

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
30 January 2013

Meeting time:
08:50

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Agenda

Private briefing (08:50 – 9:00)

1. Introductions, apologies and substitutions

2. Creating greater synergies between EU, national and sub-national budgets – opinion paper – EU Committee of the Regions (9:00 – 9:45) (Pages 1 – 29)

FIN(4) 02-13 – Paper 1 – Creating greater synergies between EU, national and sub-national budgets

Rhodri Glyn Thomas AM, EU Committee of the Regions
Gregg Jones, Head of EU Office, National Assembly for Wales

3. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

Item 4 and item 7.

4. The financial implications of the establishment of Natural Resources Wales (9:45 – 10:00)

Break (10:00 – 10:30)

Public session

5. Asset Management – Evidence from Public Service Leadership Group (10:30 – 11:30) (Pages 30 – 38)

FIN(4) 02-13 – Paper 2 – Public Service Leadership Group

Dr Helen Paterson, Chair of the Asset Management, Public Service Leadership Group and Chief Executive, Wrexham County Borough Council
Sioned Evans, Public Services Leadership Group

6. Papers to note (Pages 39 – 40)

7. Consideration of evidence on Asset Management (11:30 – 12:00)

Finance Committee

FIN(4) 02–13 Paper 1 : 30 January 2013

Session with Rhodri Glyn Thomas AM on his EU Budget Synergies report for the Committee of the Regions

Introduction

1. This paper has been prepared for the Finance Committee (“the Committee”) meeting of 30 January 2013. It provides background information to the work of Rhodri Glyn Thomas AM on his report for the Committee of the Regions on creating greater synergies between EU, national and sub-national budgets.

Committee of the Regions (CoR)

2. The Committee of the Regions (CoR) is the EU's assembly of ‘regional’ and local representatives, and one of two consultative bodies (the other is the European Economic and Social Committee) consulted by the EU Institutions during the EU policy and law-making process. Its membership (344 full members and the same number of alternates) is drawn from regional and local authorities across the EU, organised into 27 ‘national’ (i.e. Member State) delegations.
3. The UK has 24 full members and 24 alternates on the Committee of the Regions. Within this Wales has 2 full members and 2 alternates, with the Welsh nominees presented by the Welsh Government, although formal nomination of all UK representatives is made by the UK Government.
4. Traditionally the Welsh Government has nominated two representatives from the National Assembly for Wales (one full and one alternate) and two from the Welsh Local Government Association (currently Councillor Bob Bright, leader of Newport, and Councillor Chris Holley, former leader of Swansea).

New mandate for 2010–2015

5. Rhodri Glyn Thomas AM was formally appointed to the Committee of the Regions (“CoR”) on 26 January 2010, with a five-year mandate, as alternate member to Christine Chapman AM, who until middle of November 2012 was the National Assembly for Wales full member of the CoR.
6. Rhodri sits on the CoR's Temporary ad Hoc Budget Commission, which was established in 2011 to provide a focal point for the contribution by the CoR to the discussions at EU level on the Multi-annual Financial Framework for 2014–2020.

Rapporteurships

7. The CoR adopts political positions on EU policy and legislative proposals through agreeing reports. Where these are in response to formal Communications or requests from one of the EU Institutions (usually the European Commission) for they are called 'opinions'. Where these are not in response to a formal Communication/request such reports are described as 'own-initiative' opinions.
8. Rhodri Glyn Thomas in the last six months was nominated by the Temporary Ad Hoc Budget Commission to write two reports:
 - Creating greater synergies between EU, national and sub-national budgets, an own-initiative opinion
 - Synergies between private investment and public funding to support economic growth at local and regional level (including use of European Investment Bank funding), at the request of the Irish Presidency of the EU.
9. Rhodri appointed Gregg Jones, Head of the Assembly's EU Office, as his expert for both these opinions. Gregg previously filled this role for the two reports by Christine Chapman during her period as CoR member. The role is primarily to organise, co-ordinate, and assist with the drafting of the report, and facilitate the work with the CoR services and political groups.

Creating greater synergies between EU, national and sub-national budgets

10. Members of the Committee have been provided with a copy of the draft report prepared by Rhodri Glyn Thomas AM, which will be considered at the plenary session of the Committee of the Regions on 31 January 2013.
11. The report goes through a two-stage adoption process:
 - 'committee stage': adoption of draft report at the Temporary ad Hoc Budget Commission meeting 28 November 2012
 - 'plenary stage': adoption of revised draft report (taking on board amendments agreed at 'committee stage' and subsequently during plenary) at the Committee of the Regions plenary on 31 January 2013
12. For the first stage there was an internal translation deadline for the Committee of the Regions of the end of October, which means the evidence gathering phase to prepare the draft took place during September and October.

13. For the evidence gathering Rhodri attended a number of meetings in Brussels in September and October, as well as meetings and follow up with individuals and organisations in Wales. These included:
 - Meeting with EU Budget Commissioner Janusz Lewandowski, who has the lead role for the European Commission in the negotiations on the Multi-annual Financial Framework (MFF) for 2014-2020
 - Stakeholder consultation event at the Committee of the Regions with representatives from regional offices, EU networks (including Eurocities) etc. based in Brussels
 - Meetings in Brussels Welsh MEPs, DG Economic and Financial Affairs, Gwilym Jones from Agriculture Commissioner's Cabinet, CPMR (EU network), European Policy Centre, LGA, Committee of the Regions, and the representative offices in Wales House (Welsh Government, WLGA, and Welsh HE)
 - Meeting with former Director General of DG Employment Hywel Ceri Jones, as well as circulation of details of the opinion inviting comments to fellow AMs (cross-party), and discussions with organisations in Wales with experience of participating in EU funding initiatives.
14. The draft report underlines the importance of a strong EU budget, and the value to local and regional bodies that EU funding brings, particularly the shared management funds (Structural Funds, CAP, maritime/fisheries) but also other 'centrally-managed' programmes such as research, lifelong learning etc.
15. The report sets out the important role of sub-state authorities across the EU, from the perspective of 'devolved competences' and responsibilities in areas at the core of the Europe 2020 strategy, such as education, economic development, environment and community development.
16. It emphasises the rationale for more effective synergies between all levels of funding in the context of the ongoing pressure on public finances and economic downturn, and underlines the need to identify and respect a number of core principles in taking this debate forward (such as respect for fiscal autonomy, budgetary accountability, transparency).
17. It identifies a number of 'bottlenecks' that get in the way of achieving greater synergies and suggests some ways in which these could be helped (through multi-annual budgeting at sub-state level, greater transparency about EU funding in state and sub-state budgeting, as well as some technical changes in EU level reporting). One of the problems identified is lack of coherent and comparative data on sub-state budgeting, so the opinion suggests establishing an EU-network of research centres/universities to carry out further work in this area, and

Rhodri would like to see a Welsh university at the heart of such a network.

18. The draft report calls on the European Commission to publish a Green Paper during 2013 to explore further the issues covered, and this was one of the 'political outputs' that the Committee of the Regions was keen to pursue through the opinion.
19. Only six amendments were submitted at the meeting of the Temporary ad Hoc Budget Commission on 28 November where the draft report was considered under the first stage referred to above. There was cross-party support for the report, and positive feedback from all of the groups at the quality of the draft and the range of issues covered, the chair of the Commission describing it as 'an excellent report'.
20. On this basis there is likely to be strong support at the plenary on 31 January for the report, which will follow on the agenda a presentation to the Committee of the Regions by the Irish Minister for Europe Lucinda Creighton, who Rhodri met in Belfast at the EC-UK Forum meeting in October.

Synergies between private investment and public funding at local and regional levels - Partnerships for economic growth and prosperity

21. At the Temporary Budget Commission meeting on 28 November Rhodri was appointed to write a second report for the Committee of the Regions, focusing on the potential for synergies between private and public funding in supporting investments at the local and regional level. The opinion is being prepared following a request to the CoR by the Irish EU Presidency, with a particular emphasis on looking at the role of the European Investment Bank (EIB).
22. The indicative timeframe for this second report is:
 - December/January: evidence gathering phase, including meetings in Brussels, Luxembourg and Wales, and a stakeholder consultation at the CoR
 - 4 February: draft report to CoR for translation
 - 6 March: first stage in adoption, consideration of report at Temporary Budget Commission meeting
 - 11-12 April: second stage in adoption, consideration of report at CoR plenary session in Brussels
23. During the evidence phase Rhodri has met with the EIB, European Commission (DG Regional Policy, DG Economic and Financial Affairs, DG Agriculture/Gwilym Jones from the Cabinet), the European Association of Public Banks, a range of EU networks, Welsh Government, Welsh MEPs, WLGA, Welsh HE, plus other stakeholders.

