



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

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Mercher, 4 Gorffennaf 2012
Wednesday, 4 July 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 yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgripiad o'r cyfieithu ar y pryd.

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

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

Eraill yn bresennol
Others in attendance

Jeff Andrews	Cynghorydd Polisi Arbenigol Specialist Policy Officer
Margaret Davies	Pennaeth Polisi Cyllidebu Head of Budget Policy
Mathew Denham-Jones	Pennaeth Rheoli a Chofnodi Cyllidebau Head of Budgetary Control and Reporting
Jane Hutt	Y Gweinidog Cyllid ac Arweinydd y Tŷ The Minister for Finance and Leader of the House

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Gareth Price	Clerc Clerk

Dechreuodd y cyfarfod am 8.58 a.m.
The meeting began at 8.58 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Jocelyn Davies:** I welcome everyone to this meeting of the Finance Committee. I remind you all to turn off your mobile phones and any other electronic devices. We are not expecting a fire drill, so, in the event of an alarm sounding, please follow the direction of the ushers. I have one apology today from Ann Jones, and we are grateful that Jenny Rathbone is able to join us.

Cyllideb Atodol Llywodraeth Cymru ar gyfer 2012-2013 (Haf 2012)
Welsh Government Supplementary Budget 2012-2013 (Summer 2012)

[2] **Jocelyn Davies:** We will move to the first substantive item on our agenda, which is our scrutiny of the Welsh Government supplementary budget. We are grateful, Minister, that you are able to join us today, along with your officials. If it is okay with you, we will go straight to questions and then, if we have a little time at the end, if there is any other point that you would like to raise, you can do so then. We recently had the progress report on your programme for government. Perhaps you would like to tell us how the findings of that report have influenced the allocations in this supplementary budget. We are particularly interested in allocations from reserves.

[3] **The Minister for Finance and Leader of the House (Jane Hutt):** The programme for government has to influence how we use our resources appropriately in-year, which was reflected in the supplementary budget. Perhaps I could align this with two or three major programme for government commitments.

9.00 a.m.

[4] One is to allocate additional capital funding in support of our budget for growth and jobs. If you look at the supplementary budget, you will see the capital investment package of over £40 million that I announced in May, alongside the Wales infrastructure investment plan. That includes investment not just in hospitals and road improvements, but in housing. Examples of that are the Welsh housing partnership, the doubling of the recyclable homes loan funds to authorities and the £4 million for flood and coastal risk management. Improving access to health services is also key to the programme for government, so I will mention the investment in orthopaedic services, because that was part of the additional £65 million that we announced in March last year to drive down waiting times for orthopaedic services. We can see now that there has been a 94% reduction in the number of patients waiting over 36 weeks for orthopaedic treatments. So, the importance of scrutiny is to see, as you said, how we are aligning this to the programme for government.

[5] **Christine Chapman:** You have touched on some of this, but are you undertaking any specific work to link budget allocations with the commitments or their outputs?

[6] **Jane Hutt:** As you said, Christine, it is about how, with reducing budgets, we make the strongest links between what we spend on the outcomes in terms of delivery. This is particularly important given the current economic climate and pressures on resources. So, this is about focusing our planning on the delivery of what is set out in the programme for government and then the progress reports, the first of which we had in May, on the programme for government.

[7] In answer to that question, there are two specific areas that we have, as you have seen, aligned more closely with business planning to produce more meaningful financial information. The first is the education and skills main expenditure group; that is a revision that I hope that you will find useful. We have also done this in the local government and communities MEG, as part of the supplementary budget, reflecting the priorities of the national transport plan and, hopefully, again improving transparency of information.

[8] **Christine Chapman:** To move on, we know that there has been an overall increase in relation to annually managed expenditure, mostly stated as being due to revised forecasts. Included in these revised forecasts is an increase of £27.8 million in relation to the provision of student loans. We know that there was a significant reduction in this action in the last supplementary budget for 2011-12, due to changes in the accounting treatment. Can you now explain why there is such an increase in this action?

[9] **Jane Hutt:** On the annually managed expenditure provision of student loans, we have had to amend this because of changes in the way that the Department for Business, Innovation and Skills and Her Majesty's Revenue and Customs have modelled future repayments. So, it is a UK issue in terms of repayment of student loans. It is possible that there will be further amendments to the forecast of repayments given the current economic conditions, but it is very much a BIS and HMRC arrangement in terms of the estimation of the amount of repayments.

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

[11] **Jenny Rathbone:** How vulnerable is the budget to the reduction in overall applications to universities across the United Kingdom? I believe that, in Wales, we have been slightly worse affected than the average.

