

## Agenda – Finance Committee

---

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Wednesday, 3 February  
2016

Meeting time: 09.00

For further information contact:

**Bethan Davies**

Committee Clerk

0300 200 6565

[SeneddFinance@Assembly.Wales](mailto:SeneddFinance@Assembly.Wales)

---

### **1 Introductions, apologies and substitutions**

(09.00)

### **2 Papers to note**

(09.00)

**Letter from the Chair of Children, Young People and Education Committee to the Chair of Finance Committee**

(Pages 1 – 3)

**Letter from Councillor Anthony Hunt, Welsh Local Government Association to the Chair of Finance Committee**

(Pages 4 – 10)

**Letter from the Minister for Health and Social Services to the Chair of Finance Committee**

(Pages 11 – 13)

**Letter from the Chair of Communities, Equality and Local Government Committee to the Minister for Communities and Tackling Poverty**

(Pages 14 – 17)

**Letter from the Chair of Communities, Equality and Local Government Committee to the Deputy Minister for Culture, Sport and Tourism**

(Pages 18 – 24)

**Letter from the Chair of Communities, Equality and Local Government Committee to the Minister for Finance and Government Business**

(Pages 25 – 26)



**Letter from the Minister for Public Services to the Chair of the Communities,  
Equality and Local Government Committee**

(Pages 27 – 29)

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

(Pages 30 – 38)

**Letter from the Welsh Language Commissioner to the First Minister**

(Pages 39 – 42)

**Letter from the Chair of Environment and Sustainability Committee to the Chair of  
Finance Committee**

(Pages 43 – 46)

### **3 Legacy inquiry: Evidence session**

(09.00 – 10.00)

(Pages 47 – 73)

Sir Derek Jones – Permanent Secretary, Welsh Government

Marion Stapleton – Head of the First Minister's Delivery Unit and the Legislation  
Programme and Governance Unit, Welsh Government

Andrew Hobden – Economist, Welsh Government

Paper 1 – Paper from Permanent Secretary, Welsh Government – 20 January 2016

Paper 2 – Letter from Minister for Finance and Government Business – 25  
November 2015

Paper 3 – Letter from Permanent Secretary, Welsh Government – 26 November  
2015

Research brief

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

(10.00)

Items 5, 6 and 7.

### **Break**

(10.00 – 10.10)

**5 Legacy inquiry: Consideration of evidence**

(10.10 – 10.30)

**6 Future Funding inquiry: Consideration of draft report**

(10.30 – 10.50)

Paper 4 – draft report

**7 Draft Public Services Ombudsman (Wales) Bill: Consideration of  
consultation responses**

(10.50 – 11.30)

(Pages 74 – 86)

Paper 5 – Letter from Chair of Communities, Equality and Local Government

Committee – 15 December 2015

Legal brief

Research brief

Consultation responses

---

**Cynulliad Cenedlaethol Cymru**  
Y Pwyllgor Plant, Pobl Ifanc ac Addysg

**National Assembly for Wales**  
Children, Young People and Education Committee

---

Lesley Griffiths AM  
Minister for Communities and Tackling Poverty  
Welsh Government  
Cardiff Bay

26 January 2016

## **Draft Budget 2016-17**

Dear Minister

Thank you for attending the Children, Young People and Education Committee's meeting on 21 January to discuss the draft Budget, and for providing the requested information in advance of the budget meeting.

Your priorities across your portfolio are clearly set out in your submission to the Committee. Within these priorities you have identified a number of key areas that have a direct impact on children and young people.

The Committee welcomes the Welsh Government's investment in the early years, in particular support for children from the most disadvantaged households. It is, however, essential that funding decisions are sufficiently evidence based, and unfortunately it is not clear how the decision was reached to allocate what amounts to almost 36 per cent of your total resources on two specific programmes (Flying Start and Families First).

One of the Committee's main concerns is whether there is sufficient monitoring information which can evidence the value for money for investments specifically intended to benefit children and young people. In particular:



**Cynulliad Cenedlaethol Cymru**  
Bae Caerdydd, Caerdydd, CF99 1NA  
SeneddPPIA@cynulliad.cymru  
www.cynulliad.cymru/SeneddPPIA  
0300 200 6565

**National Assembly for Wales**  
Cardiff Bay, Cardiff, CF99 1NA  
SeneddCYPE@assembly.wales  
www.assembly.wales/SeneddCYPE  
0300 200 6565

- Whether the monitoring systems currently in place can evidence improved outcomes for children and their families, and in turn whether the data you have means you can show you are achieving the intended outcomes and therefore the value for money of the investment.
- That the Department remains in a position where it cannot quantify the number of children benefiting from all four Flying Start entitlements and that the take up rates of the Flying Start ‘speech and language entitlement’ is defined ‘as a course offered to an individual parental figure who attended the first session’.
- Whilst we welcome your decision to include an outreach element to Flying Start, we are concerned that there is no system in place to assess its value for money. An evaluation of this important element would enable informed decisions about whether to scale up the current approach to outreach or whether alternative approaches are needed.
- We also note that there is no system in place to monitor the attainment of the cohort of children who have benefited from Flying Start on their journey through primary and secondary school and in the important transition between the two phases. We would welcome feedback on future discussions you may have with the Minister for Education and Skills to explore the potential for monitoring such individual level pupil outcomes for Flying Start beneficiaries, and the possibility of taking this forward in the short and longer term.

We note the Social Mobility and Child Poverty Commission’s view in its most recent State of the Nation Report, December 2015, in which it says that it ‘is concerned that there are too many overlapping programmes and that resources are spread too thinly’ and that ‘there are many children and families living on low incomes who do not receive services’.

We also note that there are an increasing number of children in Wales living in families experiencing in-work poverty. More robust monitoring and evaluation is needed to inform whether the Minister is getting value for money from investment in a range of individual programmes across the portfolio.



The Committee believes that there is a need to look at how the range of policies across your portfolio fit together, and how they can be used to achieve the best possible outcome for children and young people. The availability of more comprehensive data will inform decisions to be made in the Fifth Assembly about whether there is a need re-prioritise funding across your whole portfolio to a smaller number of programmes to achieve the scale of change needed.

The Committee has previously welcomed the Welsh Government's stated commitment to children's rights and its incorporation of the UNCRC into domestic law in Wales through the Rights of the Child and Young person Measure 2011. As Minister with overall responsibility for children and young people, the Committee wishes to express disappointment that a standalone Child's Rights Impact Assessment for the Draft Budget has not been made available to us.

The Committee appreciates some of the merits of an Integrated Impact Assessment. However the lack of a standalone and transparent Child's Rights Impact Assessment means it is more difficult to identify how the Welsh Government's allocation of resources will impact on all children and young people, and on individual groups within that population.

We welcome your agreement to provide further detail as to the formula which will be used to apportion the reduction in the Families First allocation across the 22 authorities. The Committee would welcome the receipt of this information as soon as possible in order to inform the Assembly's final debate on the Welsh Government's Draft Budget 2016-17.

I am copying this letter to the Chair of the Finance Committee to help inform its overarching scrutiny of the Draft Budget.

Yours sincerely



Ann Jones AM  
Chair, Children, Young People and Education Committee

Cc: Jocelyn Davies AM, Chair of the Finance Committee



**Our Ref/Ein Cyf:** JR/AH  
**Your Ref/Eich Cyf:**  
**Date/Dyddiad:** 26 January 2016  
**Please ask for/Gofynnwch am:** Jon Rae  
**Direct line/Llinell uniongyrchol:** 029 2046 8610  
**Email/Ebost:** jon.rae@wlga.gov.uk



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

Dear Jocelyn

### **Evidence Session 14 January: Welsh Government Budget Proposals 2016-17**

Thank you for the invitation to myself, Councillor Huw David and Jon Rae to give evidence to the Finance Committee on the 14 January.

We look forward to seeing a copy of the final report of the Committee on the Welsh Government Budget Proposals. In the meantime I would like to confirm that we are content with the transcript and provide the additional information requested by Committee Members during the course of the evidence session.

### **Homelessness Legislation**

You asked for an additional note to clear up issues around the funding for homelessness legislation linked to the question asked by Julie Morgan. During the course of questioning you asked whether the additional funding was recurrent or not. As you know the legislation came into effect in 2015 and £5m was made available during 2015-16 to support the implementation of it. The additional £2.2m is transitional funding and is one-off. The uses to which it can be put are set out in a Framework Agreement, the main points of which are reproduced in annex I.

### **Funding Flexibilities**

Christine Chapman asked about funding flexibilities in the context of specific grants but we did not have figures to hand on the levels of hypothecated funding in the past. During discussion we welcomed the specific grants that were being transferred into the settlement and in the paper that the Minister for Public Services has submitted to the Communities, Equalities and Local Government Committee<sup>1</sup> there's a figure of £190m that is mentioned as the amount of specific grants

Steve Thomas CBE  
Chief Executive  
Prif Weithredwr

Welsh Local Government  
Association  
Local Government House  
Drake Walk  
CARDIFF CF10 4LG  
Tel: 029 2046 8600  
Fax: 029 2046 8601

Cymdeithas Llywodraeth  
Leol Cymru  
Tŷ Llywodraeth Leol  
Rhodfa Drake  
CAERDYDD CF10 4LG  
Ffôn: 029 2046 8600  
Ffacs: 029 2046 8601

[www.wlga.gov.uk](http://www.wlga.gov.uk)

<sup>1</sup> [CELG\(4\)-01-16 Papur 1 / Paper 1](#)

that have been transferred into the settlement since 2010, over which we have no quibble.

However as fast as specific grants are being rolled in the settlement, they are being created elsewhere, across the Welsh Government. We don't yet have the full picture for 2016-17, but what is clear from past settlement data is that specific grant funding grew from £688m to £916m between 2009-10 and 2015-16, rising as a proportion of total funding from 15% to 19%<sup>2</sup>. It is difficult to construe these figures as increasing flexibility for local government.

### **The impact of austerity so far**

Later in the session, Alan Ffred Jones asked about the impact that austerity has had on services other than education and social services. Whilst we didn't want to get subsumed by hyperbole, a political blame-game or name-calling during the evidence session, I do not want to give the impression that there have been no cuts or service reductions. This was summarised in Figure 1 of our written evidence where the extent of inflation-adjusted spending reductions are set out in stark terms. Clearly some of our services are being hollowed out by austerity; spending levels for some services are back to those that existed in the early 2000s. As we mentioned in the evidence session, you can find a little more detail in the WAO publication: *A Picture of Public Services*<sup>3</sup>. Furthermore, a useful comparison with England is set out in the recently published PPIW Report: *Budget cuts in England*<sup>4</sup>. The continuing impact of funding reductions in 'unprotected' are set out in annex II.

One final issue to which I would like to draw to your attention is the data in Table 1 in our written submission that summarises information from the Office for Budget Responsibility (OBR) on local government funding and spending across Wales, England and Scotland. We have queried the accuracy of the data with the OBR who have indicated that there are issues with it and I wanted to bring this to the attention of Committee Members.

I hope this additional information is useful to your evidence gathering.

Yours sincerely



Councillor Anthony Hunt (Torfaen)  
WLGA Deputy Spokesperson for Finance & Resources

---

<sup>2</sup> Ignores the effects of large transfers of function such as the Council Tax Reduction Scheme.

