last occasion, I believe, in the first meeting, we were just drawing up the agenda and agreeing what should be within and outwith the discussions. In the latest meeting, we proceeded in dealing with the two important issues. We didn't come to decisions, but we did try and draw together the options. So, in the next meeting, we will take advice from officials working in this area to assist us, if we can, to come to a single decision and to start work on a few other things that we haven't discussed to date.

barod.

[219] Mae jest yn bosibl y bydd hi'n bosibl i wneud popeth yn y trydydd cyfarfod, ond i fi, mae'n edrych yn fwy fel y bydd yn rhaid inni gael un cyfarfod arall, i drial, os gallwn ni, i dynnu popeth at ei gilydd cyn y Nadolig, achos mae'r amserlen ar ochr y Bil, ac mae pethau'n rhedeg gyda'i gilydd. Rydw i eisiau bod mewn sefyllfa lle rydw i'n gallu dod i lawr y Cynulliad ac esbonio beth rŷm ni wedi'i gytuno yn y fframwaith cyn i bobl pleidleisio ar yr LCM.

Now, it's just about possible that we may be able to complete everything in that third meeting, but, to me, it looks more likely that we will need one further meeting, to attempt, if we can, to bring everything together before Christmas, because the timetable relates to the Bill, and these things do go hand in hand. I want to be in a position where I can appear on the floor of the Assembly and explain what we've agreed within the framework before people vote on the LCM.

[220] **Simon Thomas:** A ydy'r LCM yna'n debygol o gael ei osod yn fuan gan y Llywodraeth, o bosib, cyn inni ddeall y fframwaith, felly?

Simon Thomas: Is that LCM likely to be put forward soon by the Government, possibly before we understand the framework, that is?

[221] **Mark Drakeford:** Wel, mae'n dibynnu ar bethau yn Nhŷ'r Arglwyddi, wrth gwrs, achos mae'r amserlen wedi mynd yn hirach ar ôl y gwaith yna. So, nid wyf i cweit yn siŵr am sut yn union rŷm ni'n mynd i ddod ymlaen gyda phethau, ond dyna beth rydw i eisiau trio'i wneud, os gallwn ni, sef dod ymlaen gyda'r fframwaith fel bod pobl yn gallu'i weld cyn unrhyw bleidlais sy'n mynd i ddod o ganlyniad i'r Bil.

Mark Drakeford: Well, it depends on how things go in the House of Lords, of course, because the timetable has been elongated following that work. So, I'm not quite sure how exactly we're going to bring these issues forward, but that's what I would like to try to do, if we can—to bring the framework forward so that people can see that framework before any vote that may emerge as a result of the Bill.

[222] **Simon Thomas:** Un peth arall sydd wedi datblygu ers ichi gyflwyno'r gyllideb ddrafft yw bod Llywodraeth San Steffan, o leiaf, wedi dweud faint, yn eu barn nhw, y bydd y lefi prentisiaeth yn ei roi i Gymru,

Simon Thomas: One other thing that has developed since you put forward the draft budget is that the Westminster Government has at least said how much, in their opinion, the apprenticeship levy would give to

sef rhywbeth fel £400 miliwn dros dair blynedd, yn ôl beth rydw i'n ei ddeall o'u safbwynt nhw. Mae'n amlwg bod hyn yn rhy hwyr ar gyfer y gyllideb ddrafft, ond a ydych chi, erbyn y gyllideb derfynol, yn mynd i gymryd hyn i mewn i ystyriaeth o gwbl, neu a ydych chi'n ystyried bod y ffigurau hynny'n ansefydlog iawn?

[223] **Mark Drakeford:** Wel, mae'n bwysig imi jest esbonio beth sydd y tu ôl i'r ffigurau y mae'r Trysorlys wedi'u cyhoeddi.

Mark Drakeford: Well, it's important for me just to explain what lies behind the figures that the Treasury has published.

