



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

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Llun, 20 Chwefror 2012
Monday, 20 February 2012

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Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from the Meeting

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

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

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

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)

Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Ann Jones	Llafur Labour
Ieuan Wyn Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur Labour

**Eraill yn bresennol
Others in attendance**

Jeff Andrews	Ymgynghorydd Polisi Arbenigol Specialist Policy Adviser
Jane Hutt	Aelod Cynulliad, Llafur, y Gweinidog Cyllid ac Arweinydd y Tŷ Assembly Member, Labour, the Minister for Finance and Leader of the House
Jo Salway	Pennaeth Cyllidebu Strategol, Llywodraeth Cynulliad Cymru Head of Strategic Budgeting, Welsh Assembly Government
Martin Sollis	Dirprwy Gyfarwyddwr Cyllid, Llywodraeth Cynulliad Cymru Deputy Director of Finance, Welsh Assembly Government

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Tom Jackson	Clerc Clerk

*Dechreuodd y cyfarfod am 12.59 p.m.
The meeting began at 12.59 p.m.*

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

[1] **Jocelyn Davies:** I welcome everyone to this meeting of the Finance Committee. The meeting is bilingual, so headphones can be used for translation or for amplification. Please check that your mobile phones and other electronic equipment are turned off. This is a formal meeting, so you do not need to operate the microphones. We are not expecting a fire alarm test, so, if you hear the fire alarm, it is a genuine emergency. I have not received any apologies for this meeting; all Members are here.

1.00 p.m.

**Cyllideb Atodol Llywodraeth Cymru ar gyfer 2012-2013—y Gweinidog Cyllid
Welsh Government Supplementary Budget 2012-2013—Minister for Finance**

[2] **Jocelyn Davies:** We will move straight to the first item on the agenda, which is our scrutiny of the Welsh Government supplementary budget 2012-13, and I am grateful that the Minister is able to attend. Minister, we have an awful lot of questions for you, so we thought that we would dispense with the introductory remarks. If you would like to introduce

yourselves, we can then go straight to questions.

[3] **The Minister for Finance and Leader of the House (Jane Hutt):** I would like to introduce Jo Salway, who is the head of strategic budgeting, Martin Sollis, who is the deputy director of finance, and Jeff Andrews, who, as you know, is my specialist policy adviser.

[4] **Jocelyn Davies:** Thank you, Minister. I will start with the first question. Could you indicate the extent and nature of the changes expected by year end?

[5] **Jane Hutt:** We are working hard, and we are confident that the outturn will be close to our plans as set out in this supplementary budget, but the forecast outturn position will be monitored carefully and we will ensure that any changes that we need to make are necessary to maximise the use of our resources.

[6] **Jocelyn Davies:** Minister, I understand that you are prepared to come back at a later date after our deliberations, should we require.

[7] **Jane Hutt:** Definitely. As I have said, in terms of the written protocol that we have been discussing, I am committed to providing the committee with the report on the final outturn, and coming back to the committee to explain any variations.

[8] **Jocelyn Davies:** Thank you, Minister.

[9] **Julie Morgan:** I am going to ask about the Treasury reserve claim. In table 6, you say that there has been a claim on the Treasury reserve of £25.6 million, stated to be in respect of a change to the statistical model used to calculate the non-cash charge of the student loans budget. Can you explain why this was done via a reserve claim rather than through the normal channels?

[10] **Jane Hutt:** This is a situation that affects all Governments in the UK. These changes are technical. Normally, we would want this to go through the parliamentary main estimate process, but this claim is in respect of a charge that is variable in nature as it depends on the retail price index for the UK. We are responsible for administering the student loans schemes, and we have been affected by this change and the adjustments for all departments that have been made in the later spring supplementary estimate that was finalised recently. We are in this position along with other UK Governments.

[11] **Julie Morgan:** Does the reserve claim have to be repaid to the Treasury?

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

[13] **Julie Morgan:** Thank you. The other thing that I wanted to ask, again on table 6, was about the £1 million coming from the UK Government to the reserves as a consequential of the free advice services. Am I to understand that that money will go towards free advice services in Wales?

[14] **Jane Hutt:** Yes. This is a consequential that came in for this financial year. I met Carl Sargeant, and we had representations from the Federation of Independent Advice Givers, which said that it would like to engage with us to see how we could most usefully and sensibly use this money. It is a one-off for this financial year. We have earmarked it for free advice services, and it is now going forward as part of the budget exchange mechanism into the next financial year. Work is now being done across departments and with external advice givers to look at the best way that we can use it—mitigating the loss of legal aid, for example, and the financing of free advice services in Wales.