<sup>3</sup> [Picture of Public Services](#) - see page 34, figure 15.

<sup>4</sup> [Coping with the Cuts](#) - see page 6, figure 1.



**Additional notes of Homelessness Legislation**

While recognising that local circumstances vary, and that each local authority will have reached a different stage in its development of a more prevention-focussed approach, the following describes the functions, activities and other purposes to which the funding can be put in support of implementing the new legislation:

- Additional members of staff that are taken on specifically to help deliver services and action as part of implementing the new legislation
- Existing members of staff but only if (i) they are not permanent staff (ii) the costs are those to extend their temporary contract of employment for them to work directly on implementing the new legislation
- Revenue costs associated with IT software (and software development) concerned with processing and monitoring applications for assistance in obtaining or retaining accommodation and matching applicants to suitable properties;
- Cost of training staff relevant to effective homelessness services;
- Cost of training staff to develop the PRS (including training staff to undertake environmental assessments);
- Feasibility pilots to assist transition to new legislation
- Publicity material/information; and
- Enhancement of the following services to increase capacity (including utilising third parties):
  - Housing Options Advisors;
  - Services to resolve disputes between different parties, such as mediation and conciliation;
  - Financial payments from a homelessness prevention fund;
  - Specialist advice on welfare/benefit rights and debt/money advice, including access to independent advice;
  - Independent housing advice;
  - Joint working between local authorities and RSLs to prevent homelessness;
  - Joint approaches with other services such as Social Care, Children's Services and Health;
  - Domestic abuse services, including target hardening;

- Crisis intervention, including supporting Welsh Government policies on collecting information on rough sleeping in Wales;
- Supplementing local Discretionary Housing Payments (DHPs)
- schemes and/or participation in Pan Wales DHP project that aims to share best practice and examines the potential for the implementation of a single DHP scheme;
- Employment and training options advice;
- Housing/Tenancy support;
- Specialist welfare services for armed forces personnel/veterans;
- Action to resolve anti-social behaviour;
- Working in prisons prior to release in order to prevent homelessness, including specialist services for prisoners to determine vulnerability and capacity;
- Options to facilitate access to the Private Rented Sector (PRS);
- Options to facilitate access to social housing;
- Action to intervene with mortgage arrears;
- Access to supported housing, including development of 'gateway' systems, single point of contact, etc;
- Arranging accommodation with relatives and friends; and
- Sourcing options for the accommodation of vulnerable people.

## **Typical initiatives being pursued by councils in medium term financial plans**

### **Corporate Support Services**

#### **Workforce**

- Pay Freeze for 4 years for all staff. Ongoing for senior staff
- Members allowances cut across a range of councils
- Senior management reviews/downsizing/delaying see Flintshire and Denbighshire examples  
<http://www.dailypost.co.uk/news/north-wales-news/flintshire-council-eight-senior-managers-6885119>  
<https://www.denbighshire.gov.uk/en/your-council/consultations/cutting-our-cloth-briefing-en.pdf>
- Removal of temporary posts/seasonal staff/agency staff
- Early retirement schemes and movement to statutory minimums
- Overtime reduction,
- Car allowances cut to HMRC minimum
- Retraining and secondment
- Improvements in sickness management

#### **Estates**

- Increased agile working
- Increase potential for property rentals
- Reduced buildings maintenance
- More energy efficiency initiatives

#### **Other**

- "Invest To Save" capital projects
- New arrangements for travel expenses, fleet & hire car etc
- External translations costs
- Corporate Health and Safety unit reduction
- Moves to electronic office/meetings
- Third party grants reductions
- Review ICT licensing and support
- Increase to fees and charges for services
- Review/Relocate Reprographic Services
- Review Internal Audit structure
- Payroll and HR integration
- Merge debt recovery services
- Moves to self-insurance
- Sharing or in some cases internalising legal services
- Reduce/merge democratic services support
- Review and rationalisation of telephony/comms

### **Education**

- Rationalisation of primary schools
- Reductions in early years provision
- Consolidation of post-16 education
- Regional approach to Governor support
- Review School Taxi provision for SEN, and 16 Plus Transport

- Reductions to Youth Services
- Reduce playschemes, music services, orchestra, achievement awards, etc
- Increase pupil ratios to average
- Increase School meal charges

## **Social Care & Protection**

- Day centre closures see RCT example – <http://www.walesonline.co.uk/news/local-news/rct-cuts-we-fear-future-6507527>
- Reductions to adoption and foster allowances, revert to national rates
- More effective and accelerated long-term placement decisions to ensure permanency
- Review Special Guardianship Order arrangements
- Review future provision of Council run Residential Care Homes
- Review of domiciliary care provision
- Transfers to independent sector
- Prioritising Enablement services
- Revised assessment framework/better targeting
- Reductions in respite care
- Better signposting
- Expansion of telecare
- Charging and self-funding for some support services
- Cutting back on Meals on Wheels and increasing prices See Cardiff example <http://www.walesonline.co.uk/news/cardiff-council-approves-50m-worth-6755799>

## **Libraries & Culture**

- Range of library closures see link <http://www.voicesfortheibrary.org.uk/closures-map/>  
<http://www.theguardian.com/books/2013/jul/12/library-campaigners-1000-closures-2016>
- Implement outcomes of the Leisure Services reviews including transferring to new delivery organisations in Denbighshire, Torfaen, NPT, Bridgend, Blaenau Gwent and others
- Review library service and consider scope for alternative service delivery.
- Variation of opening hours of County Museums
- Reduce provision of Tourist Information Centres

## **Regulatory**

- Review Pest Control service including charging policy
- Realignment of Public Protection and Regulatory Services

## **Environmental**

- Renegotiate private sector waste collection and processing contracts
- Charging for example bulky waste, green waste
- Review provision of Children's Playgrounds
- Review lease provision of public conveniences on third party land
- Review service delivery model for the provision of flower beds
- Reprioritisation of spend around coastal protection, remedial earthworks and flood defence/land drainage

- Street lights hours reduced – part time night hours across Wales  
<http://www.walesonline.co.uk/news/local-news/vale-glamorgan-street-lights-cuts-7995457>

## **Transport**

- Cut highway spend including cleansing, sweeping, maintenance, pre-salting, verges and surface works
- Introduction or increases in car parking charges
- Nearly 100 subsidised bus routes cut in Wales in 2011-14  
<http://www.bbc.co.uk/news/uk-wales-26262972>
- Free school bus services cut  
<http://www.walesonline.co.uk/news/wales-news/cut-backs-free-school-buses-7858414>
- Review and rationalisation of school crossing patrol provision

## **Planning and Development**

- Collaborative opportunities for strategic housing and planning services

Y Pwyllgor Cyllid | Finance Committee  
FIN(4)-04-16 PTN3

**Mark Drakeford AC / AM**  
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol  
Minister for Health and Social Services

## Agenda Item 2.3



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA-L/MD/0296/15

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

26 January 2016

Dear Jocelyn

### **Public Health (Wales) Bill**

Thank you once again for your Committee's consideration of the Public Health (Wales) Bill during Stage 1. I confirmed during the General Principles debate on the Bill on 8 December that I would provide a specific response to the Committee's report and its seven recommendations. I hope the information provided demonstrates careful consideration which has been given to each of them.

I am copying this letter to David Rees AM, Chair of the Health and Social Care Committee.

*Best wishes,  
Mark*

**Mark Drakeford AC / AM**  
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol  
Minister for Health and Social Services

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

English Enquiry Line 0300 0603300  
Llinell Ymholiadau Cymraeg 0300 0604400  
Correspondence.Mark.Drakeford@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.

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.

## **Response to the Finance Committee Stage 1 Report into the Public Health (Wales) Bill**

I thank the Finance Committee for its detailed consideration of the Public Health (Wales) Bill. I have considered each of the Committee's recommendations and am responding accordingly.

**Recommendations 1 and 2** relate to the presentation of costs and benefits in the Regulatory Impact Assessment (RIA) accompanying the Bill. The Committee recommended that monetised costs and benefits be presented in separate tables, to minimise any possible unintended confusion. The Committee also recommended that this approach be taken for future Welsh Government legislation. I believe the RIA for the Bill does clearly set out the costs and benefits of each of its various elements, as it was developed subject to advice from Welsh Government economists and with due consideration of HM Treasury guidelines. However, I **accept in principle** these recommendations to the extent that they apply specifically to this Bill. I am therefore content to amend the summary tables in the RIA following Stage 2 to reflect the Committee's preferences. I also agree with the principle of working with the Auditor General to ensure that costs and benefits for future Bills are considered on a consistent and accurate basis, and to ensure information is presented as clearly as possible. This is currently being considered as part of a wider Welsh Government evaluation of practice relating to legislation. I am confident that a mutually agreeable approach will be developed as we approach the Fifth Assembly, but as the recommendation relates to the general approach taken to presenting information in RIAs, I am unable to commit the entire Welsh Government to any particular course of action.

**Recommendation 3** relates specifically to the proposed national register of retailers of tobacco and nicotine products, and recommends the publication of figures setting out the cost of enforcement and the income from fixed penalty notices following implementation of the register. I am content to **accept the principle** of this recommendation. The primary purpose of the register is to reinforce the importance of protecting young people from the harms associated with tobacco and nicotine. It will provide local authorities with a definitive list of retailers who sell nicotine and tobacco products, and so support trading standards departments to enforce existing legislation. The creation of the register is not expected to generate a large number of fixed penalty notices: it is estimated in the RIA that seven fixed penalty notices would be generated per annum. However, I will ask my officials to discuss with local authorities the feasibility of tracking the level of income received from fixed penalty notices, alongside the enforcement costs specifically related to the register. It should be noted, however, that as it is expected that the implementation of these provisions will be integrated with that of other provisions, it may be difficult to isolate the enforcement costs falling on local authorities as a result of the register.

**Recommendations 4 and 5** consider the potential impact of the R (on the application of Hemming) (t/a Simply Pleasures Ltd) (Respondents) v Westminster City Council (Appellant) case for the Bill. I have already responded to these recommendations in a letter to you on 7 December. I trust that this letter provided the clarity sought by Committee Members. I have tabled an amendment to Part 3 of the Bill which seeks to remove any potential ambiguity on the specific issue raised by **Recommendation 5**.

I am content to **accept Recommendation 6**, which recommended that I provide further details of the work carried out to calculate the estimated benefits in relation to pharmaceutical services. This part of the RIA estimated there would be travel time savings resulting from a modest average reduction in travel distance to pharmacies, as a result of the changes to the planning of pharmaceutical services. It was estimated that these savings would amount to £424,800 per year. These potential savings were calculated using the methodology adopted for the 2010 Office of Fair Trading (OFT) evaluation of changes to control of entry which took place in England in 2003. Benefits were calculated on the basis of a more appropriate distribution of pharmacies being achieved as a result of the changes proposed in the Bill. This is intended to lead to more people living or working closer to a pharmacy which provides services that meet their needs. In turn this will lead to shorter travel times for people wishing to access such services.