[12] **Jane Hutt:** I can assure the committee that we do not feel that this will have a significant impact on Welsh Government budgets. This is about forecasts relating to repayments and it includes a small increase in the number of students applying for tuition fee loans in Wales, but we do not feel that this will have a significant impact.

[13] **Julie Morgan:** In your letter to the committee of 28 February, following the scrutiny of the last 2011-12 supplementary budget, you provided a breakdown of the consequentials expected to be received in 2012-13 as a result of the autumn statement. This detailed £38.7 million of capital and £26.3 million of revenue departmental expenditure limits. Can you explain why only £12 million revenue has been received, which is £14 million lower than you previously indicated?

[14] **Jane Hutt:** I thank the Member for that question. You are right—in the letter to the committee of 28 February, I did detail the full amount of consequential sums generated as a result of the autumn statement, as requested. The £26.3 million revenue consequentials included about £14 million generated by the extension of the small business rate relief scheme and the establishment of a business rate deferral scheme. As usual, we have a choice here. We have the option of taking the consequential funding or continuing with the existing rate relief scheme in Wales, forgoing the consequential in return for an increase in our cash grant. We decided—I think backed by the Assembly—that that was the right policy, and we had made that choice before. So, we have received the additional cash support to continue the business rate relief scheme, rather than the £14 million. I have to say, questioning this, that it is better value generally, let alone for small businesses, to take the cash sums rather than the consequential.

[15] **Jocelyn Davies:** The rate relief scheme just means that that is money not collected by central Government.

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

[17] **Paul Davies:** Minister, I want to ask you some questions about the budget exchange system. At the last supplementary budget for 2011-12, after the estimates carried forward of £33.2 million under budget exchange, there was £23.6 million left in revenue reserve, which you said you did not anticipate using. Can you clarify how much of that, if any, was allocated prior to the end of the 2011-12 financial year, and whether any of it is intended to be carried forward into this financial year?

[18] **Jane Hutt:** I can confirm that we have not allocated the additional £23.6 million fiscal resource departmental expenditure line that was held in reserve at the supplementary budget for last year. So, we expect that both this amount and any further underspend against

the last supplementary budget will be available through the budget exchange mechanism and allocated to our reserves this year. We are operating on less than 1% in reserve, so it is important that we have the budget exchange mechanism. I think that the mechanism is an improvement on the arrangements that were in operation during 2010-11, because it means that we do not lose those underspends, but we have a cap.

[19] **Paul Davies:** From your answer, you seem confident that the £23.6 million will be carried forward. Is there any danger that any of this reserve will be surrendered?

[20] **Jane Hutt:** As I mentioned, the budget exchange mechanism does have a cap, and the agreed cap is 0.6% of the resource DEL budget. That means that we have, for 2011-12, £79.8 million of fiscal resource DEL, so this £23.6 million will be safeguarded within that overall cap.

[21] **Paul Davies:** However, the current supplementary budget does not adjust the baseline to account for any carry forward under the budget exchange because it is yet to be enacted by the UK supplementary estimates procedure. When do you envisage having confirmation of the final amounts to be carried forward into 2012-13, and when will adjustments be made to the baseline to account for this, do you think?

[22] **Jane Hutt:** We anticipate getting the Welsh Government accounts for 2011-12 shortly, so we will not have details of the exact amount until we have those accounts. They are being finalised. It means that adjustments to our baseline to reflect the final amount carried forward will be made later in the year and, as you say, Paul, that will be through the UK supplementary estimates process.

[23] **Paul Davies:** Is it your intention to adjust the baseline account for the budget exchange carry forward in a subsequent supplementary budget for 2012-13?

[24] **Jane Hutt:** Yes, certainly, and we would do that in a supplementary budget later this year.

[25] **Ieuan Wyn Jones:** Mae £7 miliwn wedi'i drosglwyddo o'r prif grŵp gwariant busnes i brif grŵp gwariant llywodraeth leol a chymunedau, sy'n ymwneud â theithio cynaliadwy.

Ieuan Wyn Jones: A sum of £7 million has been transferred from the business main expenditure group to the local government and communities MEG, and that is in relation to sustainable travel.

[26] **Jane Hutt:** I am tied up with my headset.

[27] Mae'n ddrwg gen i. I am sorry.