[15] **Julie Morgan:** That is urgently needed and it is good that that is going towards that. Have the discussions gone so far that you can say that this would extend beyond the non-profit sector to specialist solicitors who work with legal aid? Or have you not reached that stage yet?

[16] **Jane Hutt:** This comes under Carl Sargeant's portfolio, but I know that his officials are looking at this. I am not aware of whether they are extending it to look at specialist services provided by legal firms, which have been beneficial. However, we are looking at everything that is affected by the UK Government changes. In relation to my equalities portfolio, that includes the specialist advice that has been given through the Equality and Human Rights Commission. All of that is being considered in terms of the way forward on free advice.

[17] **Julie Morgan:** That is very good news. Thank you.

[18] **Jocelyn Davies:** I would like to remind Members and inform the Minister that when we refer to table 6, we are referring to our papers, which the Minister does not have. [*Laughter.*] I could see officials looking for table 6, but they do not have it. However, I think that you know what we are talking about.

[19] Peter, would you like to ask your question?

[20] **Peter Black:** Yes. Thank you, Chair. I promise not to refer to any phantom tables.

[21] Minister, during your appearance before the committee in October, you indicated that there was a planned revenue-to-capital switch of around £57 million. The actual amount in the supplementary budget is £97 million. Can you explain why there is such a difference between the earlier estimate and the actual switch?

[22] **Jane Hutt:** I was going to say something about this in introductory remarks. This is a very important policy decision that we have made. I signalled my intention to switch £57 million from resource to capital to boost our capital investment. This was possible because, in 2010-11, the One Wales Government found—to explain the background—the full £113.5 million in revenue reductions that it was required to make in the June 2010 budget. Therefore, by finding the full resource reduction in 2010-11, we had an additional £57 million available to us. In terms of where we are now today, I can be transparent about how, and from where, we are drawing that resource. We are not just taking that £57 million but using £30.7 million of the economic stimulus package. If you recall, £38.9 million was received as consequential funding as a result of the UK Government's one-off announcement about a possible council tax freeze, and we have chosen to use it for economic stimulus. Some £30.7 million has been allocated and transferred from resource to capital in this supplementary budget. I would like to take this opportunity to point out a minor error on page 15 of the explanatory note, which says that £30.7 million of the economic stimulus package is allocated as capital. It is £30 million in capital and £0.7 million in resource. In addition—adding all of that up, it takes us up to £87 million—we have transferred a further £10 million from revenue to capital as a result of careful financial management.

[23] **Peter Black:** Thank you for that answer, Minister. Of the £97 million, £19.9 million has been switched within portfolios. Some of these transfers are quite significant: for example, £8 million is switched from the sectors action in the business, enterprise, technology and science portfolio, and almost £7 million from the general administration action in the central services portfolio. Where revenue has been transferred to capital within portfolios, what is the impact on the revenue budgets of those portfolios, how has this revenue been freed up, and will this put pressure on the revenue budgets?

[24] **Jane Hutt:** I think that I have given you an indication: it is £30 million from the economic stimulus package, and £57 million that we were able to safeguard. It is true that there have been these switches, but the £10 million—

[25] **Peter Black:** This question refers to the £57 million.

[26] **Jane Hutt:** In terms of the transfers that have been made, the details are in the explanatory note. I will give you some of those factors to assure you that this is not having an adverse impact. There are some reprioritisations within main expenditure groups. Sometimes, in the case of investing in capital expenditure, further revenue savings could be generated in the long term. As we know, this is about maximising the use of underspends that have arisen from savings made as a result of reprofiling. There are some definitional changes. In most cases, one-off transfers in-year do not have an impact on departmental baselines. This goes back to that very careful financial monitoring and management of budgets to enable us to release money and put it into this all-important package of transfers from resource to capital. Around this table, we all know that it is the capital hit that we have sought to address in trying to transfer that resource to help in the most effective way.

[27] **Peter Black:** I will focus on a particular item, which is the £6.7 million in the central services portfolio for capital. What is the intended use of that money?

[28] **Jane Hutt:** It means that we can realise efficiencies in that capital switch, and particularly in terms of our estate; we are rationalising our estate, as you know, and we are using it in a more efficient manner. If you have been to Cathays park recently you will have seen that we are enabling more people to work in that building as part of that. So, it is about ensuring that we can transfer to capital to allow spend in future years.

[29] **Peter Black:** So, this £6.7 million is for Cathays park.

[30] **Jane Hutt:** No; I was giving an example. We could give you the detail of the £6.7 million, unless Martin can provide it off the cuff.

[31] **Mr Sollis:** It is a range of measures.

[32] **Jane Hutt:** Is Merthyr one of them? I do not know.