24. The draft report is likely to focus on examples of best practice, as well as examples of what not to do, identify some of the elements that contribute towards successful projects, some of the bottlenecks and challenges involved in matching public objectives with private sector goals. It will look in particular at the role that EIB funding has to play in this, the types of schemes available through the structural funds and other mainstream EU programmes, and how these are being developed further for 2014–2020.
25. A copy of the draft report will be sent to the Committee for information and Rhodri would be happy to provide a further update once the report has been through the formal adoption process in the CoR described above.

Coverage and follow up

26. The Committee of the Regions, Irish EU Presidency and European Parliament are co-organising a high level EU conference to be held in the European Parliament in Brussels at the end of May, and Rhodri will be invited to speak at this conference about his work on the two reports, and the key conclusions.
27. There are likely to be other follow up events and conferences in Brussels and elsewhere in the EU – based on the experience from Christine Chapman’s two CoR opinions, where Rhodri will be asked to speak. This will mean high profile for the National Assembly for Wales and for Welsh issues on the EU agenda.
28. Within Wales Rhodri wrote an article for the Institute of Welsh Affairs (Click On Line web-site) in November, which was published in the build up to the failed ‘EU extraordinary summit’ on the MFF proposals 2014–2020, and there has been further media interest ahead of the plenary session of 31 January.

Presentation of the draft reports in Welsh

29. Rhodri will make history when he presents his report in Welsh at the CoR on 31 January, the first occasion that a CoR opinion will be presented in Welsh at a plenary session in accordance with the signed between the CoR and UK Government in November 2008 (at the initiative of the Welsh Government). Former AM Nerys Evans marked that occasion in 2008 with a speech in Welsh to the CoR plenary held in the European Parliament, and Rhodri will be the first AM (or UK politician) to make use of the agreement in formal plenary business.
30. Rhodri intends to make use of this provision for his second report, when this is presented to the April CoR plenary.

**Rhodri Glyn Thomas AM
Committee of the Regions alternate member
18 January 2013**



Committee of the Regions

BUDG-V-004

99th plenary session, 31 January–1 February 2013

**DRAFT OPINION
of the
Committee of the Regions**

**CREATING GREATER SYNERGIES BETWEEN EU, NATIONAL AND
SUBNATIONAL BUDGETS**

Rapporteur: **Rhodri Glyn Thomas (UK/EA)**
Member of the National Assembly for Wales

FIN(4) 02-13 Paper 1

Deadline for tabling amendments:

Midnight on Thursday, 17 January 2013 (Brussels time) to be submitted through the new online tool for tabling amendments (available on the Members' Portal: www.cor.europa.eu/members).

Number of signatures required: 6

Reference document

I. POLICY RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS

Introduction

1. underlines that local and regional authorities are responsible for a substantial share of public expenditure in Europe: in 2011 subnational public sector expenditure accounted for 16.7% of GDP and 34% of all public spending in Europe (11.9% (EUR 272.2 billion) and 24.3%, respectively, for the local public sector alone), whilst also accounting for around two thirds of direct investments during 2011 in Europe¹;
2. notes that subnational public investments tend to be concentrated in a number of key priority sectors that are critical for the success of the Europe 2020 strategy such as economic affairs, education, environment, housing and community amenities, meaning the impact of austerity measures (26% in the UK, over 30% in Spain will have knock-on effects to delivering Europe 2020 goals (for example the capital investment budget has been cut by 42% in Wales);
3. subsequently calls for a stronger political priority to be given to creating synergies between EU, Member State and sub-State (local and regional authority) budgets focused on delivering agreed EU priorities, in particular the Europe 2020 strategy, reiterating the findings of the 2010 European Parliament study into which found that "... the overall synergy between strategic EU policy objectives and budgetary policies is weak ... national budgets seldom refer to their contribution to achieving the objectives of the Lisbon [*Europe 2020*] or other EU strategies ..."²;
4. underlines that, in the context of the ongoing crisis, the prevalence of austerity cuts at Member State and sub-State level and enormous pressure these places on public expenditure, makes improving "effectiveness and efficiency" an important political objective;
5. stresses that the "synergies" discussions should in no way be used as a "trojan horse" justification for cutting the proposed Multiannual Financial Framework (MFF) for, nor should it be used as an excuse to "renationalise" the financing of elements of the EU budget (for example, the Structural Funds in so-called "richer" Member States) or to legitimate macro-economic conditionality;

¹ Dexia Crédit local and CEMR (2012), Subnational public finance in the European Union, July 2012.

² European Parliament (2010): Creating greater synergy between European and national budgets (Prepared by Deloitte Consulting at the request of the Committee on Budgets). Quote taken from page 4, Executive Summary.

Synergies between the EU budget and local/regional budgets

6. reiterates that the EU budget represents a small share (around 2%) of the overall public expenditure within the EU and in itself is not enough to deliver the EUR 1 800 billion of future-oriented direct investments required by the flagships under Europe 2020 (as identified in the European Parliament's report on the MFF proposals); this means that achieving the overarching objectives of the Europe 2020 strategy requires effective mobilisation of public and private finances at Member State and sub-state level, including through loan finance and promoting public-private partnerships;
7. notes that despite its relatively small scale, the EU Budget and the European Investment Bank (EIB) have a key leverage role to play in stimulating investments across the EU territory, in particular (though not exclusively) through the "Common Strategic Framework" (CSF) Funds that are delivered and implemented at the territorial level (in many cases by local and regional authorities), and which generate an important "multiplier" effect on the economy;
8. highlights that during the economic crisis EU funding, in particular from the CSF Funds, has provided stable and secure finance to local and regional authorities, and in many cases has been "the only money in town" to support public investments and key initiatives, where local, regional and national budgets have been slashed; and stresses the potential negative impact of the proposed macro-economic conditionalities on the perceived stability of CSF funding;
9. underlines the leverage and multiplier-effect that such investments have in terms of direct and indirect benefits to the local and wider economy:
 - European Commission estimates that for 2000-2006 programming period EU Structural Funds had an average leverage-effect of EUR 2.1 for every EUR 1 of EU money contributed;
 - for 2014-2020 the European Commission has set a target of EUR 4.2 per EUR 1 invested through the Cohesion Policy;
 - DG Regional Policy estimates the "multiplier" effect through GDP gains for 2007-2013 will be 1% in Spain, 3% in Poland, Slovakia and Romania, and over 5% in the Baltic States;
 - other estimates put the GDP gain at around 8.5% for Ireland and 19.6% for Spain for the period 1999-2010, although the impact of the crisis will bring these figures down. It should also be noted that there are methodological difficulties in calculating multiplier effects;
10. reiterates that the leverage effects of the CSF Funds are not just financial, but are also seen through a "policy" leverage, through alignment of local and regional strategic priorities around EU level priorities, and other benefits such as strengthening partnership and engaging in trans-national cooperation activities, with a plethora of examples of good practice across Europe;

11. recognises, however, that the low absorption rates in some parts of Europe are evidence of "bottlenecks" in the implementation of the Cohesion and Structural Funds on the ground. Notes in particular the weaknesses identified by a recent OECD study³ in terms of administrative arrangements, capacity and regulatory frameworks in some Member States and sub-State authorities, and the need for interventions to address these;
12. welcomes the efforts being taken by the European Commission to streamline and simplify the rules for managing, implementing and reporting on projects supported by the CSF funds, which should have some help on absorption rates. Recognises the need to strike a balance between effective controls and sufficient flexibility to remove unnecessary regulatory burdens, and welcomes, therefore, moves towards more risk-based approach to audit;
13. calls for greater transparency in local and regional budgetary processes to recognise explicitly the contribution that CSF funds make to the investment strategies of the region, and demonstrate in draft annual budgets how EU funding is planned into the budgetary cycle. Calls for local and regional authorities to submit examples of good practice of this sort of approach in budgetary planning;
14. highlights concerns from local authorities across the EU about the role Member State (and regional) governments can have, in preventing full use to be made of legal instruments within the Structural Funds regulations that allow for sub-delegation of parts of programme delivery and implementation; calls for this to be redressed in the 2014-2020 programmes, to optimise use of the new instruments (such as Integrated Territorial Investments, Integrated Operations, Joint Action Plans, and Community-Led Local Development) foreseen in the CSF Funds' draft Common Provisions Regulation;
15. welcomes in this respect the own-initiative report by Derek Vaughan MEP for the European Parliament's REGI Committee, on synergies within the EU budget, which focuses in particular on the CSF Funds. Notes with interest the examples of initiatives on the ground that aim to simplify the implementation of funding programmes to beneficiaries;
16. strongly supports the call made by the European Parliament on the Commission in its resolution on "European Semester for economic policy coordination: implementation of 2012 priorities" to "fully address", in its next Annual Growth Survey, "the role of the EU budget in the European Semester process by providing factual and concrete data on its triggering, catalytic, synergetic and complementary effects on overall public expenditure at local, regional and national levels";

³ *Regulatory Capacities at Sub-National Level for the Implementation of Public Investment Strategies related to the Absorption of EU Structural Funds* by Allio-Rodrigo Consulting for the OECD, June 2012.