[28] **Ieuan Wyn Jones:** Yn y papurau, gwelwn fod £7 miliwn wedi'i drosglwyddo o'r MEG busnes i MEG llywodraeth leol a chymunedau, ac mae hynny am ei fod yn swm sy'n ymwneud â theithio cynaliadwy. A yw hynny'n ymwneud â newidiadau yng nghyfrifoldebau'r portffolio?

Ieuan Wyn Jones: In the papers, we see that there has been a transfer of £7 million from the business MEG to the local government and communities MEG, and that is because it is in relation to sustainable travel. Is that to do with changes to the portfolio responsibilities?

[29] **Jane Hutt:** The Member knows, as we discussed earlier, the importance of the change in the budget motion, which we agreed last year, to increase our flexibility at the end of the financial year to maximise our spend in line with priorities. This budget transfer of £7 million was agreed between the Minister for Business, Enterprise, Technology and Science from her MEG and the Minister for Local Government and Communities into his MEG. It is a

result of underspend and savings within the local government and transport MEG, and it has helped to create the Life Sciences fund. So, it is not as a result of a change in ministerial portfolios, but it is a reflection of the programme for government priorities and being more flexible as we sought agreement on MEGs between Ministers. You will recognise that it is important to publicly and transparently acknowledge the reasons for that transfer in the supplementary budget.

[30] **Ieuan Wyn Jones:** The impression from your answer is that it is a transfer from local government to business, enterprise, technology and science. Actually, it is a transfer the other way.

[31] **Jane Hutt:** The transfer that is taking place is enabling BETS, so, yes, it is from local government to BETS.

[32] **Ieuan Wyn Jones:** The information that we have is that it is from BETS to local government because it is about sustainable travel. If it is about sustainable travel—

[33] **Jane Hutt:** Can I bring Margaret in on that?

[34] **Ieuan Wyn Jones:** I apologise for that, but I think that we have the wrong information.

[35] **Ms Davies:** Just to clarify, the transfer in this supplementary budget is from the BETS MEG going into the local government and communities MEG, but the transfer that took place at the end of the financial year, following the publication of the supplementary budget, was a transfer from local government to BETS. So, this transfer is a part of that original agreement at the end of the financial year.

[36] **Jocelyn Davies:** So, money has gone both ways?

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

[38] **Jocelyn Davies:** Okay, so we are all right. [*Laughter.*]

[39] **Ms Davies:** The original transfer was from local government to BETS and this transfer is going the other way and is a part of the original agreement. This transfer will be reflected in the—

[40] **Ieuan Wyn Jones:** Prior to all this change, the economy and transport were together.

[41] **Jane Hutt:** That is true.

[42] **Ieuan Wyn Jones:** So, in a way you can understand that if there was anything left in the BETS budget that related to sustainable travel, it should not be there and should be transferred to local government and communities, which is why I assumed the transfer was originally made.

[43] **Ms Davies:** The transfer was made as part of the agreement. Savings and underspends were identified within the local government MEG, which were then utilised by the BETS Minister to support the creation of the Life Sciences fund. However, the transfer in this supplementary budget is reciprocating the transfer back to local government.

[44] **Jane Hutt:** For sustainable transport.

[45] **Ms Davies:** Yes, local government is now using the funding to support sustainable

travel.

[46] **Jocelyn Davies:** Was the money loaned and now it has been given back? Is it the same money? Was that £7 million?

[47] **Ms Davies:** It was a budget transfer agreed between the MEGs.

[48] **Jocelyn Davies:** I see. It has nothing to do with portfolios and the splitting of portfolios.

[49] **Ms Davies:** No.

[50] **Jocelyn Davies:** Thank you for that clarification.

[51] **Jane Hutt:** I apologise for not making the connection with the previous transfer but, as you said, Ieuan, it was in one budget before.

9.15 a.m.

[52] **Ieuan Wyn Jones:** It is one Minister helping the other over a difficult period.

[53] **Jane Hutt:** The payback was from savings, but it means that sustainable travel then gets the benefit of a transfer back.

[54] **Jenny Rathbone:** Is the Life Sciences fund not recurring expenditure? Was it just one-off expenditure to set the fund up?

[55] **Jane Hutt:** That commitment is ongoing, so you would have to ask the BETS Minister about its future prospects. Now, it is a Life Sciences fund that will be sustained. The BETS Minister now will have to prioritise to ensure that it continues.

[56] **Jocelyn Davies:** I believe that that is a fund that people can bid in to. I am not sure, but I think so. It is nice to see the Ministers co-operating so well together.

[57] **Jane Hutt:** As a result of that change of MEG flexibility.