[33] **Mr Sollis:** A number of offices are having refurbishment works to ensure that we can maximise the use of accommodation, and there are issues, such as the IT that has to be provided, to ensure that we can reap further savings.

[34] **Jane Hutt:** Chair, may we provide a list?

[35] **Jocelyn Davies:** I would be very surprised if you needed to refurbish the Merthyr office; it is a brand new office. Revenue is generally associated with people's jobs. So, if you have made substantial cuts in the revenue budget, have people lost their jobs?

[36] **Jane Hutt:** Absolutely not. The detail of that £6.7 million will clarify what efficiencies have been made on the estate. That is the key point: it is capital.

[37] **Peter Black:** Has the Permanent Secretary not given evidence in the past that the Government is pursuing a policy of early retirement and voluntary redundancy in terms of rationalising staff? So, staff and posts have disappeared have they not?

[38] **Jane Hutt:** Obviously, there is the voluntary redundancy scheme. I am not clear that this £6.7 million has been used for that purpose.

[39] **Peter Black:** The question related to the more efficient use of revenue in general, and posts, if not jobs, have disappeared by people going voluntarily or taking early retirement.

[40] **Jocelyn Davies:** We are against a deadline in terms of writing the report. So, if we were to include that list detailing the £6.7 million, we would need to have it later today. If it is not possible, we will not include in the report.

[41] **Jane Hutt:** We can provide it today.

[42] **Jocelyn Davies:** Mike, do you have a question?

[43] **Mike Hedges:** It is good news that the Secretary of State indicated that the consequential coming to Wales as a result of the autumn statement would be £288 million. Is that correct? Can you provide a breakdown of the consequentials and the likely time frame in which they will be received?

[44] **Jane Hutt:** I am not sure about the £288 million. We estimate that we have received £216 million capital and £21.5 million revenue. So, it would be helpful to know from where your officials and advisers got the figure of £288 million. So, it is £216 million over three years, and £21.5 million revenue over three years. We have already mentioned the fact that we had some consequentials for this financial year in the autumn statement.

[45] **Mike Hedges:** I can tell you where they got it from: the House of Commons, 18 January 2012.

[46] **Jane Hutt:** I think we can share with the committee what we got from the Treasury, rather than the House of Commons.

[47] **Jocelyn Davies:** The Secretary of State indicated in that debate that that is how much it was. We are all curious as to how the consequentials are calculated and whether you are able to come to the same figure as the Secretary of State?

[48] **Jane Hutt:** Again, this is about consequentials for the future; we do not need it for this report today, but it is something that we will have to clarify between us. Certainly, as Minister for finance, I want the answer.

[49] **Ieuan Wyn Jones:** In terms of the supplementary budget, how many of those consequentials have you taken into account in allocating sums within this supplementary budget.

1.15 p.m.

[50] **Jane Hutt:** In terms of this supplementary budget, we have already mentioned the £1 million that is going to support provision of free advice services. That is through the consequentials as a result of the autumn statement and from the economic stimulus package. I referred to this earlier. We used £30 million for this financial year for the economic stimulus package, but that left £8.2 million, which we are carrying forward into the next financial year, and £4 million to boost the local government borrowing initiative and highways improvement. That is going forward into the next financial year through the budget exchange mechanism. However, the consequentials have gone into the reserves to enable us to meet the supplementary budget—

[51] **Ieuan Wyn Jones:** Yes, but I think that the consequentials you refer to are the ones that had previously been announced. There are sums of £216 million over three years and

£21.5 million in revenue over three years. What I was asking was whether any of that has been allocated under the existing budget.

[52] **Jane Hutt:** No it has not.

[53] **Ieuan Wyn Jones:** Is that for future years entirely?

[54] **Jane Hutt:** Yes, it is for future years entirely.

[55] **Ieuan Wyn Jones:** So, actually, they do not influence this supplementary budget at all.

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

[57] **Mike Hedges:** The supplementary budget states that you are trying to carry forward £33.2 million to the 2012-13 financial year. Have you informed the Treasury of this intention in order that funds are made available earlier in the year? Also, how do you come to that calculation? Is it based on a nine-month profile of expenditure taken to 12 months?

[58] **Jane Hutt:** We have informed the Treasury quite clearly that we want to take advantage of the budget exchange mechanism. It is something that I was very involved in as Minister for Budget and Business to ensure that there was a follow-on from the loss of the end-of-year flexibility system. Clearly, we have notified it that we intend to make use of it and we have given you indications of how much we plan to carry forward. I have just mentioned that in answer to Ieuan Wyn Jones's question. With regard to the timing, it depends on the final outturn and the parliamentary estimates for 2012-13. They are not likely to give us access to those underspends until we have our final outturn and the parliamentary estimates have come through.