The time people would save as a result of those shorter travel times was monetised by:

- calculating the total reduction in travel time associated with a modest average reduction in travel distance of 10 metres for every journey made to a pharmacy to have a prescription dispensed, using high and low estimates of journey speed (as used in the OFT report); and
- applying the Department of Transport's estimate for consumers' value of time (VoT) weighted by the proportion of journeys originating from home and work (based on consumer research undertaken to inform the OFT report) to the total reduction in travel time.

The VoT figure represents the opportunity cost incurred in making a journey to collect a prescription. The benefits accrue to consumers and in some cases their employers from better use of time that otherwise would have been taken up in travelling to and from pharmacies.

The travel time benefits as measured in the OFT report have been adapted to reflect the more conservative reduction in travel time that it is considered would be achieved in Wales. In Wales it is envisaged that while the introduction of pharmaceutical needs assessment would bring about small changes in the number of pharmacies, the majority of benefits would arise from an overall improved distribution of pharmacies.

**Recommendation 7** considers the Welsh Government's approach for presenting the costs associated with subordinate legislation, and recommends that work is undertaken to develop a more consistent approach across the legislative programme. I understand that this is an issue the Committee has also considered in the context of other Bills and am content to **accept the principle** of this recommendation. My intention for this legislation, as is current Government practice, is to publish separate RIAs for the subordinate legislation made under the Bill as such regulations are brought forward. This approach enables us to present the most current and accurate information at the time that regulations are needed. However, as part of the review of legislation in the Fourth Assembly, the Government will consider how it can best aid the financial scrutiny of Bills and the subordinate legislation which sits under them. As this issue affects the Government's approach to legislation in general, I am unable to commit the entire Welsh Government to a particular course of action.



---

**Cynulliad Cenedlaethol Cymru**  
Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol

**National Assembly for Wales**  
Communities, Equality and Local Government Committee

---

**Lesley Griffiths AM**  
**Minister for Communities and Tackling Poverty**

27 January 2016

Dear Minister

**Welsh Government draft budget proposals, 2016–17**

Thank you for attending the Committee on 21 January 2016 to answer questions on the Welsh Government's draft budget proposals for 2016–17 specifically in relation to communities and tackling poverty.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, in due course.

**1. Communities First**

We welcome the protection of Communities First programme funding from any cash reduction.

Following last year's scrutiny of the draft budget, we wrote to you regarding the effectiveness of Communities First, as the Committee was keen to see a demonstrable link between investment into the Communities First programme and clear, measurable outcomes arising from the Programme, in order to determine value for money.



**Cynulliad Cenedlaethol Cymru**  
Bae Caerdydd, Caerdydd, CF99 1NA  
SeneddCCLLL@cynulliad.cymru  
www.cynulliad.cymru/SeneddCCLLL  
0300 200 6565

**National Assembly for Wales**  
Cardiff Bay, Cardiff, CF99 1NA  
SeneddCELG@assembly.wales  
www.assembly.wales/SeneddCELG  
0300 200 6565

In response to our letter, you told us that delivery is measured by volume and impact, according to the number of interventions and how many of those interventions resulted in a positive outcome for the individual.

We recognise the benefits of Results Based Accountability (RBA), as a tool for measuring performance and informing funding decisions. We acknowledge the work that has been undertaken by the Welsh Government to improve the arrangements for assessing the effectiveness of its key programmes and the move to an outcomes-based approach using RBA. We have written to the Minister for Finance and Government Business seeking further details about how this has helped inform the budget setting process, in particular the decisions to protect the funding for Communities First. Similarly, we would be interested in receiving your views on this.

Nonetheless, we are concerned that some of the evidence relating to Communities First fails to demonstrate that the considerable investment by the Welsh Government is delivering the desired outcomes and therefore providing value for money. It is not clear how the Welsh Government can attribute specific outcomes within Communities First areas to the programme itself, rather than other programmes or the general economic conditions.

You stated that disaggregating the impact of other programmes within Communities First areas is difficult. We believe that more work should be carried out in this area so that the links between investment and outcomes is clearer.

You agreed to share some of the data that you have comparing employment rates between Communities First areas and other areas outside the programme. We would welcome that information.

Further, we would be grateful if you would clarify:

- i. Why the number of people living in poverty is not tracked as a Communities First performance indicator;
- ii. How you engage directly with people living in Communities First areas, and further details of the Community Involvement Plan process.



## 2. Homelessness

During our meeting, you told us that are making an additional £3 million available to local authorities in 2016 to support the implementation of Part 2 of the Housing (Wales) Act 2014. However, in a separate response to a WAQ (69580), you stated that you would be making an additional £2.2 million available to local authorities.

You told us that the £3 million allocation was made up of £0.8 million from the homelessness prevention budget and an additional £2.2 million from across the whole portfolio. We asked you why this £2.2 million allocation does not appear in the budget line, and you told us that it was because it was a “budget funding pressure”. Could you:

- i. clarify what you meant by this statement,
- ii. provide a breakdown of the areas of your overall portfolio from which the £2.2 million has been drawn, and
- iii. confirm whether the additional allocation to local authorities will be £3 million or £2.2 million.

## 3. Financial inclusion

We note that the “refreshed” Financial Inclusion Strategy and delivery plan will be delivered later in 2016 and funded through the existing Financial Inclusion Budget Expenditure Line.

We look forward to discussing this with you in more detail at our meeting on 27 January.

## 4. Housing enablers

We note that there is no specific funding allocation in the draft budget for Rural Housing Enablers, and that other partners in addition to the Welsh Government provide funding for these posts. However, in your evidence, you stated that you had made an ‘in principle’ commitment of £100,000 to fund Rural Housing Enablers.



Your paper shows a “Housing Enablers” revenue Budget Expenditure Line that is reduced from £95,000 to zero in 2016–17. Can you confirm:

- i. whether this BEL is used to fund Rural Housing Enablers, and
- ii. whether that funding will be made available to continue the work of Rural Housing Enablers.

## 5. Renting Homes (Wales) Act

As you are aware, the Renting Homes (Wales) Act received Royal Assent on 18 January 2016. We were therefore surprised to hear that, although you were anticipating 21 pieces of subordinate legislation to be made under the Act, it appeared that no preparatory work had been undertaken in drafting regulations and there is no funding allocated for this in the 2016–17 budget.

- i. Could you confirm when you anticipate bringing forward regulations and guidance under the Act?

Yours sincerely



**Christine Chapman AM**  
Chair

cc. Jocelyn Davies AM, Chair, Finance Committee



---

**Cynulliad Cenedlaethol Cymru**

Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol

**National Assembly for Wales**

Communities, Equality and Local Government Committee

---

**Ken Skates AM**  
**Deputy Minister for Culture, Sport and Tourism**

27 January 2016

Dear Deputy Minister

**Welsh Government draft budget proposals, 2016–17**

Thank you for attending the Committee on 13 January 2016 to answer questions on the Welsh Government's draft budget proposals for 2016–17 specifically in relation to the Welsh language.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, in due course.

**1. Expenditure and prioritisation**

Revenue budget within your portfolio is due to be reduced by a greater proportion than that for the Economy, Science and Transport portfolio within which it falls (5.8% in cash terms as compared to 4.1). During our discussions, you told us that there are a number of elements within your portfolio that are able to generate additional income, including Cadw, and that this would mean the overall net budget reduction would be broadly similar to that of EST.

Within your portfolio, there are a number of areas, including the arts, that receive funding from local government and, as we know, councils are themselves facing a 1.4% average reduction in funding in the draft budget. We discussed the arrangements in place between you and the Minister for Public Services to minimise the impact of local government cuts on areas within your portfolio, particularly spending on the arts. You confirmed that you have worked with the Minister on a number of projects, including the asset transfer toolkit, and that you



**Cynulliad Cenedlaethol Cymru**

Bae Caerdydd, Caerdydd, CF99 1NA  
SeneddCCLLL@cynulliad.cymru  
www.cynulliad.cymru/SeneddCCLLL  
0300 200 6565

**National Assembly for Wales**

Cardiff Bay, Cardiff, CF99 1NA  
SeneddCELG@assembly.wales  
www.assembly.wales/SeneddCELG  
0300 200 6565

regularly meet with leisure officers to assess the impact of budget reductions on culture and leisure services.

We note the use of the “Fusion” programme as an initiative to tackle poverty by removing barriers to cultural participation. You agreed to provide an update on this programme, and we look forward to receiving this.

More generally, we welcome your announcement that you have appointed Baroness Randerson to lead a review of heritage services in Wales. We will follow the work of the task and finish group with interest, and would be glad to receive updates from you periodically.

### **The arts sector**

This spending programme area faces a 4.7% cash terms reduction, within which the Arts Council of Wales’s revenue funding is also reduced by 4.7% in cash terms.

We were interested to hear that income generated by Revenue Funded Organisations (RFOs) has increased by more than 15% over the last two years, and that this compensates, to a degree, for the central funding reductions.

As the final budget agreement will not take place until March, we are concerned that RFOs in the sector have some time yet to wait until their funding allocations are confirmed by the Arts Council for Wales. This has obvious implications for their ability to plan ahead for the next financial year. We welcome your agreement to work with the ACW to provide provisional allocations to the RFOs in advance of the agreement of the budget, to enable this planning to begin at an earlier stage.

During the meeting, we discussed the review of Arts and Business Cymru, undertaken by ACW. We note that ACW reported on its findings in the summer of 2015, but that the contents of the report have not been made public for reasons of commercial sensitivity. You confirmed that, following that review, ACW is expected to produce a prospectus of development services that it wishes to see delivered, and that Arts and Business Cymru has been encouraged to bid for this work. We note that, on this basis, there is no allocation for Arts and Business Cymru in the draft budget.

### **Museums, archives and libraries**

In the draft budget, revenue allocations for museums, archives and libraries has been reduced by 4.9%, cash terms, compared to the 2015–16 revised baseline.



## *Museums*

We note that the Expert Panel appointed to review local museum services recommended the establishment of a transformation fund to facilitate the necessary changes in the museum sector in Wales, as well as the creation of three regional bodies to provide operational direction, management and support to locally delivered museums.

- i. When do you intend to publish your response to the expert review of local museum services?
- ii. Could you confirm whether the allocations for museums, archives and library services are intended to be used to take forward the recommendations from the expert review, particularly relating to a transformation fund, and the creation of three regional bodies to support local museums?

## *Libraries*

In the draft budget, the Museums, Archives and Libraries capital budget has been reduced by 1.7% in cash terms. This area has previously supported the Communities Learning Libraries Programme which, you reported, has been very successful. We note your evidence that you wish to see the programme continue and have made provision for this in the draft budget, within the Museums, Archives and Libraries capital budget.

### **The historic and natural environment**

In comparison with the 2015–16 baseline, combined capital and revenue funding for this Spending Programme Area will decrease by 7.4% in cash terms.

The capital budget for the historic and natural environment in 2016–17 is unchanged, meaning a real terms reduction of 1.7%. There is no indication in your paper about how you intend to use this budget.

- i. Could you set out how you intend the capital budget for the historical and natural environment to be used?
- ii. Given your previous comments that many owners of listed buildings do not have the necessary resources to maintain these properties, how will the allocations within your portfolio address this?