[58] **Ieuan Wyn Jones:** Minister, have you seen the letter that Lesley Griffiths, Minister for Health and Social Services, sent to this committee, which talks about the allocation to the health boards? You have a copy of that letter in your pack.

[59] **Jane Hutt:** Is that the letter of 26 June?

[60] **Ieuan Wyn Jones:** That is right. I just want to clarify a couple of things arising from that from your perspective, if I may.

[61] In the third paragraph of the second page of her letter, the Minister says that Hywel Dda Local Health Board—because, if you remember, we did ask you a number of questions on this in the previous supplementary budget inquiry—requested an additional £100 million over the four-year period from 2011-12 to 2014-15, and, in the following paragraph, she says that £80 million was allocated. So, it has not had the full amount that it asked for. Although the letter makes it clear that there were no strings attached, as it were, in relation to reconfiguration, I would have assumed that you would have given that sum on the basis that, by 2014-15, Hywel Dda would not come back for more. What was the understanding that you had with the Minister for health on that allocation?

[62] **Jane Hutt:** You are certainly right on the estimates of what Hywel Dda felt it needed to sustain services during this period of consultation and reconfiguration. There was, clearly, a ministerial response, and her officials looked at what they felt was needed to sustain those services. That is sound financial management, ensuring that we could balance the budget appropriately. It is clear that Hywel Dda—and we have discussed this before in the Finance Committee—has been supported substantially to help it through this difficult period, and the Minister for Health and Social Services and I, as Minister for finance, now expect delivery from Hywel Dda. It should be able to rise up to the challenge of financial stability.

[63] **Ieuan Wyn Jones:** So, how concerned are you at the auditor general's view that there is now a substantial possibility of overspend in the current year?

[64] **Jane Hutt:** The auditor general's report has to be taken into account as part of the Welsh Government's response, but the Minister for health has come back and said clearly that the NHS organisations have met their statutory financial targets, subject to audit, and they continue to improve their services through savings. So, while recognising the WAO report, the fact is that the Minister for health feels that the arrangements and the flexibility that she has provided should enable the Hywel Dda and other health boards to deliver in this challenging financial time.

[65] **Ieuan Wyn Jones:** So, just to clarify, on the £20 million that you have allocated to the Minister for health in the current financial year, there will be no more money.

[66] **Jane Hutt:** There is no more money in terms of the allocations. We have agreed that on the basis of sound financial scrutiny and management.

[67] **Mike Hedges:** I have a question on invest to save. The supplementary budget allocates £10 million from reserves to the central services and administration main expenditure group in respect of the round 6 invest-to-save projects announced earlier this month. Why have no specific allocations been made to portfolios in respect of these projects? When will this be done?

[68] **Jane Hutt:** That is an important point in terms of the readiness of specific projects. We will be making allocations during the financial year, so I would want to bring back in the supplementary budget later this year the allocations in respect of those specific projects.

[69] **Mike Hedges:** Will you be able to provide details of the projects receiving funding from round 6, including details of how much each project will receive, how much each is estimated to save and a payback profile?

[70] **Jane Hutt:** I am certainly happy to publish that information on the Welsh Government's website. If the committee would find that helpful, I will do so.

[71] **Mike Hedges:** Will that include the payback profile?

[72] **Jane Hutt:** Yes. We have the whole profile. I can assure the committee that we are getting payback. So, it is important. It is a new scheme, but it is invest to save, so we are getting the payback.

[73] **Jocelyn Davies:** That is good.

[74] **Jenny Rathbone:** You have stated that these awards in round 6 will total £12.7 million. Is the other £2.7 million dependent on the £9 million of repayments that you are expecting in this financial year?

[75] **Jane Hutt:** You will recall that I made an oral statement on 19 June. As you said, I am investing £12.7 million in round 6, and that is supporting seven new project proposals. This year, more than £9 million is due to be repaid and reinvested. However, of course, we will ensure that we top that up with allocations from my budget.

[76] **Mike Hedges:** May I ask a technical question about the repayment? Is that actually a repayment or is it just that you give the organisation less money? For example, if you give an organisation £20 million, will it have to pay £1 million back, or do you take it off and just give it £19 million?

[77] **Jane Hutt:** It would be best if we publish the re-profile payment schedule, so that you can see how this pans out.

[78] **Mike Hedges:** What about the methodology?

[79] **Jane Hutt:** That is clearly explained. Matt, do you want to expand on that?

[80] **Mr Denham-Jones:** That will vary depending on the organisation. In some cases, where, say, there is a voluntary sector organisation, we will expect a repayment. In other cases, where, say, it is a local health board, it will be part of its overall settlement payments during the year.