[59] **Mike Hedges:** How have you calculated it? Is it based on the nine-month profiling?

[60] **Jane Hutt:** In part, this was a matter for us to consider what it was appropriate to carry forward. We must recognise that there could be an emergency call on reserves, for example. However, we need to consider in policy terms what we have to safeguard to carry forward in terms of the budget exchange mechanism.

[61] **Mike Hedges:** How much of the remaining £23.6 million in reserve do you envisage being carried forward? Has this also been discussed in principle with the Treasury?

[62] **Jane Hutt:** I think I have probably answered that question in a sense. It is there for us if we should call on it, but it is not something we anticipate requiring.

[63] **Ieuan Wyn Jones:** I would like to confirm one issue if I may, Minister. In the amount you are carrying forward to next year, you have already agreed a sum of £33.2 million. Is that correct?

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

[65] **Ieuan Wyn Jones:** Of that £33 million, £20 million is for the pupil deprivation grant.

[66] **Jane Hutt:** Correct.

[67] **Ieuan Wyn Jones:** So that is the sum that you have settled to agree next year's budget.

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

[69] **Christine Chapman:** Minister, looking at the recurrent allocations of £208 million, how much has already been allocated in the budget process? How much is expected to be managed from reserves in future years?

[70] **Jane Hutt:** The recurrent allocations have been reflected in the final budget for 2012-13. To give you some examples, there is £63 million each year to support service improvements and efficiencies in the NHS; £4.32 million for the young recruits programme; and £1 million for the Ely mill housing project. The remaining allocations have to be managed as in-year allocations and will form part of our budget planning work for 2013-14 in terms of recurrent funding beyond next year.

[71] **Christine Chapman:** Given the other commitments from the reserves for future years, such as the centrally retained capital awards announced in November, what is the total impact on future year reserves and how much of the reserves are already committed?

[72] **Jane Hutt:** This goes back to the earlier points about the consideration of what will happen to the consequentials that have come forward. During the final budget process in December, we did not know about the £216 million in capital and £21.5 million in revenue from the Chancellor, so the final budget did not reflect that. The use of reserves has to be considered in the context of 2013-14. The additional consequentials will form part of our consideration of the 2013-14 budget.

[73] **Christine Chapman:** I want to ask about the economic stimulus package. We know that the budget indicates an allocation from capital reserves of £9.3 million for capital investment in schools across Wales. Minister, how will that be allocated to individual projects and how does it fit in with other funding streams for capital investment in schools, such as the twenty-first century schools programme?

[74] **Jane Hutt:** The £9.3 million was allocated as part of the economic stimulus package to local authorities as part of their general capital fund allocation. It was distributed in that way. However, because of the way in which it was allocated, local authorities indicated that they wanted to use it for repair and maintenance work and also to help maintain their asset base until the twenty-first century schools programme funding commenced. It has been used for refurbishment. I have received details and asked authorities, because it is important to see where the money has been spent. It ranges from new heating systems to class and toilet refurbishment. Toilet refurbishment features quite well. I am sure that the Children's Commissioner for Wales would like to hear how that £9.3 million was spent on schools.

[75] **Christine Chapman:** Affordable housing is also part of the £9.3 million package. There is a further allocation of £8.9 million from capital reserves outside that package for funding housing schemes via the social housing grant. In the section of the narrative relating to housing, those allocations are joined together, which indicates that it is for increasing the supply and choice of housing. Can you clarify the nature of each of those allocations and their intended purpose?

[76] **Jane Hutt:** I would have flagged this up if I had made opening remarks. We are allocating an additional £22.5 million to social housing, which I am sure the committee will welcome. It means that this budget will increase by more than 30% compared with previously published plans for this year. We have reduced the cut the social housing budget faced this year, compared with last year's plans, from 31% to 8%. That is an important headline for the supplementary budget. To answer your point on how it has been spent, the first tranche of £9 million will deliver an additional 130 homes across Wales, which means approximately 186 jobs in the construction sector. The £8.8 million moving from reserves to the social housing

project will be for between 90 and 125 affordable homes. It depends on housing provision. The useful point about the social housing grant is that registered social landlords then have schemes in place that are what we call 'shovel ready', and they can also enhance the grant with their borrowing facilities. So, it will have a major beneficial impact on increasing the supply of affordable homes.

[77] **Peter Black:** You say that the £9.3 million would produce 130 homes if it were spent in the conventional way. Does the Government have any plans to try to use that money to lever in additional resource so as to increase the number of homes that might be delivered as a result?