17. welcomes further discussion about the scope within the EU legislative framework to streamline and simplify implementation of programmes on the ground, focusing energies on supporting projects and initiatives that deliver "transformational change". This could include looking at scope for creation of "single territorial investment fund" (bringing together the various EU, Member State and sub-State funds) or creating a "one stop shop" for accessing funds with harmonised rules, comprehensive and clear guidance, and more emphasis placed on achieving sustainable outcomes leading to funds reaching the end user sooner and more strategic delivery on the ground. Such joined-up programming and delivery across all the funds will lead to improved coordination and reduced duplication;
18. argues that a discussion on synergies between EU, Member State and sub-State budgets, must also cover synergies within the EU budget, including thematic programmes such as Horizon 2020, Erasmus for All, the Programme for Social Change and Innovation (PSCI), the Connecting Europe Facility (CEF), COSME etc., which have direct relevance and impact at the "territorial level" and have clear read across to priorities such as R&D and innovation, education and training, and SME competitiveness within the CSF Funds;
19. welcomes, therefore, the efforts undertaken to improve the legislative framework for 2014-2020 to encourage synergies, for example, including Article 55.8 of the CSF Funds Regulation, and calls for wide publicity of projects/initiatives that are developed making use of these new provisions, in order to promote awareness of how such synergies can be achieved in practice;
20. regrets that the current debate around strengthening economic, monetary and political union in the Economic and Monetary Union (EMU) and wider EU, is limited to the main EU institutions and Member State governments, with little or no consideration given to the sub-State level, despite the impact stronger centralisation of controls at EU level could have on the budgetary rights and responsibilities at sub-State level and fiscal decentralisation;
21. regrets also the continuing failure, as evidenced in the Committee of the Regions 3rd Monitoring Report on Europe 2020 published in October, to effectively engage local and regional authorities across the EU in a meaningful way in the European Semester, and reiterates that synergies between budgetary processes cannot be achieved without synergies within the policy-making and monitoring process;

Towards a fiscal union: a changing economic and political governance

22. welcomes the ongoing debates at European level on how to complement the existing Economic and Monetary Union (EMU) by a "genuine" fiscal union;
23. notes that this is an evolving discussion, and could have significant implications on how questions of synergies between EU, Member State and sub-State budgets are addressed in the future;

24. expresses concern that there is a drive towards greater centralisation of powers and decision-making without effective engagement of sub-State authorities in this discussion, and notes that the European Commission's 2012 Report on Public Finances in EMU highlights the soundness of a fiscal federalist model that devolves revenue-raising as well as expenditure responsibilities to sub-State authorities;
25. observes that the changes to the EU's economic governance (introduced through the European Semester, the Six-Pack, the Treaty on Stability, Coordination and Governance, and the Two-Pack proposals) have resulted in the development of stricter rules to oversee local and regional public finances at Member State level (through transposition of the so-called "golden rule" from the Member State level to the sub-State level in several Member States);
26. raises concerns that the transposition of rules included in intergovernmental initiatives such as the Treaty on Stability, Coordination and Governance (or Fiscal Compact) into national constitutions or law were done without any proper prior consultation of the Committee of the Regions on the regional and local dimension of the issues at stake, and underlines the importance to stick to the community method in further steps towards a Fiscal Union;
27. calls for, as a matter of some urgency, a more transparent and effective engagement of sub-State authorities with budgetary powers in the ongoing discussions on these issues, as well as for a formal involvement of the Committee of the Regions in the possible subsequent Treaty changes;
28. notes a complete difference of approach between the history of US fiscal federalism and the first steps towards an EU fiscal union. The USA indeed chose a path whereby the federal government neither mandates nor enforces balanced budget rules for the States (as well as State authorities vis-à-vis municipalities): these rules were adopted autonomously by them and implemented independently from the federal government following a clear "no bail out" rule spelled out by the latter. The result is a complete ownership by the level of government concerned given the endogenous aspect of the process. On the contrary, in the EU debt brakes are mandated centrally and enforced by the Court of Justice, whilst the scenario of a Member State (or even municipality within a Member State) going bankrupt seems a priori excluded;
29. considers therefore that the principle of solidarity is at the core of EU's fiscal union;
30. supports the idea of a "flexibility reserve" within the EU budget, that would enable "underspends" under budget headings to be transferred to support other actions rather than automatically being returned to Member States, which is in line with the resolutions adopted by the European Parliament on the MFF in 13 June and 23 October 2012. Such an instrument could provide for greater flexibility in the EU budget to respond to immediate challenges, and could also be used as the basis for a new mechanism for fiscal solidarity as part of the fiscal union;

31. notes however that there cannot be any genuine fiscal union without a definition of the rights and responsibilities of the different levels of government (fiscal federalism), a more explicit link between policy alignment and budgetary decision-making, and an ambitious vision on how to enhance vertical synergies between EU, national and local/regional budgets through proper coordination mechanisms;
32. calls on the European Commission to publish a Green Paper during the first half of 2013 addressing these issues and the further points raised below;

Outlining some basic principles to be respected in working towards greater synergies

33. calls for a basic set of principles to be established and respected in working towards greater budgetary synergies, including:
 - **fiscal autonomy**: being clear about the roles and responsibilities of the different budgetary authorities at EU, Member State and sub-State level, including being clear about the role and rationale for EU policy and funding intervention, respecting subsidiarity and the budgetary rights of local and regional authorities (their role in decision making and scrutiny), i.e. their democratic accountability to the communities that elect them, and ensuring the autonomy of each level of governance in determining priorities and spending;
 - **transparency**: ensuring transparency in budgetary processes at all levels of governance (including identifying sources of EU funding explicitly within national and sub-State budgets), as well as ensuring availability of data at EU level on spending profiles of EU funding programmes at regional level (where this is possible);
 - **streamlining of processes**: clarifying how priorities and funding are aligned at EU, Member State and sub-State level towards agreed EU level priorities, making a commitment to work towards overcoming "bottlenecks" (administrative, regulatory, and political streamlining) to achieving greater synergies in budgets/policies, and avoiding the creation of additional administrative burdens;
 - **partnership**: making a commitment to a "partnership based" approach, starting from the premise of equal partnership between different levels of governance (EU, Member State, sub-State), and supported by formal and informal mechanisms that encourage cooperation, including for example extension of the existing dialogue between the European Parliament and Member State Parliaments to include representatives from sub-State legislatures;
34. understands the role of the EU Budget (at present) as being primarily: (i) to finance the core common EU policies, such as agriculture and fisheries (ii) to help support other agreed EU policy objectives and goals under shared competences with Member States, through investments focused on the medium-long term. Such interventions are furthermore underpinned on the basis of established notions of (a) added value of EU intervention,

(b) additionality in the actions supported, (c) and the leverage and multiplier effects from EU intervention;

35. welcomes further discussions and clarification, within the context of developments in the debates on strengthening economic, monetary and fiscal union, of the potential implications such developments may have on the role and rationale for EU interventions, and their relationship with Member State and sub-State budgetary processes;
36. believes that a greater vertical coordination of budgetary policies would lead to greater synergies, where it respects and strengthens subsidiarity, additionality, European value added and the advantages of economies of scale⁴. As such it is therefore totally compatible with the subsidiarity principle enshrined in the EU treaties;