[81] **Jocelyn Davies:** Mike, are you happy with that?

[82] **Mike Hedges:** Yes.

[83] **Jenny Rathbone:** The £6.3 million that you are expecting will be reinvested in more invest-to-save projects. Is that right?

[84] **Jane Hutt:** Yes. As you will see, from the schedule that we are going to publish—I have already provided an up-to-date schedule on funding rounds and matching repayment details—we have made investment commitments in terms of funding from previous rounds. That will be met in part from the £9 million due to be repaid this year. We can then make commitments, knowing that they would be funded from projects previously announced.

[85] **Jenny Rathbone:** Would you expect to make any further call on reserves in relation to the next round of invest-to-save projects?

[86] **Jane Hutt:** I am, as I said on 19 June, investing an additional £20 million over the next three years in invest-to-save projects, starting with £10 million in 2012-13. It is because this is seen as an important fund to enable the pump priming of change. I have to say that the health service has benefited in particular from it. Some of the projects that most recently have been funded have been projects in the health service. For example, the Gwent frailty project was the first, with five local authorities and the health board coming together to look at ways in which they can provide more independent living and support for frail and elderly people in the community, to support people in their own homes. My latest round includes other projects in Cwm Taf Local Health Board, Cardiff and Vale University Local Health Board, and other health boards, following this through. They have learned the lessons from the Gwent frailty project, and we are getting repayments from that project. So, it is a very important fund. I am investing from reserves to kick-start it, if you like, in the knowledge that we will have that repayment.

[87] **Jenny Rathbone:** It is very important for the whole of the public sector to be able to see the savings that are being made as a result of investing. Would you envisage being able to give us that detailed picture in due course, so that everybody can see the benefits of

reconfiguring services to be more cost-effective?

[88] **Jane Hutt:** Yes, there is a financial saving. There are savings and there is a change in service delivery as a result of invest to save. Recycling the money is helpful, because it is an invest-to-save fund, but the key objective is to ensure that we can demonstrate that we can deliver services in a different, more innovative, effective and collaborative way. So, we need to give service outputs as well as financial outputs in terms of outcomes for invest to save. That may be something on which I will have to come back to the committee with more detail. I am certainly very happy to provide the committee with more information on the round 6 projects. There is also going to be an evaluation, which will provide you with that more qualitative information.

[89] **Julie Morgan:** My question is about centrally retained capital. In relation to phase 2 projects, your statement in November 2011 indicated allocations of £43.6 million in 2012-13 and £43.7 million in 2013-14. The supplementary budget allocates £35.9 million in 2012-13 and indicates allocations of £21.5 million in 2013-14, leaving a shortfall of £30 million. This shortfall appears to relate to allocations to five projects that do not appear in the current supplementary budget. Is it the case that the difference is down to the absence of allocations for the following projects: Flying Start, next generation broadband, Ysgol y Bont, Anglesey, the Merthyr learning quarter and the north Wales Welsh-medium school? Why are those allocations not included in the supplementary budget?

[90] **Jane Hutt:** This is about whether the business case is ready for sign off, because all of the allocations from the centrally retained capital fund need that final business case sign off. You have named the projects for which we are awaiting that final case approval, so I would anticipate once again that we would be able to reflect the sign off and the spend in the second supplementary budget later this year.

[91] **Julie Morgan:** So, we will see that in a subsequent budget.

[92] **Jane Hutt:** Yes. As you said, there is Flying Start, Ysgol y Bont, and the Wrexham Welsh-medium school. I have some details here about those particular projects. For example, for Flying Start, every local authority is developing a programme level business case. I understand that the work is nearing completion, so we expect approvals shortly. Both the schools have to go through a risk assessment gateway process, which is an important part of project management. For next generation broadband and the Merthyr learning quarter, those allocations will be made in 2013-14.

[93] **Julie Morgan:** So, you are waiting, in relation to Flying Start, for information from each local authority.

[94] **Jane Hutt:** Yes. They all have to come up with a plan. I understand that this is nearing completion and the approvals should be issued shortly. This is very important in terms of capital for Flying Start.

[95] **Jocelyn Davies:** Thank you for that clarification.

9.30 a.m.

[96] **Peter Black:** May I just start by returning to the Minister for health's letter? In the paragraph that Ieuan Wyn referred to, the fourth paragraph on the second page, the package of transitional support for Hywel Dda Local Health Board is confirmed as being £80 million, totalling £30 million in 2011-12, £20 million this year and in 2013-14 and £10 million in 2014-15. That seems to add up to £60 million, or are there two lots of £20 million in 2012-13 and 2013-14? That is not very clear.