[224] They said, Chair, back at the spending review stage, that there would be £114 million for Wales as a result of the apprenticeship levy in the first year. We didn't have to look very low in the small print to find that they were taking £90 million away from apprenticeship funding in Wales, as a result of closing the apprenticeship programme in England. So, you get £114 million—

[225] **Simon Thomas:** Right. Through Barnett, then?

[226] **Mark Drakeford:** Yes. So, you get given £114 million and you get £90 million taken away. You then discover that public authorities in Wales are having to pay £30 million a year in the levy. So, you're given £114 million, then you find £120 million is being taken away. So, far from there being £114 million to invest in that area, we're £6 million worse off than we were before the apprenticeship levy started. Now, you are right to say that the Treasury published, a week or so ago, a further set of figures where they brought forward some aspects of it, and we are trying to make sure that we've got a full understanding of whether that really does give us any additional spending.

15:45

[227] **Mr Jeffreys:** It's probably worth clarifying that what Treasury announced on Monday was that they would be distributing a population share of the anticipated revenues from the apprenticeship levy, which is a slightly different basis from which they calculated the initial settlements back in the spending review. So, that's the reason for the difference between the

figures, and that means a little bit of extra money compared with what we had in the settlement back in whenever it was last year.

[228] **Mark Drakeford:** So, we are able to look at that during this period, but it's very important for me just to make clear to people that the figures that the Treasury have published, as though that was all extra money, really is not the position.

[229] **Simon Thomas:** But will you be able to, in some way, explain that in the final budget? Do you think you'll have the ability to reflect that in the final budget—the two allocations, if you like?

[230] **Ms Davies:** I think we would certainly want to reflect the difference in terms of what that means for, actually, our overall settlement now in the context of the budget figures that have been presented, yes.

[231] **Simon Thomas:** Obviously, the autumn statement might have further implications—

[232] **Ms Davies:** Yes.

[233] **Mark Drakeford:** That's the next obligating fact.

[234] **Simon Thomas:** A final question, from me anyway, is that I notice there was an indication of undertaking participatory budgeting, at least pilots possibly in the next year. Just to say, at lunchtime today, I happened to run into a bunch of old school friends and schoolteachers from Aberdare rugby club who were visiting and who I can tell you asked some very pertinent questions about fiscal devolution and some amazingly searching questions about why the Government makes certain budgetary decisions. It would be interesting, therefore, just to understand how you might take forward that participatory budgeting, because I think the public out there would be very interested in sharing their views. We also had a very good session this morning in Merthyr Tydfil as a committee.

[235] **Mark Drakeford:** Well, Chair, I'd be keen to learn more about the experience this morning, because I've heard it referred to quite a lot this afternoon, and it would be very interesting, at some point, for me just to get a better feel for what you were able to do and what you thought worked well in it. I'm very keen on having a pilot in participatory budgeting in next year's budget. We're going to look at some local authorities that have tried to do

this already, Gwynedd is the example that I know most about because I had a very good explanation of it when I was visiting there, and very interesting indeed it looked, in terms of the way that they were able to get people to focus on decisions. If somebody wants to spend more on the school in your area, and you don't understand why the council is doing such an awful thing to it, then you've got to find a way of doing it. They thought that was a genuinely interesting piece of work, so we're going to learn more from that. We're going to work with PPIW on it, and there's a discussion in the diary before the end of the month on that with them. It's in the forward work programme with the finance liaison committee, to work up the idea a bit more, and when we have, ourselves, come to a bit more of a conclusion, I'll be very happy to share those ideas with the committee and to help have them shaped if there are—

[236] **Simon Thomas:** Do you think this, at the early stage at least, could be joint Assembly and Government work, or do you think there could be a sharing of experiences, at least?

[237] **Mark Drakeford:** I would be very keen to have a sharing of experiences, because you clearly already have done some work, which would be very interesting for us to hear about, and I'm very, very happy to share whatever thoughts we've got with the committee and to have a, sort of, iterative approach about them. I'm just keen to do it in the best way we can, so, however we learn, that would be very good.