Bottlenecks to achieving greater vertical synergies

37. underlines the importance of having accurate and reliable data and analysis available at the EU level on public finances and budgetary processes down to the sub-Member State level;
38. notes the complexity of the challenge in generating synergies due to the "heterogeneity" of sub-State structures across the EU;
39. welcomes the inclusion in the European Commission's 2012 Report on Public Finances in the EMU of a dedicated chapter on Fiscal Decentralisation in the EU for the first time, and calls on the European Commission to include such a chapter on the state of sub-State public finances in further annual releases of this report;
40. welcomes other research studies looking at public finances and public investment capacity, and the impact of the social, economic and fiscal crisis at sub-State level, in particular the DEXIA Crédit Local (DCL)/CEMR report and the studies by the OECD;
41. notes, however, the relative paucity of information on local and regional public finances across the EU, and more generally the paucity of information on synergies between EU, Member State and sub-State finances;
42. calls on the European Commission to undertake further work to address this shortfall and suggests the creation of a European research network of universities, to develop a specialist expertise in this important area of work;
43. recognises that there are a number of other bottlenecks with regard to the budgetary procedures and cycles within the EU, which are exacerbated by the "heterogeneity" of sub-State budgetary processes. Budgetary cycles with Member States and sub-State are not

⁴ European Parliament study (2010): Creating greater synergy between European and national budgets.

harmonised with the EU budgetary cycle (which operates on calendar years), and local and regional budgeting is furthermore based predominantly on annual cycles rather than multiannual planning (which characterises the EU budgetary framework);

44. calls on the European Commission to consider the merits and practicalities (as well as potential administrative challenges/costs) of moving towards greater harmonisation of budgetary cycles within the EU, and promoting and encouraging use of medium-term budgetary frameworks (MTBF) at sub-State level (in line with measures introduced in the "six pack"), including clarification on how this could work within the annual European Semester cycles;
45. notes the ongoing negotiations on the proposals for a European system of national and regional accounts in the EU (COM(2010) 774 final) and regrets the lack of comparability (in terms of the structures, readability and content) of local and regional budgets across the EU as well as the lack of harmonisation at EU level, which makes it difficult to undertake meaningful comparisons and analysis;
46. notes that Article 3 of Directive 2011/85/EU (part of the "six pack") mandates MS to implement the ESA 95 standard to their national systems of public accounting and "ensure timely and regular public availability of fiscal data for all sub-sectors of general government"; seeks clarification as to whether the local/regional dimension of EU investment policy and/or the financial impact on sub-State authorities (e.g. data collection costs) have been sufficiently taken into account in this context;
47. highlights the need for possible improvements of the ESA 95 standard for local and regional authorities regarding the issue of borrowing costs. The ESA 95 accounting method indeed treats financial operations (and thus borrowing) differently and penalises local and regional authorities that wish to carry out investments in their efforts to balance their budgets. Under the ESA 95 framework, only the operations of the financial year in question are considered, which does not allow local and regional authorities to offset a temporary deficit linked to investment by using reserves or surplus brought forward. In order to achieve equivalent results within their accounting framework, these local and regional authorities would have to finance their investments in full using their own funds;
48. notes that Member States which have formally integrated local and regional authorities into the budgetary process (internal stability pact, e.g. in Belgium, Spain or Austria) have generally provided for mechanisms which make the ESA 95 standards more flexible so that they still have scope for investment. These can take the form, for example, of a multiannual adjustment of budgetary objectives or systems for partial exemptions from the investment expenditure objective in order to take account of the investment cycle;

49. calls therefore for this issue to be resolved at EU level by harmonisation of rules to make the ESA 95 standards more flexible to enable local and regional authorities to undertake investments in this way;
50. calls for greater use to be made of new innovative financing mechanisms, such as loans and other "revolving funds", and notes also the opportunities presented by public private partnerships, and the EIB to stimulate creative and innovative investments at the territorial level, and welcomes measures within the 2014-2020 programming period, including the CSF Funds, that promote these activities further;
51. notes that access to financial markets varies widely across the EU and is not very well developed in certain parts of Europe for local and regional authorities, therefore this needs to be addressed at EU level;
52. looks forward to further discussions about the potential for other innovative instruments at EU level to stimulate investment and support solidarity to help move Europe out of crisis, including EU Project Bonds and Eurobonds.

Brussels,

II. PROCEDURE

Title	Creating Synergies Between EU, National and Subnational Budgets
Legal basis	Art. 307 (4) TFEU
Procedural basis	Rule 42 of Rules of Procedure
Date of Bureau decision	17 July 2012
Commission responsible	Temporary Ad-hoc Commission on the EU Budget
Rapporteur	Rhodri Glyn Thomas (UK/EA) Member of the National Assembly for Wales
Analysis	5 October 2012
Discussed in commission	28 November 2012
Date adopted by commission	28 November 2012
Result of the vote in commission	Majority
Date adopted in plenary	Foreseen on 31 January or 1 February 2013
Previous Committee opinions	<ul style="list-style-type: none">– CoR Resolution on its Political Priorities for 2013, CdR 1031/2012 fin– CoR Resolution on the Spring European Council and on the Prospective Treaty on Stability, Coordination and Governance in the EMU, CdR 42/2012 fin– CoR Opinion on Building a European Culture of Multilevel Governance, CdR 273/2012 fin– CoR Resolution on its Political Priorities for 2012, CdR 361/2011 fin– CoR Opinion on the Complementarity of National and EU Interventions Aimed at Reducing the Disparities in Economic and Social Growth, CdR 167/2011 fin– CoR Opinion on the Role of Local and Regional Authorities in Achieving the Objectives of the Europe 2020 Strategy, CdR 72/2011 fin



Llywodraeth Cymru
Welsh Government

Jocelyn Davies AM
Chair –Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Parc Cathays / Cathays Park
Caerdydd / Cardiff
CF10 3NQ

Ein cyf / Our ref
Dyddiad / Date 26 February 2013

Dear Jocelyn,

**NAW Finance Committee –Asset Management Inquiry
Evidence Hearing – 30th January 2013**

I refer to your letter dated 04 February 2013 in which you requested further information relating to your Inquiry into Asset Management.

I have set out below my responses to the various points raised.

- **Number of public buildings which may also be used as accommodation**

The information requested is not currently available. No specific residential accommodation has been recorded on ePIMS.

- **We would welcome the opportunity to demonstrate the system and its use as a strategic asset management tool to the Committee.**

A date is to be established where Sioned Evans, Deputy Director, Property Division and Richard Baker, Head of Estates, Property Division will give the requested demonstration.

- **NAWG Pilot Projects - Further information on the 9 Pilot projects and how they were selected/Progress/support provided by the Working Group**

Included in the NAWG work programme is the action to ‘support Estates pilot projects aimed at accelerating activities at three levels: corporate asset rationalisation; local area collaboration and opportunities from the use of surplus assets’. Potential to promote I2S funding was one mechanism identified to support such work, which in many cases would have fallen below the I2S threshold. Following a sector wide invitation for expressions of interest, 32 proposals were received.

These projects were assessed by NAWG against criteria commensurate with I2S requirements to demonstrate potential for collaboration, cost savings, innovation and best practice and improvement to service delivery. The 9 projects initially endorsed by NAWG are detailed below -:

Authority	Project
Blaenau Gwent Asset Review	Implementation of a new BGBC strategic asset plan, including development of a single area integrated asset plan and development of a more effective regeneration plan utilising surplus assets. I2S funding approved - £82k
Cardiff LSB Asset Review and e-PIMS Implementation	Development of a single area integrated assets plan, involving prudent lotting of surplus assets across the whole public estate commencing with Canton Pilot. I2S funding approved – £34k
Carmarthen County Council	Local Asset Review. Implementation of e-PIMS and single area assets plan. No I2S bid received.
EA/CCW/FC Pan Wales co-location	Development of a single organisation corporate assets plan in advance of new roles. No I2S bid submitted. Ambition changed/on hold following Ministerial announcement on the formation of a single environment body. Property Division are working with NRW to determine property options.
Torfaen County Council Relocation	Implementation of TCC approved move to Pontypool, £15m repair liability savings. No I2S bid submitted.
Carmarthenshire County Council – Llandovery Joint Service Centre	Development of single area asset plan, releasing surplus uses to new activity. No I2S bid submitted.
Bridgend County Borough Council and South Wales Police	Joint Vehicle Maintenance Service Project. I2S Funding approved - £30k. Not taken up.
Bridgend County Borough Council Waterton Framework Master Planning	Waterton Framework Master Planning. Development of integrated single site regeneration plan (public and private assets). No I2S bid received.
Flintshire Single Community Service	Development of local area single asset plan, releasing surplus assets to new activity. No I2S bid received.