### *Cadw and the Royal Commission on Ancient and Historic Monuments in Wales*

Revenue allocations for the historic environment (i.e. funding for Cadw and the Royal Commission on Ancient and Historical Buildings in Wales) have been reduced from the 2015–16 revised baseline of £14.7 million to £13.2 million, a reduction of 9.9% in cash terms.

In your evidence, you state that the reduction in Cadw’s revenue budget will be largely covered by projected increases to its income of around £800,000. Taking into account the completion of the Heritage Tourism Project, along with other work, the income target for Cadw for 2016–17 is £6.2 million which you told us would, if achieved, contain Cadw’s revenue budget reductions to 2.1% in cash terms. We note that you are confident about the income target being met, and that adjustments would need to be made in the event that it was not.

In relation to the 10.6% reduction (in cash terms) in the revenue budget for the Royal Commission on Ancient and Historic Monuments in Wales, we note your evidence that savings in the region of £100,000 in accommodation costs will be able to be made following the Commission’s co-location in the National Library building.

More generally, you told us about the work undertaken by organisations within your portfolio, including Cadw and the National Library, in relation to events, activities and exhibitions to draw in greater visitor numbers.

- iii. Has any assessment been made of how the additional income generated from major events in Wales can be used to alleviate the funding reductions in your portfolio?

### *Historic Environment (Wales) Bill*

In your evidence, you stated that Cadw’s budget has been afforded a degree of protection to reflect the additional costs involved in delivering the Historic Environment (Wales) Bill, and that the balance of funding between Cadw and the Royal Commission will be reviewed “based on the precise costs of delivering the Bill”.

During our Stage One scrutiny of the Historic Environment Bill, a general concern was raised by witnesses that the existing financial challenges facing local authorities, and the heritage sector more generally, would be a barrier to the





effective implementation of the Bill's provisions. In your evidence, you confirmed that the costs of delivering the Bill would be "modest" and that most would be met by the Welsh Government by restructuring some of the funding programmes within the Cadw budget.

## **Media and publishing**

We welcome your decision not to reduce the funding for the Welsh Books Council, as originally proposed in the Government's draft budget. You told us that the funding for the Council will come from the wider Economy, Science and Transport portfolio. Can you confirm:

- i. which part of the EST portfolio will be reduced in order to provide funding for the Welsh Books Council?
- ii. is your decision about funding for the Council indicative of your intentions for future budgets?

Separately, we note the allocation, in the current financial year, of an additional £184,000 in capital funding to the Welsh Books Council for the upgrade of its IT system and to enable essential work to be carried out to the distribution centre in Aberystwyth.

## **Sports and physical activity**

### *Preventative spending*

In your paper, you state that spending to increase physical fitness is "the most obvious example of preventative spend in my portfolio". You also note that there is a "clear evidence base" that substantiates the link between physical fitness and healthy life expectancy, and that there are "a huge number of activities that take place (...) where I work closely with the Minister for health". Further, the Strategic Integrated Impact Assessment discusses the importance of rebalancing the health system in Wales towards prevention. In light of these statements:

- i. why you have decided to reduce revenue allocations for sports and physical activity by 5.3% (cash terms), whilst the health and social care budget has increased?
- ii. what assessment have you made of the impact of these funding reductions?



- iii. what assessment has been made of the effectiveness of the various schemes/activities in place as a result of joint-working between you and the Minister for Health and Social Services?

#### *Funding for sport and physical activity in Wales*

The vast majority of the draft budget allocation for sports and physical activity goes to Sport Wales. However, as you acknowledged, this government funding is a relatively small part of the overall spending on sport and physical activity within Wales. During our meeting, you told us that "something in the region of £153 million a year is spent by local authorities on sport and leisure services." You also pointed to the "sizable increase in investment by some of the national governing bodies themselves in activities, especially within schools: for example, the Welsh Rugby Union's school-club hub programme".

We note your evidence that it is difficult to provide an exact figure for the total investment in sport and physical activity in Wales, but we believe that collecting data about the largest contributors would enable a fuller understanding of the total spend in this area.

- iv. Are there any arrangements in place to collect information about the financial investment provided by the largest contributors to sport and physical activity in Wales? If not, will you give consideration to putting these in place?
- v. More generally, what infrastructure is in place within Wales to provide support and assistance to smaller sports clubs and associations to aid their development? Does the Welsh Government have an overview of this?

#### *Sports facilities capital local scheme*

We note that this was a £5 million pilot scheme in the 2015-16 draft budget, and that it is your intention to carry out an evaluation of it. You also stated that your aim is to make it a recyclable loan scheme.

Can you confirm:

- vi. that you will publish the results of the evaluation of the capital loan scheme?



Yours sincerely

*Chris Chapman*

**Christine Chapman AM**  
Chair

cc. Jocelyn Davies AM, Chair, Finance Committee



---

**Cynulliad Cenedlaethol Cymru**  
Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol

**National Assembly for Wales**  
Communities, Equality and Local Government Committee

---

**Jane Hutt AM**  
**Minister for Finance and Government Business**

27 January 2016

Dear Minister

### **Welsh Government draft budget proposals, 2016–17**

Thank you for attending the Committee on 21 January 2016 to answer questions on the Welsh Government's draft budget proposals for 2016–17.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, as soon as possible.

### **Strategic Integrated Impact Assessment**

We acknowledge that the Strategic Integrated Impact Assessment (SIIA) aims to assess the overall impact of the Welsh Government's spending decisions and, as such, does not include an in-depth impact assessment of the reduction in funding for local government. Local authorities, of course, have a statutory responsibility to undertake impact assessments as part of their budget setting process, and should be accountable for their spending decisions. However, we believe that there is an overview role for the Welsh Government in monitoring the robustness of these assessments as well as their cumulative impact. We welcome your commitment to consider this matter further, along with the Minister for Public Services. **We look forward to the outcome of your discussions and would like you to report back to the Committee in due course.**

### **Tackling poverty and inequality**



**Cynulliad Cenedlaethol Cymru**  
Bae Caerdydd, Caerdydd, CF99 1NA  
SeneddCCLLL@cynulliad.cymru  
www.cynulliad.cymru/SeneddCCLLL  
0300 200 6565

**National Assembly for Wales**  
Cardiff Bay, Cardiff, CF99 1NA  
SeneddCELG@assembly.wales  
www.assembly.wales/SeneddCELG  
0300 200 6565

In your written evidence, you state that the Welsh Government’s budgetary decisions are “underpinned by its commitment to tackling poverty”. While this point is also made throughout the SIIA, we were disappointed about the lack of detailed information in the SIIA to demonstrate how this commitment influenced budget decisions across Ministerial portfolios. **We would like further detail from you on this issue.**

### **Approach to the draft budget**

In your evidence, you reported that the work of the Budget Advisory Group on Equalities (BAGE) highlighted “the need to focus on priorities based on an assessment of greatest positive impact”. You provided examples of decisions that had been informed by BAGE, including the protection of funding for Flying Start, Communities First and Supporting People, which aim to address inequality. While this approach to the prioritisation of funding is to be welcomed, it relies on robust monitoring of expenditure and clear, measurable outcomes in order to be effective. To this end, we draw your attention to our continuing concerns about the monitoring and evaluation of the Communities First programme, which we will be raising again in our letter to the Minister for Communities and Tackling Poverty.

We recognise the benefits of Results Based Accountability (RBA), not only in the measurement of performance, but as a tool to inform funding decisions. We acknowledge the work that has been undertaken by the Welsh Government to improve the arrangements for assessing the effectiveness of its key programmes and the move to an outcomes-based approach using RBA. **We would like further details from you about how this has helped inform the budget setting process, in particular the decisions to protect the funding for Communities First.**

I look forward to receiving your response in due course.

Yours sincerely



**Christine Chapman AM**  
Chair

cc. Jocelyn Davies AM, Chair, Finance Committee



Leighton Andrews AC / AM  
Y Gweinidog Gwasanaethau Cyhoeddus  
Minister for Public Services



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: MA-P/LA/0296/16

Christine Chapman AM  
Chair  
Communities, Equality and Local Government Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

27 January 2016

*Dear Christine,*

During my Committee appearance on 13<sup>th</sup> January I agreed to provide further information on a number of matters.

### **Funding for the Fire and Rescue Services**

I have made the following changes to the budgets payable directly to Fire and Rescue Authorities (FRAs):

- Resilience revenue grants will fall by some £200,000. In recent years, this grant has not been fully spent and these reductions should therefore be achieved without affecting existing levels of front line capability.
- Community fire safety revenue grants will also fall by some £200,000. Preventing fires is clearly vital, but preventative work is increasingly, and rightly, part of FRAs' core role. As such it should be delivered and funded accordingly, using FRAs' core resources, not from special grants.

The balance of the £700,000 reduction in this budget line will be met from reducing funding to a number of other recipients such as the Wales Audit Office work.

### **Flood prevention and management**

While the incidence of flooding is clearly related to significant adverse weather and tidal incidents, there a long-term decline in the number of floods to which FRAs respond, just as there has been for the number of fires.

FRA's fund all their responsive services, including firefighting and flood response, from their core resources. These core resources are financed by Local Authority contributions which are set annually by each FRA. It follows that the level of funding for responsive services is a matter for FRA's to determine according to local priorities and in consultation with Local Authorities. It is not a matter for Welsh Government as we do not control the funding decisions which FRA's choose to make.

FRA's have no legal duty to respond to flooding. In practice they have responded for many years and continue to maintain a comprehensive capability in this area. I am considering whether to formalise that position by creating a duty to respond to flooding, and will consult on that in due course.

## Per Capita Funding

I agreed to provide a list of each Local Authority's per capita funding, which the following Aggregate External Finance (AEF) table illustrates.

### WELSH LOCAL GOVERNMENT SETTLEMENT 2016-17

Provisional

Table 1c: Aggregate External Finance (AEF) per capita, by Unitary Authority, 2016-17

Unitary authority	Provisional AEF (£000s)	Provisional AEF per capita (£)*	Rank
Isle of Anglesey	91,925	1,310	12
Gwynedd	166,990	1,356	9
Conwy	149,429	1,287	13
Denbighshire	139,602	1,454	6
Flintshire	184,743	1,196	19
Wrexham	169,761	1,200	18
Powys	168,488	1,252	17
Ceredigion	96,570	1,269	14
Pembrokeshire	156,932	1,263	15
Carmarthenshire	251,685	1,333	10
Swansea	307,754	1,255	16
Neath Port Talbot	205,567	1,457	4
Bridgend	187,508	1,311	11
The Vale Of Glamorgan	150,443	1,167	20
Rhondda Cynon Taf	353,769	1,500	2
Merthyr Tydfil	89,188	1,485	3
Caerphilly	263,293	1,455	5
Blaenau Gwent	109,252	1,576	1
Torfaen	129,296	1,405	7
Monmouthshire	91,439	994	22
Newport	209,133	1,388	8
Cardiff	426,285	1,162	21
<b>Total Unitary Authorities</b>	<b>4,099,052</b>	<b>1,309</b>	

\* Based upon 2011-based, 2016 population projections

## Welsh language task and finish group Terms of Reference

Finally, I agreed to provide you with a copy of Rhodri Glyn Thomas's Terms of Reference for the Welsh Language task and finish group, which are in the public domain and can be found at the following link:

<http://gov.wales/docs/cabinetstatements/2015/151210toren.pdf>

*Yours sincerely,*



**Leighton Andrews AC / AM**

Y Gweinidog Gwasanaethau Cyhoeddus  
Minister for Public Services



Jane Hutt AC / AM  
Y Gweinidog Cyllid a Busnes y Llywodraeth  
Minister for Finance and Government Business



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref MA-P-0300-16

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

18 January 2016

*Dear Jocelyn,*

During my appearance at Finance Committee on 20 December, I agreed to provide a note on the Committee's questions about specific budget reductions, the local government distribution formula and further information about how the Well-being of Future Generations Act has been used across the Welsh Government to shape the Draft Budget 2016-17.

