

Agenda – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Wednesday, 25

November 2015

Meeting time: 09.30

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6565

SeneddFinance@Assembly.Wales

1 Introductions, apologies and substitutions

(09.30)

2 Papers to note

(09.30)

(Pages 1 – 8)

**Letter to Chair of Finance Committee from Minister for Finance and Government
Business**

(Page 9)

Letter to Chair of Finance Committee from Minister for Education and Skills

(Pages 10 – 11)

Letter to Chair of Finance Committee from Minister for Natural Resources

(Page 12)

3 Finance Wales

(09.30 – 10.30)

(Pages 13 – 31)

Gareth Bullock, Chair, Finance Wales

Robert Hunter, Director of Strategy, Finance Wales

Michael Owen, Group Investment Director, Finance Wales

Paper 1 – Finance Wales update

Research brief

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

(10.30)



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Items 5, 6 and 7

5 Finance Wales: Consideration of evidence

(10.30 – 10.45)

**6 Welsh Government Draft Budget 2016–17: Correspondence from
Chair of Petitions Committee**

(10.45 – 11.00)

(Pages 32 – 33)

Paper 2 – Letter to Chair of Finance Committee from Chair of Petitions Committee

7 European Commission Work Programme 2016

(11.00 – 11.10)

(Pages 34 – 44)

Paper 3 – European Commission Work Programme 2016 updated

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Thursday, 5 November
2015

Meeting time: 09.00 – 11.31

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3330>

Attendance

Category	Names
Assembly Members:	Jocelyn Davies AM (Chair) Peter Black AM Christine Chapman AM Mike Hedges AM Alun Ffred Jones AM Julie Morgan AM Nick Ramsay AM
Witnesses:	Isobel Garner, Wales Audit Office Huw Vaughan Thomas, Auditor General for Wales, Wales Audit Office Kevin Thomas, Wales Audit Office Steve O'Donoghue, Wales Audit Office
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk) Tanwen Summers (Deputy Clerk)



	Georgina Owen (Deputy Clerk) Martin Jennings (Researcher) Richard Bettley (Researcher) Joanest Varney-Jackson (Legal Adviser) Lakshmi Narain – Technical Adviser
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Transcript

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Ann Jones AM.

2 Papers to note

2.1 The papers were noted.

3 Wales Audit Office: Evidence session 1

3.1 The Committee took evidence from Isobel Garner, Chair of the Wales Audit Office, Huw Vaughan Thomas, Auditor General for Wales, Kevin Thomas, Director of Corporate Services and Steven O'Donoghue, Director of Finance, Wales Audit Office.

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

4.1 The Motion was agreed.

5 Wales Audit Office: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Draft Wales Bill

6.1 The Committee agreed to write to the Chair of the Constitutional and Legislative Affairs Committee.

7 Fourth Assembly Business Committee Legacy: Consultation

7.1 The Committee agreed the draft letter.

8 Public Services Ombudsman: Estimate of income and expenses 2016–17: Consideration of draft report

8.1 The Committee agreed the draft report.

9 Tax Collection and Management (Wales) Bill: Key issues

9.1 The Committee noted the key issues.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Wednesday, 11 November
2015

Meeting time: 09.03 – 10.29

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3327>

Attendance

Category	Names
Assembly Members:	Jocelyn Davies AM (Chair) Peter Black AM Christine Chapman AM Mike Hedges AM Alun Ffred Jones AM Jenny Rathbone AM (In place of Ann Jones AM) Julie Morgan AM Nick Ramsay AM
Witnesses:	Mark Drakeford AM, The Minister for Health and Social Services Dr Andrew Goodall, Welsh Government Leighton Phillips, Welsh Government Martin Sollis, Welsh Government
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk)



	Tanwen Summers (Deputy Clerk) Martin Jennings (Researcher) Christian Tipples (Researcher) Joanest Varney-Jackson (Legal Adviser)
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1 Introductions, apologies and substitutions

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Ann Jones AM.

1.3 Jenny Rathbone AM attended as a substitute.

2 Papers to note

2.1 The papers were noted.

3 Legacy inquiry: Evidence session 1

3.1 The Committee took evidence from Mark Drakeford AM, Minister for Health and Social Services, Dr Andrew Goodall, Director General for Health/NHS Chief Executive, Leighton Phillips, Deputy Director of Strategy and Planning, and Martin Sollis, Director of Finance, Welsh Government.

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

4.1 The Motion was agreed.

4.2 The Committee also agreed to exclude the public from the meeting scheduled for 19 November 2015 under Standing Order 17.42.