[78] **Jane Hutt:** This is where I, as the Minister for Finance, am working closely with the Minister for Housing, Regeneration and Heritage, with the support of Gerry Holtham, through our Wales infrastructure investment planning process to ensure that we can enable RSLs to maximise the finance for additional affordable homes.

[79] Clearly, there is extra funding, which is well over £20 million, that can, as you say, be expanded considerably as a result of those levers that we now have available. It would be helpful to have some feedback, when we come to the outturn, on what that has delivered in terms of the number of homes.

[80] **Jocelyn Davies:** You mentioned that these projects are 'shovel ready'. Are you saying that these homes have not yet been built, but they will be completed by the end of the financial year?

[81] **Jane Hutt:** As you will recall as the former Deputy Minister for Housing, the social housing grant facility enables us to have the flexibility to help the funding schemes of RSLs. That is why it has been so useful to be able to lever this out. I would certainly want to come back to the committee to update you on what has been delivered and what will be delivered by the end of the financial year.

[82] **Peter Black:** In terms of the levers available to the Government to enhance this money, has the Government made any use of the borrowing powers that RSLs have to increase the number of affordable homes that might be available?

[83] **Jane Hutt:** Yes. It is for the Minister for housing to provide more detail on this, perhaps to the Communities, Equality and Local Government Committee. However, working particularly with the federation and Community Housing Cymru, we are using all of the levers that we can.

[84] **Paul Davies:** I want to ask you some questions on NHS allocations. During your appearance before the committee in October, you suggested that, of the additional £103 million for health announced at that time, around £63 million was likely to come from reserves and the remaining £40 million would be found from within the health portfolio. Can you therefore explain why £93 million, rather than the proposed £63 million, has now been taken from reserves? Has more money been allocated overall or has less than the originally planned £40 million been sourced from within the portfolio?

[85] **Jane Hutt:** In fact, £103 million has been provided in-year as part of our proposal for placing our local health boards on a sustainable financial footing. As I have already indicated, £63 million has been provided from central reserves for this purpose. The remaining £40 million is being found from within the NHS delivery action within the health, social services and children MEG. However, in addition, as you can see from the papers, we are providing an additional £30 million from central reserves to Hywel Dda Local Health Board to support it in transforming its local services. That is part of a four-year package of support. So, the total is

£103 million: £63 million from reserves and £40 million from the health, social services and children MEG. On top of that, there is £30 million from our reserves for Hywel Dda health board.

[86] **Paul Davies:** Is the additional £30 million for the Hywel Dda health board a one-off allocation or will further allocations in relation to this be required in future?

[87] **Jane Hutt:** It is a four-year package to support the transformation of services. It is important to recognise that, over that four-year period, it will be about Hywel Dda health board transforming its local services. So, we are allocating £80 million to Hywel Dda health board over four years from central reserves.

1.30 p.m.

[88] **Ieuan Wyn Jones:** Does that include the £30 million?

[89] **Jane Hutt:** It does. It is £30 million this year and £20 million next year—2012-13—with indicative figures of £20 million in 2013-14, and £10 million in 2014-15. Those figures have been reflected in the final budget for 2012-13.

[90] **Jocelyn Davies:** I am sorry to interrupt, Paul. Is that wise, Minister, before you have seen its delivery plan?

[91] **Jane Hutt:** Hywel Dda health board, as colleagues know, faces a unique set of challenges, and to rebalance and sustain the services that it provides, the board has produced a five-year service strategy. That service strategy is the basis of the allocation that we are making to try to underpin and sustain that delivery of the new service strategy for change in Hywel Dda health board. It is better—and this is what the Minister for health would come to say, and, in fact, has said to committee—that we have a strategic, sustainable plan for Hywel Dda health board to get it off this one-off injection—

[92] **Jocelyn Davies:** I appreciate that you are not responsible for the health portfolio, but as the Minister for Finance, are you happy that that allocation is made and are you confident, without seeing the delivery plan, that that commitment for the next four years is sound?

[93] **Jane Hutt:** I am confident. I am working closely with the Minister for health to monitor this.

[94] **Jocelyn Davies:** I know that you have more questions, Paul, and then it is Ieuan. Mike, do you want to come in on this particular point?

[95] **Mike Hedges:** I will come in towards the end.

[96] **Paul Davies:** You have made it absolutely clear, Minister, that the additional funding to the NHS is intended to place the NHS on a sustainable financial footing. However, the most recently available financial position reports from LHBs suggest that they are forecasting an overall deficit position of around £30 million to £40 million at the end of the year, despite this additional funding. I know that you and the Minister for health have made it clear that action will be taken against local health boards that fail to manage their finances appropriately, but if LHBs fail to break even, will further funding be made available?

[97] **Jane Hutt:** We are making considerable strategic funding available—

[98] **Paul Davies:** What about after this additional funding?