[97] **Jane Hutt:** I will just have a look at the detail. Margaret, do you want to respond?

[98] **Ms Davies:** The total package is £80 million: there was £30 million last year, £20 million this year and next year, and then £10 million in 2014-15.

[99] **Peter Black:** So, it is just the way that the letter is phrased. The sum of £20 million appears twice.

[100] **Ms Davies:** It is £20 million in each of those years.

[101] **Peter Black:** Okay. In the previous paragraph, the Minister refers to the meeting between the LHB chief executive and senior officials to understand how that money will be used. She refers to service changes being planned by the health board, subject to consultation, and the transitional support. Obviously, you have allocated the transitional support. Was it your understanding that the transitional support was dependent on the other understanding in relation to the service changes?

[102] **Jane Hutt:** No. I think that it is very important, as I have said before, in terms of Hywel Dda, that this is about sustaining the services. There is consideration about those services, but it is about sustaining them financially and ensuring that they have the flexibility to enable them to move forward. It has always been a matter of sustaining services. If there are further questions in response to this letter, it may be helpful to ask the Minister for health for further clarification. However, as far as my understanding and certainly my role as Minister for finance are concerned, it is about ensuring that Hywel Dda's services are on a sound and sustainable financial footing going forward.

[103] **Peter Black:** I am sure that the Minister for health will be asked detailed questions about this. However, if the funding is entirely about transitional support and is unrelated to the service changes, does that mean that, at the end of the 2014-15 period, you might expect to be asked for more transitional support, or would you expect Hywel Dda to have got its act together by then through those service changes?

[104] **Jane Hutt:** That is certainly my understanding at present. It is important for Hywel Dda that it gets the additional support that we have provided. Obviously, I have worked closely with the Minister for Health and Social Services on that. However, I know that Members recognise that they have unique challenges and we need to provide financial stability while the board consults on and implements service changes to improve services in the future. So, once again, it goes back to the fact that this funding package is not dependent on ongoing consultation on the service plan or its outcome. As you also know, there is to be an external review of the financial plans of three local health boards that were permitted to bring forward a small percentage of their funding. That will also inform the Minister for health and me in terms of their financial sustainability and viability.

[105] **Jocelyn Davies:** This letter mentions that meeting between the chief executive and senior health officials last September. Would you have had officials present at that meeting, or were they entirely health officials?

[106] **Jane Hutt:** This is between the Minister for health and—

[107] **Jocelyn Davies:** So, you would not have had officials at that meeting.

[108] **Jane Hutt:** No, I did not. Clearly, we are there to ensure that we give what support we can and to ensure, at an inter-ministerial level, that there is close working and feedback in terms of the support that I can give the Minister for health in order to approve these financial

arrangements.

[109] **Ieuan Wyn Jones:** May I add something?

[110] **Jocelyn Davies:** Yes, if it is on this point.

[111] **Ieuan Wyn Jones:** I think that what we are struggling with, Minister—and where I think that clarity would help—is that, unless there are changes in Hywel Dda as a result of the £80 million that has been spent, what is different? In other words, if it does not make any changes, by 2014-15, we will be back in exactly the same position as we were. You have mentioned that there are unique challenges, so I think that the committee would want to know whether the £80 million is intended to get it to have its finances in order, and therefore to have implemented the changes, so that, by 2014-15, it will be on a balanced financial footing. I think that the committee would find it strange if the £80 million is just given because it cannot currently live within its means. What will be different by 2014-15? That is the issue.

[112] **Jane Hutt:** There is a consultation in order to ensure sustainable and improved services for the future in the Hywel Dda area. As the Minister for Finance, I am offering support to ensure that there is financial stability through those changes. As the letter states—and the Chair has also made this point—it is important that my officials are working very closely to monitor the progress of implementing the savings necessary to stay within the budget and that is part of the transitional funding arrangements. However, my role and that of my officials is to ensure that there is financial viability and that Hywel Dda health board is being held to account to deliver on that, as the Minister for health is also ensuring. So, you may have to get the Minister for health to come back to follow this up in terms of further questioning. I am sure that you will be raising these issues with her, following the very detailed letter that she has provided to you. It is also important that the funding to Hywel Dda health board is tapering down to 2014-15. However, during that time, we will move forward in terms of the consultation and reconfiguration.

[113] **Jocelyn Davies:** Paul, you have a question.