Whilst the I2S funding was accessed by a few the projects, others found alternative solutions to achieve a positive way forward without the need to draw upon the I2S support.

In order to ensure that the opportunity to utilise the funding was taken up, two further projects were identified -:

Authority	Project
Cardiff and Vale UHB	UHB Estate Strategy and Space Utilisation Study to explore collaborative solutions, integrated facilities and operational savings. I2S funding approved - £41k
Powys County Council	Brecon Town Regeneration and Asset Review I2S funding approved - £30k

The current progress in respect of the 4 live pilot projects is as follows -:

Cardiff LSB Asset Review and e-PIMS Implementation – Review complete. Potential opportunities identified to generate capital receipts of some £174 million from surplus property and create a running cost saving of at least £7.25 million per annum from non specialist property through a rationalisation of the Administrative Estate. The LSB is seeking to integrate these opportunities alongside their Neighbourhood Management plans.

Cardiff and Vale UHB Estate: UHB Estate Strategy and Space Utilisation Study – Review has been completed and the draft report is currently being considered by the Health Board.

Blaenau Gwent Asset Review – There has been some delay to the progress on the review due to a reorganisation. A stakeholder engagement workshop was held at the beginning of January 2013 with a view to establishing buy-in and agree membership of partner organisations. The review will commence shortly.

Powys County Council: Brecon Town Regeneration and Asset Review – The review has been completed and Powys has an ambitious project to deliver major new facilities in Brecon, consolidate its staff, collaborate with partners and rationalise its properties through development of a Local Asset Backed Vehicle (LABV).

A further bid has since been submitted by Powys Council for additional I2S funding. The initial phase of the LABV is focused on Brecon generating future capital receipts to facilitate the £8M Museum / Library Project that will act as a cultural hub - designed to allow the addition of the PCC Archives, The Military Museum etc. This cultural hub will act as a significant tourism attraction, creating construction jobs and forming a sustainable future for Brecon. By utilising a LABV a potential £7.0m of receipts to Powys CC can be achieved; with high levels of inward investment to follow with employment value to the local economy over 10 years of between £77m to £133m.

This will be the first LABV established in Wales and the NAWG will ensure that the lessons are shared across the wider public sector.

During the summer, the NAWG will contact the original pilot projects that have not sought support to see if there is anything further required and if not, to move them on so that new projects can be identified.

More generally, the NAWG continues to support and monitor projects through the provision of advice on project arrangements and governance, establishing and maintaining stakeholder engagement, ensuring that lessons are captured and that best practice is shared across the wider public sector,

- **PSLG response to PAC Report -A note on how the PSLG is addressing the recommendation made by the Public Accounts Committee in its report 'A Picture of Public Services' to identify and promote examples of good practice from the emergency services to deliver services within budget, make good use of collaboration, and deliver transformational change.**

The Police and Fire & Rescue Services are strongly engaged in the national work programmes and the regional leadership networks of the Public Service Leadership Group and through the Partnership Council for Wales. Their participation is essential to encourage learning across the public service but also to ensure they contribute when redesigning and integrating services to better meet people's needs.

To provide an example of this collaborative approach, as part of the Effective Services for Vulnerable Groups national programme Gwent Police have championed a multi-agency project to establish a better way of responding to children and young people who repeatedly go missing. If the pilot of a multi-agency safeguarding hub (the "HUB") in Gwent is successful the new approach will be considered for roll out to other parts of Wales and to other areas of Safeguarding and Public Protection.

Furthermore, the police are also using their experiences to play a leading role on the regionalisation of, and development of a multi-agency approach for, emergency planning services across Wales. The benefits and efficiencies realised by South Wales Police through the application of lean / systems thinking are a particular example that others across public services can and should learn from. To this end, South Wales Police shared these experiences at a pan-public service 'Lean Practitioners' network event in April 2012 arranged as part of the work under the PSLG's Organisational Development and Simpson Implementation work programme. Further events are planned for 2013.

- **Further information on future forecasts of the number of properties in the Welsh Government's administrative estate.**

As at 31 January 2013, there were a total of 38 offices on the administrative estate (plus 8 specialist sites). This compares to a total of 65 offices and 10 specialist sites in April 2010. The estate will continue to reduce in size, and improve in quality, and current plans will see the estate reduce down to a total of 34 offices (plus 8 specialist properties) by April 2013, with further mapped estate rationalisation through to 2015 - as detailed within the original evidence paper.

- **e-PIMS -The Committee would be grateful for a note on the proportion of the public sector in Wales which is signed up to and utilising ePIMS, how to access ePIMS, and who can do so.**

Statistics identifying the total number of property holdings held by the entire public sector in Wales are not held centrally. It is therefore not possible to provide an absolute proportion of properties held compared to those registered on e-PIMS. However, we can provide information by sector based on our engagement.

e-PIMS currently contains circa 15,000 entries for assets held by the public sector in Wales. All assets held in the name of Welsh Ministers are included along with Welsh Government sponsored bodies. All UK central Government property is included as the UK Government mandates departments to hold data on e-PIMS. NHS Wales's assets are captured and the system is used by NHS Wales Shared Services Partnership – Facilities Services (formerly Welsh Health Estates) as their principal estate management database. Similarly, the emergency services sectors are included covering Police, Fire & Rescue along with the Ambulance trust. At Annex 1 is a figure showing percentage of property recorded by sector.

All 22 Unitary Authorities are signed up to use e-PIMS. Ceredigion and Caerphilly are the only authorities yet to add any property information on the database.

Annex 2 provides a departmental/organisational summary of the number of holdings recorded on e-PIMS.

e-PIMS is a web based system available to registered users through the internet. The system is password protected with each user provided with a personalised user ID. There are no plans to give unrestricted access to non registered users or members of the public. Controlled wider access to the meeting room platform can be made available through a public sector organisation's own internal web (INTRANET).

Organisations that require staff to have access are requested to enter into a user agreement with Welsh Government which mirrors that in place between WG and UK Cabinet Office. Once signed, there is no restriction on the number of users within that organisation that can have access to e-PIMS.

Access is generally set at one of two levels, view only (users can view all e-PIMS "lite" data across Wales) or amend rights - where registered users can make changes to property data within their organisation.

The UK Government has recently extended the **FindMeSomeGovernmentSpace** (FMSGs) portal to include a stand alone platform for government properties which are "TO LET" or "FOR SALE" which is open to the public to view. While this portal runs alongside ePIMS, it is accessible without having to register to ePIMS.

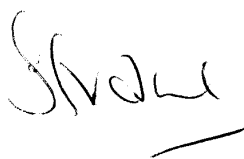
- **Land Transfer Protocol and Standardised documents -In your evidence, you stated that the updated protocol and standard documentation would be completed by April/May 2013. We would be grateful if you could provide the Committee with an update on this, with regard to changes in the protocol - specifically in relation to the financial hurdles that you raised in proceedings**
- Questionnaires have recently been issued to all those organisations that have used the Land Transfer Protocol, seeking their feedback on the protocol and inviting suggestions for improvements to the process. We are still analysing the responses and emerging comments indicate that the protocol has, so far, worked well. Comments received acknowledge that this earlier engagement between parties is beneficial, especially when there is clear advice for participants to share their

emerging property strategies and service plans. Conversely, it is recognized that complex valuations may require further investigation before terms can be agreed between the parties and that supplementing the Land Transfer Protocol with some standard documentation will assist in respect of co-location agreements.

Once our analysis is complete, the intention is to reflect suggestions in a revised protocol and issue new guidance. This will be disseminated across the wider public sector through the NAWG within the timescales previously indicated.