#### **Domestic Abuse Services Grant**

The Welsh Government's Domestic Abuse Services Grant was established in 2002-03. The revenue budget for the Grant has increased to £4.5m in 2016-17 compared to £4.1m in 2015-16. This increase has been agreed to support the implementation of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015, and the budget will be used to provide assistance to organisations which provide direct support to victims of these types of abuse regardless of age, gender and/or ethnicity.

The Minister for Public Services wrote to Eleri Butler, MBE, Chief Executive Officer of Welsh Women's Aid on 13 January, providing details about the Domestic Abuse Service Grant since 2014-15. He also referred to the forthcoming meeting of the Violence against Women, Domestic Abuse and Sexual Violence Advisory Group as an opportunity to discuss funding. I enclose a copy of the letter for the Committee's information.

#### **HEFCW**

The Draft Budget 2016-17 includes £21.1m to cover the forecast increase in tuition fee grant payments. The Draft Budget also includes a reduction of £20m in HEFCW's revenue budget for 2016-17, which equates to around 13% when compared with their funding for 2015-16.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

*Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)  
recycled paper*

English Enquiry Line 0845 010 3300  
Llinell Ymholiadau Cymraeg 0845 010 4400  
Correspondence.Jane.Hutt@wales.gsi.gov.uk  
**Printed on 100%**

The £21.1m transfer from the HEFCW budget is to fund the additional costs of the tuition fee grant in 2016-17. It reflects the eligibility of another cohort of students, an increase in students in 2016, and an increasing average fee level. The level of funding to be transferred is based on forecasts of the projected spend on the tuition fee grant which are produced by the Welsh Government and HEFCW, and which are agreed by the Student Support Forecast Users Group. A significant proportion of this funding will still be received by Welsh institutions.

The Committee asked about the effect of the transfer of the tuition fee grant on Coleg Cymraeg Cenedlaethol. In recognition of the role of the Coleg in improving Higher Education provision for Welsh speakers, the For Our Future budget line, which includes provision for the Coleg, has been maintained at 2015-16 levels. The Government's priorities for 2016-17 will be set out in a Ministerial remit letter to the Council, which will issue in the next few weeks. Although it is for HEFCW to determine how it allocates its resources in line with those priorities the remit letter will provide a steer to the Council on how the reductions should be applied.

### **Local Government**

You asked whether there are plans to review the local government distribution formula. The Local Government distribution formula is kept under a continual programme of review and improvement, which is overseen by the Finance Sub-group of the Partnership Council for Wales.

This is done in detailed consultation with Local Government through the Distribution Sub-group, whose members include officials from a number of local authorities from across Wales, and the WLGA. It also includes independent experts, who ensure there is no evidence of bias either in favour of, or against, the interests of any individual local authority.

The Minister for Public Services set out proposals for the longer term reform of the Local Government finance system in the Reforming Local Government White Paper. The process of longer-term reform will include a fuller review of the funding formula, in due course.

### **Well-being of Future Generations Act**

Turning to how the Well-being of Future Generations Act (Wales) 2015 has influenced budget preparations across the Welsh Government, as I said in the evidence session, the Act has been integral to our preparations and our Draft Budget plans.

A core part of our preparations was to work across traditional Ministerial boundaries and responsibilities and to use the five ways of working encouraged under the Act to focus on specific service areas and outcomes. We considered the impact of current trends and future projections on public services over the present and longer term in order to identify the pressures on public services.

For example, the projected increase in the number of people over 65 and the projected increase in the number of young people suggest particular medium and longer term impacts for key public services such as schools, health and social services. Inevitably, a key focus of our preparations has been to ensure that there is appropriate service capacity to respond to projected population changes and that the right services are available to meet demands.

The analysis of future trends and projections and the Strategic Integrated Impact Assessment also helped us to focus on interventions that prevent problems from happening now and in the in the future.

As I said in the evidence session, when I undertook my Budget tour and met people working at the front line, I explored how we addressed our priorities in the context of the Well-being of Future Generations Act. I also said in the evidence session that the Act is steering our strategic budget planning which will be crucial in the way we move forward and as a platform in terms of the long term challenges facing our communities and investing for the future.

The Budget narrative document describes how the evidence we used has been reflected in our spending priorities for 2016-17 and in turn, how these priorities contribute to the seven Well-Being Goals in the Act. The evidence papers which individual Ministers have submitted to budget scrutiny committees also reflect the results of this work.

We have seen this year's Budget as a preparation for the changes which we be required once the Act is fully implemented. This year's preparations have been shaped by the current Programme for Government. The successor to the Programme for Government will reflect the Act and form the foundation for subsequent Budgets.

### **Additional Allocation to Primary Healthcare**

Finally, in my letter of 7 January to the Committee, I agreed to provide a note in due course about the allocation to the health budget for primary healthcare. The Minister for Health and Social Services wrote to the Health and Social Care Committee on 21 January about this, and I enclose a copy of the letter for the Finance Committee's information.

I hope this response is helpful.

*Beef Wisher,*  
*Jane*

**Jane Hutt AC / AM**  
Y Gweinidog Cyllid a Busnes y Llywodraeth  
Minister for Finance and Government Business



Ein cyf/Our ref LA -/00791/15

Llywodraeth Cymru  
Welsh Government

Eleri Butler MBE  
Chief Executive Officer  
Welsh Women's Aid

[TinaReece@welshwomensaid.org.uk](mailto:TinaReece@welshwomensaid.org.uk)

13 January 2016

Dear Eleri,

Thank you for your letter of 25 November 2015 regarding the funding of services for victims of violence against women. As the Minister with lead responsibility for these issues, I am also responding on behalf of the Welsh Government and my fellow Ministerial colleagues.

As you recognise in your letter, the Welsh Government demonstrated its commitment to tackling all forms of violence against women in the passing of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015. To support the implementation of the Act, the Welsh Government has allocated additional funding over the last two years, as outlined in the table below. We have also, and will continue to, work to re-align our budget to ensure a focus on implementation of the Act and the support of front-line service delivery.

	Domestic Abuse Service Grant - Revenue	Domestic Abuse Service Grant – Capital	Additional In-Year Capital	Total
2014/2015	£4m	£0.3m	£0.2m	£4.5m
2015/2016	£4.1m	£1m	£0.2m	£5.3m
2016/2017	£4.5m	£1m	-	£5.5m

In addition to the specific budget for tackling violence against women and domestic abuse, the Supporting People programme provides vital support to people who find themselves in very difficult personal circumstances. In 2015/16 over £9m of Supporting People funding has been used to help women and families fleeing domestic violence.

The Welsh Government has protected the Supporting People budget for 2016-17. This does not in any way reduce the importance of Local Authorities and their partners maximising the use of the available funding and deploying its funding effectively in response to local needs and priorities. However, it does help to avoid the sort of impacts which might have accompanied a significant reduction in the budget.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

English Enquiry Line 0300 0603300  
Llinell Ymholiadau Cymraeg 0300 0604400  
[Correspondence.Leighton.Andrews@wales.gsi.gov.uk](mailto:Correspondence.Leighton.Andrews@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 33

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.

As you will be aware, we are also continuing to support increased collaborative working between Supporting People Regional Collaborative Committees and regional violence against women and domestic abuse groups, with Gwent as the pathfinder for this work. We will continue to monitor and support this work through the Violence against Women, Domestic Abuse and Sexual Violence Advisory Group, and a further discussion on this work and, specifically issues about refuges has been scheduled for the next meeting of the Violence against Women, Domestic Abuse and Sexual Violence Advisory Group on the 4<sup>th</sup> February. This meeting will also be an opportunity to discuss all the issues around funding you raise in your letter.

In relation to the so-called 'tampon tax', whilst VAT is a non-devolved matter, we would anticipate the funding collected from this tax to also be used to support women's charities working within Wales. My officials are in discussion with the UK Government on this matter.

*Best wishes,*



**Leighton Andrews AC / AM**  
Y Gweinidog Gwasanaethau Cyhoeddus  
Minister for Public Services



Ein cyf/Our ref: MA-P-MD-0289/16

David Rees AM  
Chair  
Health and Social Care Committee  
Cardiff Bay  
Cardiff  
CF99 1NA

21 January 2016

Dear David

I write in response to your request for additional information at the Committee session on 14 January 2016.

1. An outline of how the £200 million additional to support core NHS delivery has been distributed;

As requested, I attach the letter that was issued to Health Boards at Annex 1. For clarity, a budget cannot be allocated until the budget is approved so the physical allocation of resources will take place in 2016/17. In line with previous Committee recommendations, we try to provide as much information as possible about the resources available and how they will be allocated through the issue of an allocation letter in December of each year i.e. around the draft budget time, and then follow that up with further information as I stated in the Committee.

The allocation letter (which is issued in the form of a Welsh Health Circular) in December is very detailed. It did not allocate the resources, but in paragraph 13 it set out that Health Boards **should plan** that the £200m would be allocated on the agreed population basis.

This would result in the following allocations that will be well known to health boards:

<b>Distribution of Additional £200 million</b>	<b>£m</b>
Abertawe Bro Morgannwg	35.815
Aneurin Bevan	38.264
Betsi Cadwaladr	42.515
Cardiff and Vale	28.789
Cwm Taf	22.225
Hywel Dda	24.255
Powys	8.137
<b>Total</b>	<b>200.000</b>

We have confirmed the above, along with other intentions in discussions with NHS chairs, CEOs and directors of finance since the issue of the letter. Information will be refined further as decisions are made covering the other funds included in the draft budget and we will be updating the original allocation letter via other planning letters.

A final allocation letter is planned to be issued in March following the final budget approval, before the new financial year and final submission of health board plans.

2. Additional information on the figures outlined in the WAO report *Supporting the Independence of Older People: Are Councils Doing Enough?* (Oct 2015)

I am grateful for the additional clarification of this request that has been included in correspondence of 19 January. I will include the detail requested in my later response.

3. Provide a breakdown of the planned capital spending for 2016-17 including:
  - details of discretionary capital allocations to local health boards;
  - details of costs of 2016-17 schemes which are already being funded;
  - details of new capital allocations for 2016-17.