[114] **Paul Davies:** Yes. Minister, you have made it absolutely clear that the Hywel Dda health board is facing unique challenges. Is this really, then, a rural premium that you have given to Hywel Dda Local Health Board, recognising the challenges it faces because of its geography and its rurality?

[115] **Jane Hutt:** It is a historical set-up that we have in terms of Hywel Dda health board and the configuration there. Yes, of course, there is a rural dimension to that. I hope that committee members, and constituency and regional Members, recognise that what I am doing as the Minister for finance, in support of the Minister for health, is to acknowledge that unique dimension to the Hywel Dda setting, which, of course, is rural, but it is historical in terms of the configuration of services.

[116] **Paul Davies:** So, just to be clear, then, part of this funding is being given because of Hywel Dda health board area's rurality.

[117] **Jocelyn Davies:** I think that the Minister's letter makes that clear. It states on the last paragraph of the first page that the health board faces particular challenges in providing rural health care services. Obviously, Minister, we would not have a Minister for health if you had to make all the decisions and oversee every decision that every Minister makes. So, you have received assurances through your normal course of business from your Minister for health that the finances that are being given are perfectly appropriate in the circumstances.

[118] **Jane Hutt:** Yes, thank you very much, Chair; I could not have summed it up better.

[119] **Jocelyn Davies:** I think that we will move on. Peter, we are still with you.

[120] **Peter Black:** I will get back on topic. Minister, the supplementary budget allocates an additional £44 million of capital in relation to the projects detailed in the Wales infrastructure plan. In your statement alongside the plan, you also refer to two other projects in 2012-13, namely the Welsh mortgage guarantee scheme and the Welsh housing bond. However, there have been no allocations for those in the current budget. Can you explain how those are being achieved and where we will find those allocations in that budget?

[121] **Jane Hutt:** Yes. Thank you for that question, Peter, because obviously, these relate to important schemes. The mortgage guarantee scheme is still being worked up, as you know, learning from NewBuy. However, I think that the important point of your question is about the impact on the budget. It is not going to have an impact on capital in this budget. It will show in our budget whether we will be required to score provision in the non-fiscal annually managed expenditure for the cost of defaults in the year the scheme starts, and then actual defaults will hit the capital departmental expenditure limit in the years they occur. We are not yet in a position to reflect that. It will be reflected in the next supplementary budget because we are still working on the details of delivering this. The housing bond, to which we are committing £4 million a year, will provide a bond issue of more than £100 million, which will deliver 1,000 affordable houses. Again, we will allocate an amount in the second supplementary budget, once we have finalised the details of the bond. However, £4 million has been committed in this financial year.

[122] **Peter Black:** Will that £4 million be capital or revenue?

[123] **Jane Hutt:** Revenue.

[124] **Peter Black:** Do any of the allocations made in relation to the infrastructure plan represent the acceleration of projects already planned? If not, do you have any plans to bring forward capital works?

[125] **Jane Hutt:** Those allocations enabled the acceleration of projects in the infrastructure investment plan. To give you some examples, under local government and transport, these included the M4 hard shoulder from junctions 33 to 34, and the M4 signalisation at junction 49. It also enabled the acceleration of projects relating to new premises for one-stop shops for domestic abuse advice and the Northern Gateway site in Deeside enterprise zone. You have the list. Those are all enabling the Ministers to bring forward capital planned proposals to me, which I was able to support, provided they fitted the investment profile of the infrastructure investment plan. Therefore, I am now looking at allocations for 2013-14 and 2014-15 with regard to the investment priorities in the infrastructure investment plan.

[126] **Jocelyn Davies:** Paul, I think that you have a question.

[127] **Paul Davies:** Yes, I have one final question. The supplementary budget allocates £1 million capital for the formation of the single environment body within the environment and sustainable development main expenditure group. I understand that the Environment and Sustainability Committee addressed this with the Minister at its general scrutiny session last week. However, the Minister could not clarify this at the time. Therefore, can you clarify for us what this £1 million is for?

[128] **Jane Hutt:** I am just looking at the briefing I have here. I may need to get further clarification. However, as you know, the single environment body is replacing the Environment Agency Wales, the Countryside Council for Wales and the Forestry Commission Wales with one body. In order to facilitate this, in 2011-12, we made a revenue-

to-capital transfer enabling flood schemes totalling £1 million to be brought forward from 2012-13. That released the same amount in 2012-13 for the single environmental body infrastructure. We now have flexibility in year in terms of moving our funds. Is that okay, Paul?