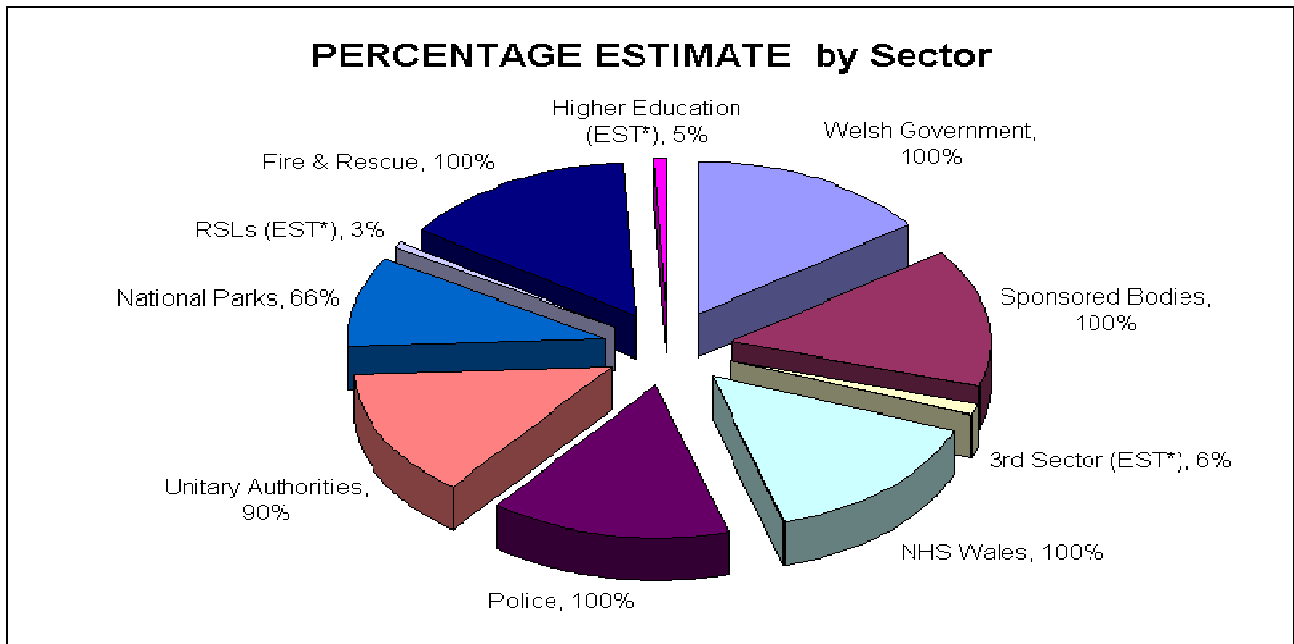
I hope that this additional evidence answers any queries you may have.

Yours sincerely,



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Sioned Evans
Deputy Director PPCS
Head of Property Division
Email: sioned.evans@wales.gsi.gov.uk

DATA CAPTURE



- Percentage based on number of organisations within that sector who have recorded data on ePIMS.
- The percentage for RSLs, Third Sector and Education can only be considered approximate estimates at this time.

Number of holdings recorded on ePIMS per Department/Organisation

Property Centre Name	Num Holdings
DYFED-POWYS POLICE	85
GWENT POLICE	76
MID & WEST WALES FIRE & RESCUE	76
NORTH WALES FIRE & RESCUE	48
NORTH WALES POLICE	78
SOUTH WALES FIRE & RESCUE	53
SOUTH WALES POLICE	117
	533

Property Centre Name	Num Holdings
ABERTAWE BRO MORGANNWG UNIVERSITY HB	136
ANEURIN BEVAN HB	90
BETSI CADWALADAR UNIVERSITY HB	167
CARDIFF & VALE HB	86
CWM TAF HB	39
HYWEL DDA HB	83
POWYS TEACHING HB	71
PUBLIC HEALTH WALES	27
VELINDRE TRUST	41
WELSH AMBULANCE SERVICE	112
WELSH HEALTH COMMUNITY COUNCILS	17
	869

Property Centre Name	Num Holdings
BANGOR UNIVERSITY	22
CARDIFF UNIVERSITY	264
COLEG MORGANNWG	1
PEMBROKESHIRE COLLEGE	1
UNIVERSITY OF GLAMORGAN	4

CARDIFF METROPOLITAN UNIVERSITY	55
	347

Property Centre Name	Num Holdings
ANGLESEY COUNTY COUNCIL	1146
BLAENAU GWENT COUNTY BOROUGH COUNCIL	429
BRECON BEACONS NATIONAL PARK	0
BRIDGEND COUNTY BOROUGH COUNCIL	966
CAERPHILLY COUNTY BOROUGH COUNCIL	1
CARDIFF CITY AND COUNTY COUNCIL	1074
CARMARTHENSHIRE COUNTY COUNCIL	1166
CEREDIGION COUNTY COUNCIL	3
CITY & COUNTY OF SWANSEA	596
CONWY COUNTY BOROUGH COUNCIL	892
DENBIGHSHIRE COUNTY COUNCIL	472
FLINTSHIRE COUNTY COUNCIL	473
GWYNEDD COUNTY COUNCIL	1075
MERTHYR TYDFIL COUNTY BOROUGH COUNCIL	715
MONMOUTHSHIRE COUNCIL	391
NEATH PORT TALBOT COUNTY BOROUGH COUNCIL	398
NEWPORT CITY COUNCIL	292
PEMBROKESHIRE COAST NATIONAL PARK	74
PEMBROKESHIRE COUNTY COUNCIL	184
POWYS COUNTY COUNCIL	256
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL	544
SNOWDONIA NATIONAL PARK	92
TORFAEN COUNTY BOROUGH COUNCIL	507
VALE OF GLAMORGAN COUNCIL	396
WREXHAM COUNTY BOROUGH COUNCIL	293
	12435

Property Centre Name	Num Holdings
WGSB - CONSTRUCTING EXCELLENCE WALES	1
WG - CADW	83
WG - ROYAL COMMISSION FOR HISTORIC MONUMENTS WALES	1
WG - CORE ADMINISTRATIVE ESTATE	48
WG - ESTYN	1
WG - FORESTRY COMMISSION WALES	34
WG - HIGHER EDUCATION FUNDING COUNCIL WALES	1
WG - TRANSPORT WALES	126
WG - LOCAL GOVERNMENT FINANCE	2

WGSB - COUNTRYSIDE COUNCIL FOR WALES	9
WGSB - NATIONAL LIBRARY OF WALES	1
WGSB - ARTS COUNCIL FOR WALES	3
WGSB - CARE COUNCIL FOR WALES	3
WGSB - NATIONAL MUSEUM WALES	9
WGSB - SPORTS COUNCIL FOR WALES	3
WG - BUSINESS ENTERPRISE TECHNOLOGY & SCIENCE	252
WGSB - WALES CENTRE FOR HEALTH	1
WGSB - WELSH LANGUAGE COMMISSIONER	3
	581

Property Centre Name	Num Holdings
NAWC - NATIONAL ASSEMBLY FOR WALES COMMISSION	3
	3

Property Centre Name	Num Holdings
WG- Coastal housing	0
WG-RCT Homes	92
	92

Property Centre Name	Num Holdings
BRIDGEND AVO	1
GWENT AVO	0
GWYNEDD VOLUNTARY ORGANISATIONS	78
POWYS AVO	0
VOLUNTARY ACTION MERTHYR	1
SWANSEA COUNCIL FOR VOLUNTARY ACTION	0
	80

Town / Community Councils	Num Holdings
DYFFRYN CENNEN COMMUNITY COUNCIL	2
LLANGENNECH COMMUNITY COUNCIL	4
LLANSTEFFAN & LLANYBRI COMMUNITY COUNCIL	1
NEWCHURCH & MERTHYR COMMUNITY COUNCIL	5
PEMBREY & BURRY PORT TOWN COUNCIL	6
	18

TOTAL.

14958

Agenda Item 5

FIN(4) 02-13 Paper 2

FINANCE COMMITTEE – INQUIRY INTO ASSET MANAGEMENT

Evidence from the Minister for Finance and Leader of the House

Introduction

1. This paper provides evidence to inform the Finance Committee's inquiry into Asset Management.
2. It is understood that the 'inquiry will adopt a cross -public sector approach under two main areas:
 - * Processes involved in the management of the Welsh Government's own estate; and
 - * Guidance, support and the promotion of good practice by the Welsh Government in relation to asset management across the wider Welsh public sector.'