5 Legacy inquiry: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Draft Wales Bill

6.1 The Committee agreed the draft letter.

7 Wales Audit Office

7.1 The Committee noted the report.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Thursday, 19 November

2015

Meeting time: 09.01 – 09.51

Private

Attendance

Category	Names
Assembly Members:	Jocelyn Davies AM (Chair) Peter Black AM Christine Chapman AM Mike Hedges AM Alun Ffred Jones AM Julie Morgan AM Nick Ramsay AM
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk) Tanwen Summers (Deputy Clerk) Georgina Owen (Deputy Clerk) Martin Jennings (Researcher) Joanest Varney-Jackson (Legal Adviser) Lakshmi Narain – Technical Adviser



1 Introductions, apologies and substitutions

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Ann Jones AM.

2 Assembly Commission draft budget 2016–17: Consideration of response

2.1 Peter Black AM absented himself for this item due to his role as a Member of the Assembly Commission.

2.2 The Committee noted the Commission's response.

3 Wales Audit Office: Consideration of draft report

3.1 The Committee agreed the draft report.

4 Tax Collection and Management (Wales) Bill: Consideration of draft report

4.1 The Committee agreed the draft report with minor changes.

Jane Hutt AC / AM

**Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business**



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MB-JH-2294-15

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

3 November 2015

Dear Jocelyn,

Thank you for your letter of 13 October 2015 seeking clarification on matters connected with my 2014-15 Outturn Report.

For the most part your questions contained in the bullet points cover Higher Education funding, which you acknowledge, and so I have agreed that the Minister for Education and Skills will respond on those.

That leaves your question relating to non-fiscal resource reserves. The limit imposed by HM Treasury on the amount the Welsh Government is able to carry forward is 0.6% of the total resource DEL which includes non fiscal resource. As a result in 2014-15 we carried forward a total of £82.9m of Resource DEL which was made up of £69.3m fiscal resource (revenue) and £13.6m non fiscal resource.

The total non fiscal resource reserve set in the Final Budget 2015-16 plus the carry forward total £221.8m is adequate cover for the remainder of the current financial year. No representations were made on that basis. However, I do monitor the position very closely and if the need arises I have an opportunity to raise any issues on carry forward with the Chief Secretary to the Treasury when I confirm Welsh Government budgetary requirements for the UK Supplementary later this year.

I trust this alleviates your concerns.

*Yours sincerely,
Jane*

Jane Hutt AC / AM

**Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business**



Llywodraeth Cymru
Welsh Government

Jocelyn Davies AM
Chair - Finance Committee
National Assembly for Wales
Ty Hywel
Cardiff Bay
CF99 1NA

9th November 2015

Dear Jocelyn,

Thank you for your letter dated 13 October to the Minister for Finance and Government Business, in which you requested clarification on Higher Education Funding and student support. I have been asked to reply given my responsibility for higher education in Wales.

The underspends recorded in revenue non cash and Annually Managed Expenditure (AME) in 2014-15 reflect the Welsh Government's prudent approach to forecasting expenditure on statutory demand-led budgets. Student finance is complex and is underpinned by a sophisticated financial model which takes into account the latest information on student and institutional behaviour. However, the volatility of student support is recognised by HMT (which is why it is classified as AME) and it is sensible that the Welsh Government includes a small additional contingency in its final forecasts to HMT in case of unexpected late increases in demand.

I can confirm that the Student Loan Repayment model (HERO) takes account of all Welsh Government specific policies, such as:

- student numbers;
- SLC current outstanding loan data for all students Welsh Government has supported in the loan book;
- take up rates for Tuition Fee and Maintenance Loans; and
- loan amount take out data for Tuition Fee and Maintenance loans for each cohort.

Given the degree of change in higher education and student finance over the last five years, any analysis of student debt and the long-term impact on the student loan book is difficult. However, the Welsh Government has undertaken analysis on behalf of the Diamond review, which includes current and forecast future debt for Welsh domiciled students and comparisons with their counterparts in other parts of the UK. This information will continue to be updated on an annual basis as actual data becomes available from the SLC.

On this basis it is too early to say whether the changes that have been made to student support since 2012 have had a detrimental impact on the number of

graduates repaying their students loans. The first relevant cohort of students will not enter mandatory repayment until April 2016 and information on the actual impact will take a number of years before it is possible fully to evaluate the impact of recent policy and funding changes on the repayment of student loans. The cost to the Welsh Government of providing subsidised student loans is accounted for in the annual Resource Accounts Budgeting (RAB) charge. The RAB charge for Wales for 2014-15 was around 32% which is considerably lower than the estimated charge in England.