The discretionary capital allocations to local health boards are:

<b>2016-17 Discretionary Allocations</b>	<b>£m</b>
<i>NHS organisation</i>	
Aneurin Bevan	7.209
Abertawe Bro Morgannwg	9.745
Betsi Cadwaladr	9.614
Cardiff and Vale	9.914
Cwm Taf	3.496
Hywel Dda	4.947
Powys	0.954
<b>Total</b>	<b>45.879</b>

In terms of funding for approved schemes, these are as follows:

<b>2016-17 Already Approved Schemes</b>	<b>£m</b>
Emergency Department Management System	1.129
Morrison Outpatients	2.000
Morrison Clinical & Diabetic Accommodation	2.200
Morrison Cardiac Centre	1.800
Morrison Renal	5.338
Ysbyty Glan Clwyd Redevelopment	4.037
Twywn Redevelopment	0.070
SuRNICC Enabling Works	0.132
Patient Administration System	2.218
JAG Accreditation Bangor and Glan Clwyd	0.152
Blaenau Ffestiniog Resource Centre	3.501
Adult Acute Mental Health Llandough	0.961
Children's Hospital	1.881
UHW Neonatal	4.192
Cardiff Royal Infirmary Substance Misuse	0.300
Bronglais Redevelopment	1.805
Prince Phillip Hospital Unscheduled Care	0.434
Laboratory Information System	0.020
Intelligent Audit Provision Tool	0.016
Public Health Wales Accommodation Strategy	1.150
Transforming Cancer Services Programme	2.164
Linear Accelerator Replacement Velindre	0.595
All Wales Blood Service	0.365
Ambulance Planning, Resourcing and Dispatch System	0.224
St David's Hospice	2.182
Cylch Caron Business Case Fees	0.136
<b>Total</b>	<b>39.002</b>

With regard to new capital allocations for 2016-17, as I indicated last week at Committee, I have earmarked funding for a number of key investments. This includes supporting our national programmes, for example, for developments in diagnostics and genomics. It also includes specific schemes such as a new community hospital at Cardigan, the Cylch Caron Project in Tregaron, a new primary and community resource centre at Flint, the redevelopment of Llandrindod Wells Hospital and the Specialist Critical Care Centre in Llanfrechfa. Discussions are on-going regarding further opportunities and priorities, and details of these will be shared with the Committee once these are concluded.

Best wishes,

Mark

**Mark Drakeford AC / AM**

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol  
Minister for Health and Social Services



Yr Adran Iechyd a Gwasanaethau Cymdeithasol  
Cyfarwyddwr Cyffredinol • Prif Weithredwr, GIG Cymru

Department for Health and Social Services  
Director General • Chief Executive, NHS Wales



Llywodraeth Cymru  
Welsh Government

Chief Executives – NHS Local Health Boards  
Chief Executives – NHS Trusts

Our Ref: AG/JB/TLT

22 December 2015

Dear Colleague

## HEALTH BOARD 2016-17 REVENUE ALLOCATIONS

Please find attached the Minister's letter to NHS Chairs formally issuing the 2016-17 Revenue Allocations.

This Allocation specifies the initial funding for your organisation for 2016-17. It should be considered in line with the prudent healthcare principles and alongside the existing and future priorities of the Welsh Government for 2016-17.

The scale of the challenge you face is acknowledged and you can be assured of the Welsh Government's commitment to work closely with you/your organisation, following the receipt of your Integrated Plan on 31<sup>st</sup> January, to ensure you continue to deliver against your statutory and ministerial requirements.

I hope that the attached information provided is of assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Goodall'.

**Dr Andrew Goodall**

ENC.



BUDDSODDWYR  
MEWN POBL

INVESTORS  
IN PEOPLE

Back Page 38

Parc Cathays • Cathays Park  
Caerdydd • Cardiff  
CF10 3NQ

Ffôn • Tel 02920 801182/1144  
[andrew.goodall@wales.gsi.gov.uk](mailto:andrew.goodall@wales.gsi.gov.uk)  
Gwefan • website: [www.wales.gov.uk](http://www.wales.gov.uk)



Comisiynydd y  
Gymraeg  
Welsh Language  
Commissioner

The Right Honourable Carwyn Jones AM  
First Minister  
Welsh Government  
Tŷ Hywel  
Cardiff Bay  
CF99 1NA

27/01/2016

## Welsh Language Commissioner's Budget 2016-17

Thank you for your letter dated 21/01/2016 confirming the allocation of £3,051,000 to the organization in the Welsh Government's draft budget for 2016-17. The Estimate I submitted to Welsh Ministers in October 2015 outlined the need for an organizational budget of £3,744,000. The funding that will be available is £543,000 less than the expenditure of £3,744,000 outlined in the Estimate for 2016-2017. You have confirmed that we can expect a one-off payment of £150,000 by the end of January 2016 to mitigate the effect of the proposed cut to next year's budget.

In light of your letter, I have been attempting to identify savings for next year and contemplating the uncertain forecast for the years that follow. Alongside this I have also been reviewing the funding pattern that shows an accumulated reduction in funding to the organization of the Welsh Language Commissioner over the past three years. As a result I consider it my duty to write to you further, and formally voice my grave concern.

Firstly, I would like to raise my concern regarding the accumulated reduction to the Welsh Language Commissioner's budget since being established. 2016-17 marks five years since the establishment of the Welsh Language Commissioner on 1 April 2012. A budget of £4,100,000 was allocated for the first two years. A cut of £410,000 (10%) was implemented in 2014-15 with a further cut of £300,000 (8%) in 2015-16. It was explained that this cut was part of wider cutbacks in the department for education and skills' budget and it was necessary for the organization to receive this cut. This has been a cut of 23% in real terms since the establishment of the Commissioner, and inflation affects the

Comisiynydd y Gymraeg  
Siambrau'r Farchnad  
5-7 Heol Eglwys Fair  
Caerdydd CF10 1AT

0845 6033 221  
post@comisiynyddygybraeg.org  
Croesewir gohebiaeth yn y Gymraeg a'r Saesneg

Welsh Language Commissioner  
Market Chambers  
5-7 St Mary Street  
Cardiff CF10 1AT

0845 6033 221  
post@welshlanguagecommissioner.org  
Correspondence welcomed in Welsh and English



Commissioner in the same way as other organizations. If the Welsh Language Commissioner were to accept a further cut of 10% to the budget for 2016-17, the funding level will have been reduced to around £3,050,000 compared to the £4,100,000 for 2013-14. This will be a cut of over 25% in financial terms. If one considers the effect of RPI on the costs of the organization, this effectively means a cut of 32% in real terms compared to the year that the Commissioner was established. This pattern of reduction is more severe than the cuts faced by organizations that carry out similar work to the Welsh Language Commissioner, and the cutback the Government itself has had to face to its own final budget over a similar period e.g.

	2013 - 2014	2014 - 2015	2015-2016	2016 - 2017
Welsh Government	14,885,270,000	15,321,778,000	15,343,967,000 (14,041,391,000) <sup>1</sup>	14,392,712,000
	-	2.9%	0.1%	2.5% <sup>2</sup>
Welsh Language Commissioner	4,100,000	3,690,000	3,390,000	3,051,000
		-10.0%	-8.1%	-10%

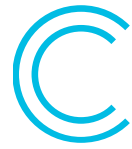
In your evidence to the Communities, Equality and Local Government Committee on 13 January this year, when John Griffiths AM asked you about cuts to my budget, you justified the decision on the basis of consistency with cuts to other Commissioners:

“It’s consistent, of course, with the financial settlement that has been provided for other commissioners as well”

The rationale for cuts based only on funding comparisons with other organizations is questionable as our functions are not comparable, and as *no* other Commissioner is a regulator charged with imposing and enforcing statutory duties. The Commissioner’s statutory responsibilities under the Welsh Language Measure are significantly different.

<sup>1</sup> The baseline in the Welsh Government’s draft budget for 2016 – 17

<sup>2</sup> Increase against the baseline in the Welsh Government’s draft budget for 2016 - 2017



	2013 - 2014	2014 - 2015	2015-2016	2016 - 2017
Older People's Commissioner	1,730,000	1,750,000	1,715,000	1,545,000
		+1%	-2%	-10%
Children's Commissioner for Wales	1,715,000	1,715,000	?	?
		0.1%	?	?
Welsh Language Commissioner	4,100,000	3,690,000	3,390,000	3,051,000
		-10.0%	-8.1%	-10%

The funding pattern for the Welsh Language Commissioner has not mirrored the evolving requirements of legislation. For instance, Estyn has been allocated a cut of around 3% in the draft budget. This is an organization that appears to receive funding based on the requirements of its proposed work.

Future funding levels and the challenging period we face over the next 2 years in particular is of grave concern. In a paper presented to you on 10 December 2015, I outlined that the period between April 2016 and the end of March 2018 will be the most challenging period faced by the Welsh Government and the Welsh Language Commissioner in the establishment of Welsh language standards. I noted in my paper that I will be expected to conduct standards investigations for further sectors named in Schedule 8 of the Measure and that it was detailed legal work that cannot be simplified in carrying out the requirements of the Welsh Language (Wales) Measure 2011. I would also like to remind you of the motion passed unanimously by the National Assembly on 20<sup>th</sup> October 2015:

“notes that the Welsh Government has committed in its language strategy, 'A living language: a language for living', to 'make standards, which will enable the Commissioner to impose duties on private sector companies which fall within the scope of the Welsh Language Measure, including telecommunications companies, bus and train operators, and utility companies.’”

My major concern over the next period is that it is not possible to cut corners in implementing statutory processes in accordance with the Welsh Language (Wales) Measure 2011. If sufficient resources are not available to implement these processes properly within the regulatory requirements of the Measure, there is a high risk of maladministration. Appropriate resources are necessary to ensure appropriate exercise of the clear statutory requirements that fall to me as Welsh Language Commissioner. The



Comisiynydd y  
Gymraeg  
Welsh Language  
Commissioner

funding requirements outlined in my Estimate, and in the paper I shared with you in December 2015, are realistic and reasonable based on implementing the requirements of the Measure.

You will also be aware that my functions under the Measure are wide-ranging and as Commissioner, there are a host of other requirements and duties placed upon me, beyond the imposition of standards, there will be increasing requirements upon me to enforce the standards. As well as the Standards, there are other statutory duties required of me: this year, for instance, I will be publishing my 5 Year Report on the Welsh language, and I will continue to undertake research, provide advice and make recommendations on various matters in accordance with my functions under section 4 of the Measure. Conducting this vital work is also increasingly difficult with regular cuts to my budget.

In order for me to carry out my work as Welsh Language Commissioner in a way that is legally sound, and to ensure the successful implementation of the Welsh Language (Wales) Measure 2011, I ask you as First Minister, with particular responsibility for the Welsh language and also general responsibility for the implementation of legislation, to reconsider the funding trajectory for the Welsh Language Commissioner. The mitigating payment of £150,000 is insufficient to bridge the deficit within my budget over an extended period and I ask you to seriously consider not making a further cut of 10% to the Welsh Language Commissioner's budget, thus avoiding any negative impact on the implementation of the Welsh Language (Wales) Measure 2011. If you were not able or prepared to hold back on the cut, the budget of £3,051,000 would leave the organization in a vulnerable position and we would ask that the mitigating payment should at least be closer to the £543,000, the figure outlined as necessary in my Estimate.