Background

3. The route map to Asset Management Excellence was identified within the 2006 OGC report –'High Performing Property'. The report identified 4 key components to achieving excellence:

Leadership & Integration Benchmarking & Standards Skills & Capability Review & Challenge

4. Subsequent reports have highlighted similar themes and recommendations in respect of adopting best practice Asset Management e.g.
 - i) Northern Ireland Audit Office Report '*Property Asset Management In Central Government*' published in November 2012.
 - ii) National Audit Office report entitled '*Improving the Efficiency of Central Government Office Property*' published in March 2012.

Evidence

Welsh Government Administrative Estate

Welsh Government Location Strategy Programme (2010-15)

5. The current Cabinet approved Location Strategy Programme sets a clear vision and strategic plan for the Welsh Government Administrative Estate over the medium term and fully aligns with best practice Asset Management principles contained within the above referenced reports. The Location Strategy is projected to deliver gross aggregated savings of around £18

million over the 5 year period and an annual recurrent cost saving of circa £5.3 million (based on the 2010 baseline) from 2015, which equates to an approximate 30% reduction in the overall annual occupancy costs for the estate.

6. The administrative estate is managed against the objectives and targets set out within this Location Strategy Programme. The over-riding aim of the strategy is to provide a high quality, compliant and sustainable property infrastructure in the right place to support Welsh Government business and at a cost the organisation can afford. The Location Strategy is enabling the Welsh Government to consolidate its smaller workforce in fewer locations, generating the savings that will be required set against reduced budgets. Significant progress has been made to deliver a leaner, more efficient and sustainable estate.

7. Over the first two full years of the Location Strategy (2010-15), the number of properties¹ on the Estate has reduced from 75 (65 offices) to 52 (44 offices) with cumulative running cost savings of £ 4,898,704. At the end of the strategy period based on current projections and policies the administrative estate will comprise 21 properties (13 offices).

8. During the period of the strategy, the Administrative Property Strategy Group (APSG) provides a critical mechanism to shaping and reviewing against the Welsh Government's emerging business needs. The APSG acts both in an advisory role and as a clearing house for all new accommodation proposals. The process of channelling property aspirations via the APSG ensures consistency, policy alignment and best value. The Group meets once a month to consider strategic property issues and all new property proposals. The Group is chaired by the Head of Property Division and includes senior officials from all departments. The Group reviews and formally reports on its performance on an annual basis.

9. During 2011/12 a total of 12 papers were submitted to the Group for formal consideration by various Departments.

The Welsh Government 'State of the Estate Report'

10. This annual report publishes the performance of our administrative estate against key benchmarking indicators. To manage effectively we measure performance to ensure continual improvement.

11. The annual publication of the State of the Estate report is an example of the Welsh Government being transparent in the production of performance data and provides a basis for us to drive improvement. Our report is always well received. The Scotland and Northern Ireland Governments have and are using the Welsh Government approach as the template for their own reports.

¹ Properties refer to offices (including offices in London and Brussels) and storage/specialist facilities.

12. The 2011/12 report, (the 4th annual report²) published in November 2012, included the following positive efficiency gains from the previous reporting year -:

- A 5.58% reduction in the overall size of the Welsh Government estate;
- A reduction in the number of Welsh Government office locations across Wales, from 49 to 41³;
- A reduction of £973,869 (5.3%) in the overall annual occupancy cost from the previous year;
- Space efficiency improvement across the estate of 2.7%; and
- Exceeded targets for carbon reduction, cutting CO₂ emissions by 15%.

13. The effective management of the administrative estate over a number of years, aligned to best practice asset management principles, is delivering the following benefits:

- Accommodation that meets business needs;
- Increased efficiency in running costs demonstrated through benchmarking and the production of performance data;
- A smaller, more efficient estate that is fit for purpose;
- A significant contribution towards achieving the Welsh Government's Carbon reduction targets;
- Improvement in the utilisation of accommodation by adopting modern, flexible working practices;
- Improvement in the condition of properties through targeted capital investment; and
- Value for money for the taxpayer.

Advice to other Welsh Government Departments

14. Property Division – Estates (PPCS) provide professional advice and support across the Welsh Government, on all issues relating to land and property assets. A proportion of the advice is delivered to Departments via formal Service Level Agreements, which are regularly reviewed to ensure that performance meets client department' requirements e.g.

- Welsh European Funding Office (BETS) – undertake an independent assurance role on capital projects to provide assurance on 'value for money' and provide advice on compliance against European regulations to internal & external organisations.

Property Division also receives numerous ad-hoc requests for advice and assistance e.g.

² <http://wales.gov.uk/about/civilservice/facts/ourbuildings/estate20112012/?lang=en>

³ *The State of the Estate report only analyses the performance of offices located in Wales*

- Planning Division – In 2012 helped to remove a £4 million compensation claim risk liability.

Carbon Reduction

15. The Welsh Government is committed to achieve at least a 30% reduction in greenhouse gas emissions by 2020 (on a 2011 baseline) and to at least a 3% per annum reduction for its buildings and fixed infrastructure. The Welsh Government also participates in the UK Carbon Reduction Commitment Energy Efficiency (CRC) Scheme. This requires a corporate approach with the capture and reporting of energy consumption data covering the full range of Welsh Government activities. Each relevant department has developed and is implementing an action plan in response to their element. In the 1st annual CRC performance league table (for 2011-12), a creditable 320th place of the 2,091 participants was achieved. Second year figures are due to be reported in February 2013. Indications suggest a further move up the table can be anticipated.

16. The majority of the Welsh Government's direct carbon emissions are attributable to its administrative estate. A bespoke Carbon Management strategy and action plan for the administrative estate provides a blueprint for delivering carbon emissions reductions in line with the targets. Targets have been exceeded in the last year with emissions cut by a substantial 15%. These savings are a result of implementing the action plan and estate rationalisation (the latter accounting for around one third of the total). Our plans and associated investment are fully aligned with the wider Location Strategy and asset management plan and will continue to provide the basis for future savings.

Corporate Asset Management Plan

17. The Location Strategy for the Welsh Government administrative estate, as detailed above fully aligns with RICS Best Practice Guidance and with the Wales Audit Office Report 'Buildings Management National Briefing' published in June 2010. The Location Strategy, as developed, would form an integral part of any updated WG Corporate Asset Management Plan.

External Role

18. Under Public Service Leadership Group (PSLG), the National Assets Working Group (NAWG) continues to take forward a programme of work aimed at delivering on the agenda for collaborative asset management by identifying, supporting and encouraging innovation in the management of the public estate and its corresponding assets, which present opportunities for improved service delivery and realise significant efficiencies.

19. Collaboration is critical across the wider Welsh public sector estate in order to meet financial targets and service delivery aspirations. The drive for collaboration around the public sector asset base has three main strands:

- ◆ Collaboration around delivery of services;

- ◆ Collaboration around asset management; and
- ◆ Collaboration around policy development.

20. Public sector property plays a key role in delivering public services and can be used as a catalyst for service rationalisation. There is potential for public sector organisations to jointly improve the planning and operation of their property and aid service delivery across Wales generating more benefits and using fewer resources.

21. The aim of the NAW Group is to develop a structure to help ensure that the public estate, including land, is utilised to its maximum efficiency to support service delivery and value for money across a wide range of assets. Its objective is to work in collaboration with public sector bodies to influence and persuade in order to facilitate a change in the way in which public assets are procured, operated, shared and disposed.

22. Achievements of the National Assets Working Group so far include:

i) Establishment of an all Wales Public Sector Property Database

Our approach to strategic management of the public estate continues to be underpinned by the phased creation of an All Wales Public Sector Asset Register, through the use of the Electronic Property Information Mapping Service (ePIMS⁴). The database (ePIMS Lite) was developed by NAWG in collaboration with the Cabinet Office with a remit to enable high-level property information to be recorded by and accessible to (shared with) all public bodies in Wales. It is starting to achieve its potential to become the most transparent and accessible estates co-ordination tool for public bodies in Wales.

The database facilitates/enables users to:

- Spot efficiency opportunities and options for co-development, co-location, asset sharing and strategic asset rationalisation
- Interrogate the data to identify key assets, contacts and potential partners.

All of the above will ultimately save money, make better use of resources and reduce greenhouse gas emissions.

To date 14,815 Welsh Public Sector entries have been captured (15,663 including Central Government).