With regard to drop-out rates for higher education courses, for full-time first degree entrants who attended a HEI in Wales in 2012/13, and had continued to study past the December cut off point, only 6.5% did not continue their higher education into 2013/14 after their first year of study (which was below the UK average of 7%). This is a four year low with the highest being in 2009/10 where the percentage was 9.0%. The table below provides more detail.

Percentage of full-time first degree entrants no longer in HE following year of entry: by region of HEI and year of entry to HE

	2012/13	2011/12	2010/11	2009/10
Total UK	7.0	6.7	7.4	8.6
Total England	7.0	6.6	7.3	8.4
Total Wales	6.5	6.5	8.0	9.0
Total Scotland	7.6	7.9	8.9	9.4
Total Northern Ireland	6.5	6.3	6.0	8.3

Source: HESA

Yours sincerely



Huw Lewis AC / AM

Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Jocelyn Davies AM

Jocelyn.davies@assembly.wales

17th November 2015

Dear *Jocelyn*

Thank you for your letter dated 30 October 2015 providing information on the consultation being undertaken by the Finance Committee of the National Assembly for Wales, on the Draft Public Services Ombudsman (Wales) Bill.

An announcement on the appointment of Sophie Howe as the first Future Generations Commissioner for Wales was made on Tuesday 3rd November 2015. I will forward the consultation as requested so it may be reviewed by the Future Generations Commissioner for Wales as soon as she has taken up office.

Yours sincerely

Carl Sargeant AC / AM
Y Gweinidog Cyfoeth Naturiol
Minister for Natural Resources

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

English Enquiry Line 0300 0603300
Llinell Ymholiadau Cymraeg 0300 0604400
Correspondence.Carl.Sargeant@wales.gsi.gov.uk

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Pack Page 12
We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**WRITTEN SUBMISSION MADE BY FINANCE
WALES TO THE FINANCE COMMITTEE OF
THE NATIONAL ASSEMBLY FOR WALES**

17 NOVEMBER 2015

As the newly appointed Chairman of Finance Wales I am delighted to provide the Finance Committee of the National Assembly for Wales with this Written Submission, ahead of the scheduled appearance by myself and my colleagues before the Committee on 25 November 2015.

CONTEXT

Finance Wales has worked constructively with all interested parties since the Minister for Economy, Science and Transport announced the Access to Finance Review process in January 2013. Engagement with this process by Finance Wales has included Stage 1 and Stage 2 of the Access to Finance Review led by Professor Dylan Jones-Evans, inquiries held by both the Finance Committee and Business and Enterprise Committee of the National Assembly for Wales, and most recently, the Feasibility Study into the Creation of a Development Bank for Wales (DBW).

The valuable and detailed work contained in these various reports is fully understood and embraced by Finance Wales. As an organisation Finance Wales remains excited by the potential of the DBW, as a bold and innovative response to the vital need to develop the micro-to-medium enterprise sector, itself a powerful engine of job and wealth creation in Welsh communities. We look forward to a clear commitment from Ministers that the DBW will be established.

Finance Wales has responded to the constructive recommendations made by the Finance Committee in their May 2014 report, central to which was the need to harness the acknowledged expertise, experience and financial resources of Finance Wales in establishing the DBW.

PROGRESS TO DATE

Since Finance Wales last appeared before the Finance Committee in March 2014, significant activity has been undertaken by Finance Wales in support of the micro-to-medium sized enterprise sector in Wales. Key performance metrics from this period are summarised in the table below:

Wales	Total (since March 2014 presentation to Finance Committee)
Investments	£67.2m
Private Sector Leverage	£72.4m
Jobs Created	4,122
Jobs Safeguarded	
New Enterprises Assisted	234
Help To Buy Wales (Value of Investments)	£77.3m

In responding to the recommendations of the Finance Committee, Finance Wales noted carefully the need to improve communication with the business community in Wales, and the need for enhanced transparency and scrutiny in respect of the activities of Finance Wales.

Examples of recent innovations introduced by Finance Wales to improve communication with the business community in Wales include:

- Bi-annual SME Steering group meetings (one in North and one in South Wales).
- Quarterly regional dinners gaining feedback from local intermediaries, first in Newtown in October 2014, subsequent dinners in Swansea, North East and North West Wales and Newport.
- First radio advertising campaign on Heart FM across North and Mid Wales generated a 150% increase in enquiries.
- Roll out of customer satisfaction surveys across the group.
- Improvements to the Finance Wales website include new ‘contact us’ section, FAQ, publishing annual accounts, interest rate information – resulting in a record 30,000 visits to the website in first half of 2015/16.

We have made significant improvements to our Annual Report and Financial Statements, making good use of case studies, fully up to date information on the organisation and its performance. Enhanced information is now published on the website quarterly in terms of Fund performance; a FAQ and interest rate key facts page are also now live.