Yours, with concern

**Meri Huws**  
Welsh Language Commissioner

---

**Cynulliad Cenedlaethol Cymru**  
Y Pwyllgor Amgylchedd a Chynaliadwyedd

**National Assembly for Wales**  
Environment and Sustainability Committee

---

Jocelyn Davies AM  
Chair of the Finance Committee  
National Assembly for Wales

28 January 2016

Annwyl Jocelyn,

## Draft budget 2016–17

### General observations

In 2015–16, the Natural Resources Departmental Expenditure Limit (DEL) reduced in cash terms by 7.5% – the biggest reduction faced by any Welsh Government department. For 2016–17 the department avoids this position, yet it faces a greater cut than it did in 2015–16 – 9.3% in cash terms when compared with the 2015–16 Supplementary Budget.

The Minister outlined the protection afforded to health and education budgets and the consequences of this being greater cuts to other departmental budgets. The source of the budget reductions are, ultimately, a consequence of UK Government policy decisions.

We believe that in future years more detail needs to be provided about the outcomes that are being reduced in scope and/or delayed as a consequence of budget reductions.

### Budget process

Whilst we accept that the decision to present the draft budget differently this year was not taken by the Minister for Natural Resources, and that the change was



**Cynulliad Cenedlaethol Cymru**  
Bae Caerdydd, Caerdydd, CF99 1NA  
SeneddAmgylch@cynulliad.cymru  
www.cynulliad.cymru/SeneddAmgylch  
0300 200 6565

**National Assembly for Wales**  
Cardiff Bay, Cardiff, CF99 1NA  
SeneddEnv@assembly.wales  
www.assembly.wales/SeneddEnv  
0300 200 6565

explained in his paper to us. However, this change in presentation made comparisons more difficult and less clear. We would have preferred the presentation to have been consistent with previous years. Last year we praised the Government for improvements in the clarity of its presentation and it is a shame that there has been a slight regression on this front this year. In future, we would hope that the Finance Committee would be consulted on such presentational changes. Noting the above, we are grateful to the Minister for being open to receiving our view on this aspect of the process and his stated desire to make the process as transparent as possible.

## Natural Resources Wales

We appreciate the Minister's candour in outlining the financial challenges faced by Natural Resources Wales, who receive a 10.1% budget reduction in cash terms for 2016–17.

In acknowledging the pressure NRW is under, the Minister also reaffirmed his belief that NRW can still deliver all of its core functions. However, the Minister also acknowledged that a time will come when NRW will not be able to perform all of the duties it currently performs and that its operational capability will be at greater risk.

We accept the Minister's assurance that NRW is being provided with sufficient resources to deliver its core functions during the period covered by this draft budget. However, we are concerned about the increasing level of risk that this is bringing to services that are already under significant pressure. If NRW is going to have to stop performing functions that could be considered 'non-core' then it is important that the implications of this are understood.

It is our intention to explore the implications of NRW's budget reductions in more detail through correspondence with NRW's Chief Executive.

The Minister also mentioned steps that could be taken to make better use of the public estate. We will be seeking further information from the Minister in relation to this.

## Implications of the United Kingdom withdrawing from the European Union

A substantial range of policy areas within our scrutiny remit rely on financial support from the European Union (and European law). In the event that the United



Kingdom decides to withdraw from the European Union, major programmes would require complete transformation and significant new funding streams. In particular, the impact on agriculture and rural communities would be significant due to the level of financial support provided through the Common Agricultural Policy.

We believe that resources need to be allocated to contingency planning, particularly in areas that are currently wholly reliant on European funding. We intend to ask the Minister to provide further details of how the draft budget will support the need for this planning.

### European Investment Bank (EIB)

During our evidence session, the Minister referred to £350 million of funding that had been secured from the EIB for a loan–grant scheme. We intend to seek more information about how such a scheme will work and the objectives the Minister expects to see delivered with this additional money.

### The UK Department for Environment, Food and Rural Affairs (DEFRA)

The potential impact of cuts to the DEFRA budget on services that the Welsh Government currently share is of concern to us, though we note the Chief Veterinary Officer's view that these cuts will be greater at the centre of DEFRA and that the agencies (that are of greater relevance in terms of shared services) will be less affected.

We welcome the steps that the Deputy Minister and her officials have taken to achieve greater Welsh representation within, and subsequent attention from, the Animal and Plant Health Agency (APHA).

### Flood risk management

The Minister, and First Minister, recently announced a £3.3 million funding package for immediate repairs and maintenance of river and drainage schemes and to assist communities recovering from flooding.

The First Minister has confirmed that £2.3 million has been provided as a consequence of increased funding from the UK Government for flood risk management in England.

The Minister was unable to confirm the source of the additional £1 million of funding, and whether it would come from the current budget (2015–16) or the





future budget (2016-17). We intend to seek further information on the source of this funding from the Minister.

Yours sincerely

A handwritten signature in black ink on a light-colored background. The signature appears to read "Alan Hunt Jones".

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Sir Derek Jones KCB  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

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

*2016* January 2016

*Dear Jocelyn,*

## Finance Committee's legacy – Financial scrutiny of legislation

I am grateful to the Finance Committee for this opportunity to give evidence on the important subjects of how the costs, benefits and other financial impacts of the Welsh Government's Legislative Programme in the Fourth Assembly have been assessed and how these will be reviewed. The attached paper provides a response on each of these points.

This is the first term in which the National Assembly has had full primary law-making powers and I am proud of the significant contribution that the civil service has made in supporting Ministers to bring forward 26 Government-proposed Bills in this term, 22 of which are now Acts of the Assembly. This achievement should not be under-estimated. While I acknowledge and support the Committee's view that it is quality, not quantity, that is important, it is nevertheless the case that the organisation has had to develop its legislative capacity substantially to deliver this programme, and at times it has been a steep learning curve. Overall I believe that my colleagues have achieved a considerable amount in supporting Ministers to propose new laws for the benefit of people in Wales.

At the same time, this is the first term in which this has been done and this means there is much to learn and improve. The legislation brought forward by the Welsh Government is fundamentally a matter of political judgement. But I am committed to continuing to improve the administrative approach to planning, managing and delivering legislation, and to supporting Ministers as effectively as possible in reaching those judgements. Refining our approach to assessing the costs, benefits and other impacts of primary legislation is an important part of that learning, so I welcome the Committee's continuing interest in this area.

Yours,  
Derek



## **Finance Committee Paper on Regulatory Impact Assessments (RIAs)**

### **Introduction**

1. The purpose of a Regulatory Impact Assessment (RIA) is to provide the National Assembly, Welsh Ministers, the Accounting Officer and stakeholders with an assessment of the likely impacts of legislation. Such an assessment is crucial to the effective scrutiny of proposed policy changes.
2. Each RIA also aims to meet the requirements of Standing Order 26.6(vi) by presenting a best estimate of the costs of proposed legislation, identifying on whom those costs fall and the timescales over which the costs are expected to arise.
3. While Standing Orders do not explicitly require the assessment of a range of options or the identification of benefits, their inclusion is an important part of the assessment from a Value for Money (VFM) perspective, attempting to set out to the Assembly and stakeholders how the benefits associated with a legislative proposal might help to balance additional costs. The requirement underpinning an RIA therefore has much in common with the requirement placed on Accounting Officers to assess objectively the VFM of all government actions (legislation, regulation, policy, programmes and projects). In consequence, the process for developing an RIA reflects the principles set out in HM Treasury's "Green Book" on how to ensure that VFM has been achieved and demonstrated.
4. The process, structure and content of RIAs have been considered in two recent reviews:
  - The Constitution and Legislative Affairs Committee made a number of recommendations around the structure and content of Explanatory Memoranda and RIAs in 'Making Laws in Wales' (published October 2015).
  - The Public Policy Institute for Wales (PPIW) has been commissioned to review impact assessment processes (including RIAs) in Wales as part of the reducing complexity agenda. This review, which is being led by Dr Clive Grace, is expected to report in January 2016.

### **The process followed for undertaking RIAs of Government-proposed Assembly Bills**

5. The RIA for Government-proposed Assembly Bills has in most cases to date been completed by the relevant policy team - often with specialist input from Welsh Government economists and the other analytical teams - although in some cases the policy team has commissioned external consultants to undertake the assessment. Welsh Government Economists have produced guidance on undertaking RIAs aimed at policy teams working on Assembly Bills. This guidance follows the approach set out in the HM Treasury Green Book: Appraisal and Evaluation in Central Government. The guidance is

currently being reviewed and will be published as part of the refreshed Legislation Handbook on Assembly Bills.

6. The following is a summary of the process for developing an RIA as set out in the current guidance:

- The first stage of the RIA process is to set out all credible options which could achieve the stated policy objectives. The list of options will include a 'Do Nothing' option to act as the baseline scenario. Policy teams are also recommended to consider any realistic 'Do Minimum' options to test whether a large proportion of the claimed benefits under the preferred option could be delivered at a lower cost.
- Having identified a set of options, the next stage is to consider which organisations and/or sectors are likely to be affected under each option. They could include the public sector, private business, the voluntary sector and the general public. While the focus of the RIA should be on impacts within Wales, the assessment should also consider impacts at the UK level (for example, if the proposals impact on the Ministry of Justice).
- Each RIA seeks to identify the cost in the 'Do Nothing' (or baseline scenario) and the additional costs associated with each option. These costs may be economic, social or environmental and can be transitional or recurrent. The preferred approach is to monetise all costs, although a qualitative description of costs will be included where monetisation is not practicable. An appraisal period is selected which is considered long-enough for a 'steady state' to be reached on costs. For most Assembly RIAs, this has tended to be 5 years although this has been extended to 10 years for some RIAs. Where costs are expected to continue beyond the selected appraisal period, this is identified in the RIA narrative.
- Having identified and monetised costs, the next part of the analysis is an assessment of the anticipated benefits. As with costs, the benefits can be economic, social or environmental. The benefits are monetised where possible to enable an objective decision to be made on Value for Money, although, in practice this tends to be more difficult than monetising costs. Where it is not possible to monetise benefits, RIAs are expected to provide the best possible evidence on the nature and scale of those benefits in order to ensure that the trade-offs between costs and benefits across the various options are made as explicit as possible.
- The monetised costs and benefits are discounted (using the HM Treasury central discount rate) to reflect the social rate of time preference<sup>1</sup>. This is a standard approach in economic appraisal.
- In addition to the cost-benefit analysis there are a number of specific policy impact assessments that form part of the policy development process. Some of these impact assessments are a legal requirement (for

---

<sup>1</sup> There is evidence showing that society generally prefers to receive goods and services now rather than later and to defer expenditure until later years. This is known as time preference. In economic appraisal a declining weight is attached to costs and benefits that occur in future years to reflect this time preference.

example, 'Equality and Human Rights' and 'Children and Young People') whilst others (for example, the competition assessment) reflect good policy practice. These supplementary assessments could be seen as providing more detail on the distribution of costs and benefits across particular groups and sectors, and are therefore consistent with the cost-benefit analysis and draw on the same sources of evidence.