This approach is now being promoted and rolled out across Third Sector organisations in Wales. ePIMS Lite is now beginning to be adopted in

⁴ *e-PIMS is the central database of Government Central Civil Estate properties and land. e-PIMS records the precise location of property, along with the associated information such as, tenure details, size and usage.*

England to help to develop the collaborative approach to the use of assets and it is being extensively used by the Scottish Government.

ii) Surplus/Vacant Space

The ability to search and list current or future potential vacant property holdings is available through ePIMS. A more easily accessible vacant space/property register and monthly vacant space bulletin is also issued to those bodies formally registered on ePIMS. Organisations are encouraged to cross check any 'live' property requirements that they may have before searching the wider market for accommodation.

It is a recommendation of NAWG that when public sector organisations identify an asset as being surplus and/or vacant, they would initially alert the public sector of its availability via ePIMS, prior to wider private sector marketing.

There are already examples where putting properties on the vacant/surplus space register has resulted in inter public sector transfers and resulting efficiencies, financial savings and service delivery improvements:

- Former WG offices in Aberystwyth to HMCTS
- WG unit at Dafen, near Llanelli to Carmarthenshire CC

iii) Find Me Some Government Space (FMSGs)

FMSGs is a database of public sector meeting rooms and is a further tool developed through ePIMS. The NAWG in Wales initiated and led the development of this particular function. It was developed following representations from organisations within the Welsh public sector, where opportunities were identified for extending the use of ePIMS. Its aim is to enable the sharing and booking of meeting and conference rooms across the Welsh public sector, making better and more efficient use of public sector buildings and facilities across Wales and help reduce costs. FMSGs went live in November 2012.

iv) Land Transfer Protocol

The Land Transfer Protocol was developed by the NAWG as a best practice guide for the transfer or disposal of land between public bodies in Wales and has the following key features:

- Increase efficiency, reduce time and cost associated with the transfer, use and disposal of the public estate between public bodies in Wales
- Identify budgeting /accounting issues and barriers that could arise from such transfers – this work is ongoing.
- Detail the disposal powers and constraints of the various bodies.

Each public sector organisation determines when an asset is deemed surplus to requirements and could be subject to disposal. A link to the protocol is attached⁵.

This process has been approved by Welsh Government's Internal Audit because transactions are conducted at market value.

In excess of 30 instructions have been issued via the LTP with current direct savings in fees estimated at £100,000. This is purely a cost saving in respect of surveyor appointments and does not take into account the time saved by organisations in transferring/disposing of the asset i.e. should be a reduction time spent by officials in negotiating terms. A 'Lessons Learned' exercise has begun seeking feedback from those organisations that have used the Land Transfer Protocol. The intention is to improve the current process and also identify those areas where the protocol could be further developed.

23. Going forward the NAWG is also supporting the work of two specific projects -:

➤ **IT**

A work stream is in place to explore opportunities for the specification and development of a centrally procured, comprehensive asset management IT programme for use by all public sector organisations in Wales.

This work is examining the potential for savings and streamlining the range of different systems in use across the public sector to allow easier data transfer between organisations and to promote more transferable skills set for staff.

A potential 'Cloud computing solution'⁶ to data management, interrogation and reporting would enable each organisation to retain independence whilst providing the capability to communicate directly to other systems e.g. ePIMS and enhance collaboration opportunities, building on the principles successfully established through the high-level information already held within ePIMS.

➤ **Fleet Management and Passenger Transport**

There is evidence that more integrated passenger transport and fleet management can deliver significant financial savings with no detrimental impact on service.

⁵ <http://wales.gov.uk/topics/improvingservices/pslg/nwp/assetprocure/landtransfer/?lang=en>

⁶ *CloudComputing - A model for delivering information technology services in which resources are retrieved from the internet through web-based tools and applications, rather than a direct connection to a server. Data and software packages are stored in servers. However, cloud computing structure allows access to information as long as an electronic device has access to the web.*

The current project is targeting the following outcomes:

- Clear identification of how well developed the Welsh public sector is in relation to fleet management (all public sector) and passenger transport (local government and health);
- Case studies to support the public sector in understanding opportunities for improvements; and
- A menu of steps to enable organisations to individually or collaboratively improve in this area.

It is impossible to force action or collaboration but it is possible to drive the change agenda through highlighting best practice, developing and sharing practical steps and enabling organisations to measure where they are against a standard framework.

The scope of the work on fleet management includes number of vehicles, driver behaviours and operations and maintenance costs – but not currently procurement and standardised specifications. The potential for financial savings nationally has not yet been fully established, but through initial work being undertaken in North Wales where savings of around £3m are being pursued, it is felt a similar scale of savings could be extrapolated across the public sector with some degree of confidence.

Current activity relating to passenger transport includes:

- transport for young people (home to school, SEN, post 16, subsidised bus network);
- transport to support vulnerable adults and independent living;
- non emergency patient transport but not community transport; and
- the commercial bus network.

A maturity matrix has been developed and will be issued to Chief Executives shortly in order to establish as national picture for both Fleet Management and Passenger Transport and to assist in identifying the potential for future improvements and opportunities to improve service delivery and drive cost efficiencies.

24. Invest-to-Save Projects

The NAWG has facilitated a consolidated bid to support four specific pilot projects through the I2S Fund: Blaenau Gwent CBC's collaborative asset management project; Cardiff Local Service Board's Collaborative Asset Project; Cardiff and Vale UHB's Estate Strategy and Space Utilisation Strategy; and, Powys CC's property scoping exercise for the proposed regeneration of Brecon town centre. These projects aim to bring about public service improvements and savings through improved asset management. I2S funds have been used to accelerate activities at three levels: corporate asset

rationalisation; local area collaboration; and opportunities from the use of surplus assets.

The sharing of good practice amongst public service partners is a key condition of funding and lessons are already being shared across the sector from early pilots. It is hoped that this approach will be continued through the next wave of I2S Funding.

Finance Committee

Meeting Venue: **Committee Room 2 – Senedd**

Meeting date: **Wednesday, 16 January 2013**

Meeting time: **08:45 – 11:00**

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



This meeting can be viewed on Senedd TV at:
[<insert link here>](#)

Concise Minutes:

Assembly Members:

Jocelyn Davies (Chair)
Peter Black
Christine Chapman
Paul Davies
Mike Hedges
Ann Jones
Julie Morgan
Ieuan Wyn Jones

Witnesses:

Committee Staff:

Gareth Price (Clerk)
Daniel Collier (Deputy Clerk)
Eleanor Roy (Researcher)
Joanest Jackson (Legal Advisor)
Kerry Dearden (Researcher)

1. Introductions, apologies and substitutions

1.1 The Chair welcomed Members and members of the public to the meeting.

2. Invest to Save – Evidence from Minister for Finance

2.1 The Chair welcomed Jane Hutt, Minister for Finance and Leader of the House; Jeff Andrews, Special Adviser; and Richard Clarke, Head of Invest to Save.

2.2 The Committee scrutinised the Minister.

Action points:

The Welsh Government agreed to provide:

- A note on the geographical spread of Invest to Save applications;
- A note explaining how the Welsh Government ensures that projects are clear about the criteria that they need to follow when bidding for Invest to Save funding;
- Further details on the membership of the stage 2 panel, including details on the levels of expertise on those panels, and of measures taken to ensure that the process is less intimidating for bidders;
- Clarification on how perceived similarities between the assessment criteria for the Invest to Save Fund and the Regional Collaboration Fund will be managed by the Welsh Government;
- A note on the disparity between evaluations conducted by Swansea University and CSSIW of the Neath Port Talbot County Borough Council Lean project.

3. Invest to Save – Feedback from Committee Member visits

3.1 The Committee received feedback from Committees Members who had visited projects which had received Invest to Save funding.

3.2 The Committee agreed to publish the reports of each visit.

4. Papers to note

4.1 The Committee noted:

- A paper on the financial implications of the Recovery of Medical Costs for Asbestos Diseases (Wales) Bill
- A paper on the financial implications of Human Transplantation (Wales) Bill
- The minutes of the previous meeting on 5 December 2012.

5. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

6. Consideration of Ministerial responses to Committee reports on the Welsh Government's draft budget 2013–14

4.1 The Committee considered Ministerial responses to Committee reports on the Welsh Government Draft Budget 2013–14.

7. Consideration of evidence on Invest to Save

7.1 The Committee discussed the evidence received on its inquiry into Invest to Save and agreed to consider a draft report at a future meeting.

TRANSCRIPT

View the [meeting transcript](#).