NEXT STEPS

Following my appointment I have spent much time digesting the various reviews and reports as well as meeting staff and stakeholders in order to better understand how Finance Wales as an organisation needs to adapt to be able to respond effectively to the findings and recommendations of these reports. It should go without saying that a new Chief Executive is urgently required since Finance Wales have been under interim leadership (albeit effective) for almost a year. I am pleased to advise the Committee that the formal recruitment process for a new Chief Executive will commence this week. It will be a priority for the new Chief Executive to continue and accelerate the existing Finance Wales strategy and to prepare it for developments advised in due course to us by Ministers.

WHAT IS A DEVELOPMENT BANK FOR WALES?

We accept the concept that the DBW should be the focal point for investment finance and business support for the growth, development and success of micro-to-medium enterprises in Wales. It should deliver a broad range of Welsh Government priorities with a specific focus on economic development and the creation and safeguarding of jobs. Critical in achieving these goals will be the need to ‘fill the gap’ in terms of provision of finance and enhancing the financial knowledge and skills of businesses across Wales.

The greater part of any advanced market development bank is its ability to finance its target sectors fully and consistently over a sustained period of time.

Wales is fortunate in already having that engine within Finance Wales and can build on this comprehensive base to deliver debt, mezzanine and equity finance, either directly into Welsh enterprises or by mobilising third-party providers. Like Finance Wales, the DBW will need to work collaboratively with private sector finance providers with the aim of increasing the quantum of finance available.

Business support provided to Welsh businesses should include the broad range of advisory services including financial training and education, business planning, an effective Angel network, capacity building and risk evaluation.

There should be a focus on becoming the recognised leader in providing objective and comprehensive intelligence about the micro-to-medium enterprise sector in Wales, working in partnership with Welsh universities to develop a national centre of excellence.

Finance Wales believes that the DBW should be financially sustainable, particularly as EU structural funds are likely to be in their final rounds and the DBW will be unlikely to rely on these for any significant period of time. The DBW should therefore be focused on building up modest but regular surpluses, in order to avoid being a perennial burden on the Welsh taxpayer.

Finance Wales looks forward to playing a central role in ensuring the future success of the DBW. We await further clarity on the roadmap required to establish the DBW. In developing this roadmap it is the belief of Finance Wales that the crucial question of future funding of the DBW needs to be settled.

Finance Wales stands ready to support the transformation of its current base of activities into the DBW. Similarly we stand ready to offer advice on how this can be enacted in response to Ministerial approval being provided.

Gareth Bullock
Chairman, Finance Wales
17 November 2015

By virtue of paragraph(s) vi of Standing Order 17.42

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Cynulliad Cenedlaethol Cymru
Y Pwyllgor Deisebau

National Assembly for Wales
Petitions Committee

Jocelyn Davies AM
Chair of the Finance Committee
National Assembly for Wales
Ty Hywel
Cardiff Bay
Cf99 1NA

13 November 2015

Dear *Jocelyn*

Petition P-04-651 To Work to Protect Local Government When Determining the Budgets this Autumn

The Petitions Committee has considered the above petition, which was submitted by NPT UNISON and received 196 signatures. The terms of the petition are:

We petition the Welsh Government to work to protect local government when determining the budgets this Autumn.

Help protect the services we all rely on so much, services we need when we are struggling the most. Help protect our jobs that we are so proud to do to within our communities.

The Welsh Government MUST find other options to consider, options that would have considerably less impact on our local communities.

Additional Information

Further budget cuts will devastate our communities. The services that local government provide are vital to us all.

Further local government budget cuts will devastate local jobs, services and communities.

As an example:- Neath Port Talbot County Borough Council is an authority that faces some of the highest levels of deprivation in the UK. To manage the recent £102 million budget cuts it has worked hard in a strong partnership with the trade unions to avoid compulsory redundancies and outsourcing of services. The cuts have had an effect on the services provided and the workforce.



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Further cuts could mean job losses, including those of front line services, and the transfer of council services to the private sector. NPT UNISON has demonstrated that outsourcing of services does not work in the long term. When private sector companies are used, it results in disruptive, costly and sub-standard service provision, with the loss of jobs and employees terms and conditions.

The Committee agreed to ask the Finance Committee to consider the petition and the issues it raises as part of your scrutiny of the forthcoming Assembly budget.

I would be grateful if you could let me know in due course whether any of the issues raised by the petition are considered by the Finance Committee and what conclusions were reached. Please forward your response to the Committee's Clerk team at SeneddPetitions@Assembly.Wales

Yours sincerely

William Powell AC/AM
Cadeirydd/ Chair

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