[99] **Jane Hutt:** As you know, and as the Minister for health has said clearly, this is a package to put them on a sustainable footing. I believe that the levels of financial risk have been significantly reduced by the additional funding that the Government has provided, and it is not just the funding that I have indicated that has come through reserves. It is interesting that, in terms of funding allocations, in addition to what has come from reserves, in the health, social services and children MEG, there is not just the £40 million of current funding to support LHBs, but £12 million that has been allocated as brokerage to the Cardiff and Vale University Local Health Board in this financial year, non-recurrently. That has been funded from underspends on other health budgets; £3.5 million has been allocated to certain health boards from underspends within the health budget. You will recall the money that we put into orthopaedics and that I accounted for that in the first supplementary budget last year. Close financial monitoring on the strategic front with the Minister for health gives me confidence—you cannot eliminate all the financial risk—that we will break even financially. It is a significant challenge, but we have to ensure that we eliminate pressures by year end.

[100] **Paul Davies:** May I, therefore, clarify that, if there is an overall deficit position, you will make no further funding available?

[101] **Jane Hutt:** No further funding is available in terms of this supplementary budget, certainly for this financial year. For the next financial year, you have approved a final budget.

[102] **Jocelyn Davies:** Ieuan, you wanted to come in on this point.

[103] **Ieuan Wyn Jones:** Have you still got £30 million left in the reserves?

[104] **Jane Hutt:** Well, yes, but that goes back to in-year pressures, which of course—

[105] **Ieuan Wyn Jones:** I am sorry, it is £23 million.

[106] Minister, you have given us an indication that you think that local health boards can now live within the budgets that you have allocated. However, is it not the case that the amount given from reserves this year is double the amount that you gave two years ago? So, is the financial pressure on local health boards not increasing year on year, rather than decreasing?

[107] **Jane Hutt:** We have sought to enhance the budget that we agreed in terms of pressures on health. Indeed, when I looked at the additional allocation that we made to health this year, I saw that it amounts to £164 million. In fact, the NHS budget has increased by 2.1% resource and 20% capital over and above the previously published plan. So, it is a significant uplift in terms of health.

[108] **Ieuan Wyn Jones:** The point that I was making is that the figure that you have given us for this year is double the figure that was given out of reserves two years ago. So, if the pressures are increasing in the health service to the extent that you are now giving double what you gave two years ago out of the reserves, is it not factually correct that there must be greater pressures within each of the LHBs?

[109] **Jane Hutt:** There are pressures, but there is also a plan for change and reconfiguration. As we move forward into the next financial year, that will seek to address some of these pressures. We also have recurrent funding available to assist them through those changes. However, I am sure that you would agree that the money that we have put into tackling orthopaedic pressures has had a beneficial impact on reducing the waiting times. That represents a turnaround.

[110] **Ieuan Wyn Jones:** I understand that you are addressing particular concerns, such as

orthopaedics or other immediate clinical pressures, but I was concentrating more on the actual financial overspend in each of the local health boards. I was quite interested in the answer that you gave the Chair about Hywel Dda health board, because it seems that you have already allocated the money to Hywel Dda health board even though it has not agreed its service delivery plan. That is currently out to consultation, as are the plans of all of the LHBs. So, how can you allocate £80 million already when we do not even know whether the service plan will see itself through the consultation?

[111] **Jane Hutt:** As I said earlier, the health board has developed a five-year service strategy, which has been costed. We have sought to support—

[112] **Ieuan Wyn Jones:** Is that not the document that is out to consultation?

[113] **Jane Hutt:** It is a service strategy. I am not the Minister for health, so I cannot give you the detail on that. However, it is only fair and right that, as Minister for Finance, I am held to account for the fact that I have agreed to enable the Minister for health to work with Hywel Dda health board to underpin, if you like, a service strategy. However, that is subject to consultation. Whatever emerges in terms of change and delivery in Hywel Dda health board, you will recognise that it needs to be underpinned with some financial backing.

[114] **Jocelyn Davies:** Minister, before Ieuan continues, this committee took evidence from the Welsh NHS Confederation, which was very bold in its confidence that it could deliver if it had some money upfront. We have just heard that that was not the case. So, I hope that your confidence does not come from the confederation, because I think that it would be misplaced.

[115] **Ieuan Wyn Jones:** I just want to clarify the point, Minister, so that we understand what the £80 million is for. You are saying that the £80 million is for a five-year delivery plan, or a strategic delivery plan that Hywel Dda health board has agreed, and it is against that that you have allocated the £80 million.

[116] **Jane Hutt:** We have allocated the £80 million on the basis of the Minister for health's confidence that there is a strategy to transform services and that the funding is being allocated through me.