[129] **Jocelyn Davies:** I do not think that takes us any further forward on that issue. Minister, we would be very grateful for a note on that particular point, as the Minister himself could not answer the question last week and I am not sure that we are entirely convinced by that answer. Then again, I do not suppose you were expecting us to ask about that point. Therefore, we would be grateful for a note on that to provide clarity. We will be facing votes on this issue shortly, so it would be good to have clarification on that point.

[130] **Jane Hutt:** I am happy to do that.

[131] **Jocelyn Davies:** Thank you. I have a final question on the budget protocol. We have been very pleased with the progress on that. I am sure that the committee would want me to thank you and your officials for the progress that has been made on that. However, you committed to providing us with an end-year report detailing variations between actual spend and the last supplementary budget of the year prior to the summer recess. The summer recess will soon be upon us and I understand that you are reluctant to release that report prior to the audit of the outturn figures. Therefore, can you give us an indication of when we are likely to receive this report for the 2011-12 financial year?

9.45 a.m.

[132] **Jane Hutt:** Certainly, Chair, I am committed to providing that report, as I indicated, once the accounts have been finalised. I answered a question earlier about this, indicating that they have not yet been finalised, unfortunately. So, it looks as though we are moving into recess before we get the final outturn accounts. I should be able to clarify the timetable with my officials over the next week so that I can come back to you. However, I would certainly hope to come back to the committee after the recess, if that is helpful, to ensure that you have the transparency we agreed on through the detailed report on variations between actual spend and the last supplementary budget.

[133] **Jocelyn Davies:** Okay, thank you. We have a couple of minutes left, Minister. Do you want to highlight any points or are you happy to leave the session where it is?

[134] **Jane Hutt:** On the point about transparency, I want to say how useful and helpful it has been for our officials to work together on this. We are working towards the next budget now so I also want to say that this greater transparency on budget information is helpful. Today's questions have particularly teased out the fact that the flexibility we have been given to work between MEGs, which is the Scottish model, is very helpful. Those questions to do with the MEG and local government and communities transfers between two supplementary budgets show that we must be very clear about the history as well the current context of how we have aligned budgets to more closely reflect the programme for government commitments and that we need to explain them more clearly perhaps. Therefore, I am grateful that the questioning from Ieuan Wyn Jones and other Members brought that out today.

[135] **Jocelyn Davies:** Thank you very much, Minister. We will be grateful to receive the note you said you would provide and for your appearance here this morning.

9.47 a.m.

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

[136] **Jocelyn Davies:** We have a number of papers to note. There is the UK Treasury consultation on Scottish borrowing powers. I am assuming that Members are content for us to contribute to this consultation, bearing in mind the report we have just produced. We can base our consultation response on that report. So, perhaps we can do a bit of work on that and then submit something. We also have correspondence as follow-up to our review. We also have the correspondence from the Minister for Health and Social Services, which has been referred to a number of times today. Would Members like to call the Minister for health back? Or should we write to her?

[137] **Ieuan Wyn Jones:** I was going to suggest something. To be honest, I am still not clear about the terms upon which the money is being given, and I would be surprised if it was given for nothing. I must confess that the Minister herself gave different answers—

[138] **Jocelyn Davies:** We are not in private session.

[139] **Ieuan Wyn Jones:** It is important for us to see the Record before we decide. I would like to reflect on the answers because I am not sure—

[140] **Jocelyn Davies:** When will the Record of the verbatim account of this meeting be available?

[141] **Mr Price:** I think the draft copy will be available on Monday.

[142] **Jocelyn Davies:** Would you like to see a draft on Monday?

[143] **Ieuan Wyn Jones:** I think that that would be useful. That is my view.

[144] **Jocelyn Davies:** Okay, and then we can reflect on this at another time. The recess is nearly upon us anyway. We will look at the Record. However, the Minister confirmed today that her officials were not part of the discussions with Hywel Dda health board at the September meeting. Peter, do you have a point on this?

[145] **Peter Black:** What is the deadline for reporting on the supplementary budget?

[146] **Mr Price:** It is very soon.

[147] **Jocelyn Davies:** I do not think that we can wait to explore that point in our report for the supplementary budget.

[148] **Mr Price:** Publication is scheduled for 16 July.

[149] **Jocelyn Davies:** Our report can reflect our feelings about today. When we move into private session, we can discuss our feelings about the evidence we have received. So, we will leave in abeyance how to deal with any further action following this letter until we have had more time to think about it.

[150] Can we also agree the minutes of the last meeting? I see that we are agreed.

9.50 a.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**

[151] **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).

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

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 9.51 a.m.
The public part of the meeting ended at 9.51 a.m.*