- The preferred option is selected on the basis of the above assessment with the decision explained in the RIA.
  - The final chapter of the RIA relates to the Post-Implementation Review, setting out the planned approach for monitoring, reviewing and evaluating the policy. Current guidance on this chapter of the RIA in the Legislation Handbook, was prepared in conjunction with Welsh Government's Knowledge and Analytical Services division (KAS). One of the areas identified in the guidance as appropriate to consider is whether estimated costs and benefits have been realised and where appropriate the reason for any variance. The First Minister has committed to reviewing the current Legislation Handbook on Assembly Bills and to publishing the revised version in his response to the Constitutional and Legislative Affairs (CLA) Committee report on Making Laws in Wales.
7. In most cases, given the forward looking nature of RIAs, there will be some degree of uncertainty in the assessment of costs and benefits and a number of assumptions will have to be made. Where this is the case, the levels and areas of uncertainty are explained in the RIA. Where appropriate, cost estimates are presented in ranges and/or sensitivity analysis is undertaken.
  8. The evidence needed to inform an RIA varies from one Bill to another and typically comes from a variety of sources. Key to the development of meaningful RIAs is the involvement of stakeholders. While stakeholders are involved currently in the development of RIAs, this is an area which could be improved upon further.
  9. To add maximum value, the development of the RIA should be a continual process. An initial impact assessment should be completed at an early stage of the policy making process, with the assessment refined at key stages throughout the process (for example, consultation, draft Bill and introduction). Indeed, the RIA could perhaps best be seen as simply the formal documentation of the evidence needed to ensure that the relevant legislation has been designed to be fit for purpose.
  10. The First Minister has committed, in his response to the Making Laws in Wales report, that policy teams will usually be required to publish a draft financial assessment alongside any draft Bill. The recent draft Bills on Additional Learning Needs and the Minimum Unit Price of Alcohol have been accompanied by a draft RIA.

11. Earlier consideration and more effective stakeholder involvement are expected to lead to an improvement in the quality of RIAs when Bills are introduced into the Assembly.

### **How costs and benefits are currently presented in RIAs**

12. For more complicated Bills, such as those containing a number of quite distinct proposed policy changes, it is recommended that a separate RIA is completed for each proposal. It is recognised that in some cases this has led to quite lengthy and complicated Explanatory Memoranda.
13. To aid the reader, each RIA has included a summary table(s) drawing together the costs and benefits of the preferred option(s) and, where there is more than one proposal, presenting the overall cost of a Bill. The costs are presented both undiscounted and in present value terms. The Welsh Government recognises that concerns have been raised by the Auditor General for Wales and Finance Committee around the presentation of costs and benefits in RIAs and in particular that the presentation of monetised benefits alongside cash costs is potentially misleading - this is certainly not the intention. The presentation of monetised benefits alongside costs is a standard approach in economic appraisal and is intended to support the Value for Money assessment.
14. In light of the recommendations made on recent Bills by the Finance Committee and those made by the CLA Committee in their report on Making Laws in Wales, Welsh Government officials are undertaking a review of the structure, content and presentation of RIAs and how best to meet the requirements set out under Standing Order 26.6(vi). However, the review will need to ensure that the Value for Money element of the assessment is retained. As part of the process, an initial meeting has been held with the Wales Audit Office to discuss the evidence they have given on various RIAs and consider how information could be better presented. The review is ongoing and will also need to take into account any changes to Standing Orders in respect of Explanatory Memoranda which may arise from the CLA Committee's recommendations to the Business Committee in the Making Laws in Wales report and any recommendations in the PPIW report. The guidance on RIAs will be updated accordingly as part of the refreshed Legislation Handbook on Assembly Bills and will then be published.

### **The process for updating RIAs as and when subordinate legislation is drafted and costed**

15. Where possible, a best estimate of the cost of any associated subordinate legislation will be presented in the RIA accompanying an Assembly Bill. Where this has not been possible it has generally been because the detail of the subordinate legislation was not known at the time of producing the Bill RIA.

16. Section 76 of the Government of Wales Act 2006 required Welsh Ministers to make a code of practice setting out their policy on the carrying out of Regulatory Impact Assessments for subordinate legislation. This code identifies a limited number of exceptions whereby subordinate legislation would not require an RIA. However, in the majority of cases an RIA is completed for subordinate legislation.
17. The approach taken in developing an RIA for subordinate legislation is broadly similar to that set out above for Assembly Bills. In some cases, where the subordinate legislation is as envisaged when the Bill was introduced, the RIA accompanying the subordinate legislation will replicate the Bill RIA. In other cases, more detail will be included or more substantial changes will be required in the RIA accompanying the subordinate legislation. For example, the RIA accompanying subordinate legislation on Developments of National Significance reflected further stakeholder engagement and policy refinement undertaken following the enactment of the Planning (Wales) Act 2015.
18. The Welsh Government does not re-visit and update an RIA produced for an Assembly Act once subordinate legislation has been drafted and costed.

**What assessments have you already made regarding the accuracy of RIAs for Bills passed this Assembly?**

19. In the current term, the emphasis has been on making the RIA which is published on introduction of proposed Legislation as accurate as possible. The RIA process is overseen by Welsh Government economists with input from KAS and the Legislative Programme and Governance Unit. The purpose of this is to try to ensure a consistent approach to RIAs; the appropriate and balanced use of data and evidence; and compliance with Standing Order and HM Treasury Green Book requirements
20. To date, no retrospective assessment of the accuracy of RIAs has been undertaken by the Welsh Government. As explained in the section below, it is considered too early to have undertaken a post-implementation review of many pieces of primary legislation passed during the current term.

**How you plan to undertake post legislative scrutiny of the cost of legislation that was enacted in the Fourth Assembly**

21. The Legislation Handbook stipulates that the Explanatory Memorandum which is completed for each Assembly Bill should outline the planned approach for the post-implementation review of the legislation. There are a number of different aspects that could be covered by a post-implementation review and the scale and coverage will vary from one piece of legislation to another.



22. The Legislation Handbook provides policy teams with guidance on planning for post-implementation review, this guidance is consistent with the HM Treasury “Magenta Book”. As mentioned above, the Legislation Handbook is being reviewed and will then be published.
23. In some cases the post-implementation review may include a review of the expected costs and benefits of the legislation: for example, in respect of the Mental Health (Wales) Measure 2010 the Minister for Health and Social Services has confirmed a cost benefit analysis will be undertaken in a proportionate way, and will draw on the wider available research evidence and data which has been routinely collected since the Measure was implemented.
24. For many of the pieces of legislation enacted during the Fourth Assembly we have not yet reached the point where a post-implementation review is considered appropriate. For example, the Local Government Byelaws (Wales) Act 2012 was the first Government-proposed Bill to become an Act of the Assembly: it received Royal Assent on 29 November 2012 but was not fully commenced until 30 March 2015.

### **How the cumulative cost of legislation in the Fourth Assembly is being measured**

25. The narratives accompanying the 2015-16 and 2016-17 draft budgets have included assessments of the additional cost (in the relevant year) to Welsh Government of legislation (including both enacted legislation and Bills that had been introduced in the Assembly). The assessments include additional funding provided by the Welsh Government to, for example, local authorities and the NHS to implement legislation. The narratives are predominantly based on information in the RIAs but also reflect any revisions made to costings subsequent to the publication of an RIA.
26. The issue of the cumulative cost of legislation was raised by Finance Committee in correspondence with the Minister for Finance and Government Business during 2015. The following extract, taken from the Minister’s letter of 10 June 2015, remains valid:

“The RIA process does not include as a standard requirement an assessment of the cumulative impact of policy changes and new Welsh legislation on the private sector as a whole. To require this in every case would be disproportionate. However, RIAs have considered the cumulative impact of policy where a particular sector has been

impacted by a number of new policy or legislative changes. This approach is in line with current guidance from HM Treasury”.

27. The consultation process gives stakeholders the opportunity to bring to the Welsh Government’s attention any instances where they believe effects may impact cumulatively on a particular sector, and the Welsh Government will continue to make an assessment of such impacts on a case-by-case basis.

Welsh Government  
January 2016

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: MA-L/JH/0217/15

Jocelyn Davies AM,  
Chair, Finance Committee

25 November 2015

Dear Jocelyn,

Thank you for your letter of 4 November regarding your Committee's scrutiny of Regulatory Impact Assessments and the costs of legislation. I understand that the Permanent Secretary will be attending your Committee to give evidence on 3 or 11 February 2016 at 9am. Unfortunately due to other diary commitments I will not be able to attend at either time but I am confident that you will have a constructive session with the Permanent Secretary.

Best wishes,  
Jane

**Jane Hutt AC / AM**  
Y Gweinidog Cyllid a Busnes y Llywodraeth  
Minister for Finance and Government Business

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

English Enquiry Line 0300 0603300  
Llinell Ymholiadau Cymraeg 0300 0604400  
Correspondence.Jane.Hutt@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.

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.

Sir Derek Jones KCB  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

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

26<sup>th</sup> November 2015

*Dear Jocelyn,*

**Finance Committee's legacy – Financial scrutiny of legislation**

Thank you for your letter of 04 November on the Committee's legacy work; its interest in Regulatory Impact Assessments; and for the invitation to discuss a very important subject (and for your flexibility in scheduling a date for the session).

From the outset, can I just say how proud I am of what has been achieved, in this, the first Assembly term with primary legislative powers and the civil service's part in it. There are now 22 acts on the statute book.

That is not to say, of course, that valuable improvements to the way that legislation is developed and delivered, including assessments of its impact, cannot be made. I am aware of the Committee's work to date on this subject, and I know that colleagues have been working to respond to the Committee's recommendations, both as they deliver this legislative programme and plan improvements for the next.

In addition, the Public Policy Institute Wales is currently doing a study into the Welsh Government's approach to impact assessment more generally, which I hope will be another contribution to the organisation's maturity in completing this critical work.

I very much welcome the Committee's continued interest in this subject and look forward to the session in the New Year.

I am copying this letter to the Minister for Finance and Government Business.

Yours,  
Deroh



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

Document is Restricted

---

**Cynulliad Cenedlaethol Cymru**  
Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol

**National Assembly for Wales**  
Communities, Equality and Local Government Committee

---

**Jocelyn Davies AM**  
**Chair**  
**Finance Committee**

15 December 2015

Dear Jocelyn

**Draft Public Services Ombudsman (Wales) Bill**

At our meeting on 10 December, the Committee heard evidence from the Public Services Ombudsman for Wales in relation to his 2014/15 annual report.

During that session, we discussed the case for amending the *Public Services Ombudsman (Wales) Act 2005*, including the need for ‘own-initiative investigation’ powers and the authority to accept oral complaints.

We are aware of the work carried out to date by the Finance Committee on the possible extension of the Ombudsman’s powers, and note that you are currently consulting on a draft Bill. The Committee felt it was important that I write to you to express its support for the introduction of a new Bill. We hope that such a Bill will be pursued by the relevant Committee as a matter of priority in the fifth Assembly.

Yours sincerely,



**Christine Chapman AM**

Chair



**Cynulliad Cenedlaethol Cymru**  
Bae Caerdydd, Caerdydd, CF99 1NA  
SeneddCCLLL@cynulliad.cymru  
www.cynulliad.cymru/SeneddCCLLL  
0300 200 6565

**National Assembly for Wales**  
Cardiff Bay, Cardiff, CF99 1NA  
SeneddCELG@assembly.wales  
www.assembly.wales/SeneddCELG  
0300 200 6565

Document is Restricted



Document is Restricted