[117] **Ieuan Wyn Jones:** Is that a published strategy document?

[118] **Jane Hutt:** This needs to be asked of the Minister for Health and Social Services, but it is important that I come to you openly—

[119] **Jocelyn Davies:** I think that it is enough for us that you tell us that you are satisfied in your role as Minister for Finance that this funding decision is sound, based on strategies that you know exist. We will have to pursue elsewhere whether this is a public document or not. The Minister for health has made it very clear that she has not seen the delivery plans.

[120] **Jane Hutt:** I have not mentioned delivery plans; I have mentioned financial strategies.

[121] **Mike Hedges:** Ieuan has asked nearly all of my questions, prior to me having had the opportunity. I have one question. We have talked about proposed carry-forwards. What are you going to say to health boards that say 'It doesn't really matter too much if we overspend, because the Government has all this planned carry forward money; they can give it to us instead'?

[122] **Jane Hutt:** I have probably answered that point very clearly, in terms of the allocations that we have made, based on the Minister for health's confidence that this is going

to underpin a sustainable future. She is calling for health boards to break even.

[123] **Ieuan Wyn Jones:** I have a final question, for clarification.

[124] **Jocelyn Davies:** This is the Minister for Finance, not the Minister for health.

[125] **Ieuan Wyn Jones:** It is not about that; it is about the figure in the narrative. You say, Minister, that you are giving an extra £93 million to health, yet table 1.2 in the health, social services and children budget gives a figure of £81.870 million. So, the narrative does not follow the table.

[126] **Jane Hutt:** Right, that is the—

[127] **Ieuan Wyn Jones:** In table 1.2, on page 6 of your budget, the figure for health is £81.870 million.

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

[129] **Ieuan Wyn Jones:** Whereas in the narrative, on page 9, in table 2.4, it is £93 million. There is a missing £11 million somewhere. Presumably, that is because there has been a transfer away from health, but it is not clear.

[130] **Jocelyn Davies:** I think that one of the officials can answer this.

[131] **Ms Salway:** It is the MEG figure. There are transfers in and out of the MEG, of which there is £93 million coming in and other money going out.

[132] **Ieuan Wyn Jones:** I wanted to clarify that point. There is some money coming out of the MEG and £93 million going in, so is the whole of the £93 million going into the NHS delivery budget?

[133] **Ms Salway:** Yes. The money coming out is a social services grant that is transferring to the RSG. It is very difficult, at a global level, to reflect that.

[134] **Ieuan Wyn Jones:** That clarifies it.

[135] **Jocelyn Davies:** That it is going straight to local government within the local government settlement. Julie, do you want to take us on to the next lot of questions on enterprise zones?

[136] **Julie Morgan:** I am going to ask about education and skills transfers. Although the education portfolio can be seen to contain a number of transfers within the MEG for the purposes of reprioritisation and structural changes, it is not possible to fully see those transfers due to the different structures of the MEG in the draft budget and in the current supplementary budget. Would it be possible to provide a reconciliation of the MEG against the structure presented in the draft budget, but reflecting the changes in the current supplementary budget, so that the movements can be clearly observed?

[137] **Jane Hutt:** Yes. I will ask the Minister for Education and Skills and his officials to provide it. I am confident that we could produce it, so we will.

[138] **Jocelyn Davies:** Are you happy with that, Julie?

[139] **Julie Morgan:** Yes, that is fine.

[140] **Paul Davies:** On enterprise zones, Minister, the supplementary budget makes an allocation of £3.5 million from capital reserves as part of the economic stimulus package, in relation to road infrastructure associated with enterprise zones. Can you explain why this allocation has been made to the business, enterprise, technology and science portfolio, rather than to the transport budget within the local government and communities portfolio?

[141] **Jane Hutt:** The Minister for Business, Enterprise, Technology and Science takes the lead on enterprise zones, so it was appropriate to make the allocation to the BETS MEG.

[142] **Paul Davies:** Given the Minister's recent statement on extending the number of enterprise zones to seven and the lack of allocations in relation to these zones in future years' budgets, when can we expect to see funding allocations being made for enterprise zones?

[143] **Jane Hutt:** My understanding from the Minister for business is that work is being done with local stakeholders to consider the capital investment that may be required on a zone-by-zone basis. That could include infrastructural developments such as roads, which we have just mentioned. That is about securing the right platform for growth in the private sector in those areas. It is now under consultation and consideration.

1.45 p.m.

[144] **Jocelyn Davies:** Are there any further questions on enterprise zones?