[238] **Simon Thomas:** Diolch yn fawr. **Simon Thomas:** Thank you very much. **David Rees.**

[239] **David Rees:** Just one question, which came up this morning. There is some funding being devolved from London. This morning, we talked about the temporary homelessness allocations, and they couldn't see them in the budgets. There are possibly going to be others coming down. Is there a policy as to whether those should remain hypothecated or whether they will be part of the traditional allocation within the portfolios?

[240] **Mark Drakeford:** Chair, this was a matter of fairly robust discussion at the finance quadrilateral, where decisions of this sort are made without any form of prior conversation or consultation, or knowledge, often. We've talked with the Chief Secretary about trying to devise a mechanism that captures these ideas much earlier in the process so that devolved administrations can simply help to make better decisions. I don't think the apprenticeship levy

would be—I was about to say ‘the dog’s dinner that it is’, but I don’t think it would have been done in the way that it has been done had they had those conversations with us earlier in the process, and the housing funding that you’re referring to is another example of it. So, you can be sure that, right across the devolved administrations, there is a united voice in trying to find a more systematic way of capturing that beforehand. When the money comes to Wales, I think it’s a really important principle that I have to hang onto hard as finance Minister that money that comes to Wales is for Wales to decide. Although it was used for a particular purpose elsewhere and there would be a loud demand—an understandable demand—for it to be passed on for that purpose in Wales, and often we do, there can be no presumption. The money comes to Wales and then decisions are made here about what our priorities are and where that money should be spent.

[241] **Mr Jeffreys:** This is a good example of something where the devolution to Wales, Scotland and Northern Ireland is almost accidental. The UK Government policy is to devolve something from the Department for Work and Pensions to local authorities in England, and that’s where the drive for change comes from, and then they realise, ‘Oh, what are we going to do in Wales, Scotland and Northern Ireland?’ and that’s inevitably very late on in the process. All the wheels have started moving in England, and then they realise there’s a devolved administration dimension later, and then we’re presented with something at the last minute that local authorities in Wales are not necessarily aware is happening at all, and we’re in a position of having to react to that without having had a chance to really think it through in terms of how it might work in Wales. So, sometimes these things take a bit longer to work through than you’d ideally like because we’ve only been brought into the equation very late on in the process.

[242] **Simon Thomas:** Diolch yn fawr iawn, felly, Ysgrifennydd Cabinet, a diolch i’r swyddogion hefyd. Dyna ddiwedd y broses graffu. Mae’n lan i’r pwyllgor nawr i ystyried yr adroddiad a sut i adrodd nôl i’r Cynulliad. Diolch yn fawr iawn.

Simon Thomas: Thank you very much, Cabinet Secretary, and your officials. That’s the end of the scrutiny process and it’s up to the committee now to consider the report and how to report back to the Assembly. Thank you.

[243] **Mark Drakeford:** Diolch yn fawr iawn ichi.

Mark Drakeford: Thank you very much.

15:52

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod ac o'r cyfarfodydd ar 23 remainder of the meeting and the Tachwedd 2016, 1 Rhagfyr 2016 a 7 meetings on 23 November 2016, 1 Rhagfyr 2016, yn unol â Rheol December 2016 and 7 December Sefydlog 17.42(vi).

2016, in accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[244] **Simon Thomas:** A ydy'r pwyllgor yn hapus i symud i mewn i gyfarfod preifat o dan Reol Sefydlog 17.42 ar gyfer gweddill y cyfarfod hwn a hefyd ar 23 Tachwedd, 1 Rhagfyr a 7 Rhagfyr? Pawb yn hapus, felly. Diolch yn fawr. Awn ni mewn i breifat.

Simon Thomas: Is the committee content to move into private, in accordance with Standing Order 17.42, for the remainder of this meeting and also on 23 November, 1 December and 7 December? Everyone's happy with that. Thanks. We'll go into private.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 15:52.

The public part of the meeting ended at 15:52.