[145] **Ieuan Wyn Jones:** I want to ask a question about the Wales economic growth fund of £15 million. It is not clear whether that would be, at least in part, if not in whole, sourced from the legacy single investment fund. Perhaps you could clarify that.

[146] **Jane Hutt:** That is something that I would need to clarify with the Minister for business. My understanding is that it is being sourced from the programmes that are available. However, that is a question for the Minister for business.

[147] **Ieuan Wyn Jones:** If you are asking the question, it would be useful to add to it. It would be surprising if it came from the legacy single investment fund, because that is the fund allocated to businesses in order to invest and grow. I know that it is a declining fund, because a sector fund is taking up the cash, but it would be surprising if that was underspent at a time of economic difficulties. So, if you could ask—

[148] **Jane Hutt:** I will ask. The deadline for applications was 31 January, so it is a short window of opportunity, but I will certainly take that back to the Minister for clarification.

[149] **Jocelyn Davies:** It would be useful to have a note and an explanation; thank you. We will now move to the issue of the invest-to-save fund, and Ann has the next questions.

[150] **Ann Jones:** The supplementary budget makes allocations from the invest-to-save fund of around £6 million. Do these allocations correspond to the awards announced in your statement of June last year?

[151] **Jane Hutt:** Partly. The project approved at that time will be allocated £4.376 million in 2011-12, £1.44 million in 2013 and £1.1 million in 2013-14. So, it covers a period of time. Those projects started this year but have a carry forward.

[152] **Ann Jones:** In December last year, you announced a further £10 million. In which financial year will those allocations be made?

[153] **Jane Hutt:** It might be useful if I gave you the details of that, because, again, it

stretches over a three-year period and it covers everything from environmental management to NHS schemes. May I give you the details of that?

[154] **Ann Jones:** That would be helpful; thank you. When you came to committee in October, you indicated repayments of £0.7 million made in 2010-11 and £2 million in 2011-12, with a further £2 million expected. This supplementary budget details £3.9 million in early repayments from the BETS portfolio. Was this amount included in that October forecast?

[155] **Jane Hutt:** That sum was not included in the October forecast, but there was an earlier than anticipated repayment, resulting from reprofiling of payments related to public sector broadband investments. Again, would it be helpful if you had a list of all the awards and the repayment profile?

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

[157] **Jane Hutt:** We could get that for you on the invest-to-save fund.

[158] **Jocelyn Davies:** Mike has a question on local government borrowing.

[159] **Mike Hedges:** First, I very much welcome that decision. I have two questions on it. How will it be funded for local government? Will it be in the RSG or in a specific grant? If it is in either of those, will it be rolled forward into future years?

[160] **Jane Hutt:** I am glad that you welcome the local government borrowing initiative. It is something that we feel very strongly will make a huge difference. In terms of the details, it is going to be an in-year grant and it is starting in 2012-13, reverting to the revenue support grant after that. It will be allocated via the road maintenance standard spending assessment formula. A sum of £4 million is indicated, which I am carrying forward to the budget exchange mechanism in 2012-13. If you would like the details, it is £8 million in 2013-14 and £12 million in 2014-15. Through this initiative, the Welsh Government will provide funding of £240 million in total over a period of 22 years.

[161] **Jocelyn Davies:** That is good news. Does anyone else have a question on local government? Normally, Members are very exercised by local government borrowing, but perhaps not in relation to this supplementary budget. Minister, we have run out of questions—I did not think that that would happen. Was there anything that you had prepared for your introductory remarks, or anything that we have not covered, that you would like to highlight and put on the record?

[162] **Jane Hutt:** Yes. Through the prudent use of our reserves and careful in-year financial management, we have allocated an additional £320.6 million in this supplementary budget to support strategic priorities. Importantly, and I know that you will all agree with me, that includes £170 million in support of capital investment. That is a headline figure for this committee to be aware of in this supplementary budget.

[163] **Jocelyn Davies:** We will endeavour to get our report finalised and tabled in time for the vote. We will send you a transcript of the meeting, for you to check for factual accuracy. Thank you.

[164] **Jane Hutt:** Thank you. We will get the information to you today.

[165] **Jocelyn Davies:** We have a few minutes to spare that we were not expecting. Brief questions, relevant to the Minister in front of us, Ieuan, are always helpful. [*Laughter.*]

1.51 p.m.

**Papurau i'w Nodi
Papers to Note**

[166] **Jocelyn Davies:** We have received correspondence from the Minister for Local Government and Communities on the public service leadership group. I am sure that we found that very helpful and informative. We also have the minutes of the previous meeting. Are we all agreed on those? I see that we are.

1.52 p.m

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Meeting**

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

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

[168] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 1.52 p.m.
The public part of the meeting ended at 1.52 p.m.*