

Agenda – Finance Committee

Meeting Venue:	For further information contact:
External Location	Bethan Davies
Meeting date: Thursday, 13 July 2017	Committee Clerk
Meeting time: 10.00	0300 200 6372
	SeneddFinance@assembly.wales

David Hughes Community Centre, Beaumaris

- 1 Introductions, apologies, substitutions and declarations of interest**
(10.00)
- 2 Paper(s) to note**
(10.00) (Pages 1 – 7)
PTN1 – Letter from HM Revenue and Customs to the Chair of the Public Accounts Committee – Additional Accounting Officer for the Welsh Rate of Income Tax – 13 June 2017
(10.00) (Pages 8 – 9)
- 3 Inquiry into the financial estimates accompanying legislation: Evidence session 8 (Association of Directors of Social Services Cymru (ADSS Cymru))**
(10.00–11.00) (Pages 10 – 31)

Alwyn Jones, Lead Officer Adult Services, Isle of Anglesey County Council and Chair of All Wales Heads of Adult Services

Jenny Williams, Director of Social Services, Conwy County Borough Council and ADSS Cymru Vice President

Paper 1 – Written evidence – Association of Directors of Social Services Cymru



**4 Inquiry into the financial estimates accompanying legislation:
Evidence session 9 (Society of Local Authority Chief Executives
(SOLACE))**

(11.00–12.00)

(Pages 32 – 57)

Dilwyn Williams, Chief Executive, Gwynedd Council

Paper 2 – Written evidence – Society of Local Authority Chief Executives

**5 Motion under Standing Order 17.42 to resolve to exclude the
public from the remainder of the meeting and items 1 – 3 of the
meeting on Wednesday 19 July 2017**

(12.00)

**6 Welsh Government First Supplementary Budget 2017–18:
Consideration of draft report**

(12.00 – 12.15)

(Pages 58 – 72)

Paper 3 – Draft report

**7 Appointment of the non-executive Members and Chair of the
Wales Audit Office Board: Consideration of draft report**

(12.15–12.20)

Paper 4 – Draft report

8 Stakeholder event: Pre-budget strategy engagement session

(13.00–15.00)

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Thursday, 29 June 2017

Meeting time: 09.33 – 12.52

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4227>

Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Eluned Morgan AM David Rees AM Steffan Lewis AM Nick Ramsay AM
Witnesses:	Dr Clive Grace, PPIW Daniel Bristow, PPIW Bethan Jones, Rent Smart Cymru Kerry Price, Qualifications Wales Philip Blaker, Qualifications Wales Alison Standfast, Qualifications Wales Suzy Davies AM, Commissioner Manon Antoniazzi, Chief Executive & Clerk of the Assembly Nia Morgan, Director of Finance
Committee Staff:	Bethan Davies (Clerk)



	Catherine Hunt (Second Clerk)
	Gemma Gifford (Deputy Clerk)
	Martin Jennings (Researcher)
	Owen Holzinger (Researcher)
	Christian Tipples (Researcher)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.

2 Paper(s) to note

2.1 The papers were noted.

3 National Assembly for Wales Commission budget: Remuneration Board Determination underspend

3.1 The Committee took evidence from Suzy Davies AM, Commissioner for Budget and Governance; Manon Antoniazzi, Chief Executive and Clerk of the Assembly; Nia Morgan, Director of Finance; and David Tosh, Director of Resources.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the following items:

4.1 The motion was agreed.

5 National Assembly for Wales Commission budget: Remuneration Board Determination underspend: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Inquiry into the financial estimates accompanying legislation: Evidence session 4

6.1 The Committee took evidence from Dr Clive Grace, UK Research and Consultancy Services Ltd and Dan Bristow, Deputy Director, Public Policy Institute for Wales.

7 Inquiry into the financial estimates accompanying legislation: Evidence session 5

7.1 The Committee took evidence from Philip Blaker, CEO, Qualifications Wales; Kerry Price, Head of Finance, Qualifications Wales; and Alison Standfast, Executive Director – Finance and Corporate Services, Qualification Wales.

8 Inquiry into the financial estimates accompanying legislation: Evidence session 6

8.1 The Committee took evidence from Bethan Jones, Operational Manager, Rent Smart Wales.

9 Inquiry into the financial estimates accompanying legislation: Consideration of evidence

9.1 The Committee considered the evidence received.

10 Approach to Scrutiny of the Welsh Government Draft Budget 2018–19

10.1 The Committee considered its approach to scrutiny of the Welsh Government Draft Budget 2018–19.

11 Scotland Visit: Consideration of meetings

11.1 The Committee noted the productive trip to Scotland and how useful the sessions had been.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 1 – Senedd

Meeting date: Wednesday, 5 July 2017

Meeting time: 09.00 – 12.06

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4164>

Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Eluned Morgan AM David Rees AM Steffan Lewis AM Nick Ramsay AM
Witnesses:	Mark Drakeford AM, Cabinet Secretary for Finance and Local Government Matthew Denham-Jones, Welsh Government Sophie Howe, Future Generations Commissioner Michael Palmer, Future Generations Commissioner for Wales
Committee Staff:	Bethan Davies (Clerk) Catherine Hunt (Second Clerk) Georgina Owen (Deputy Clerk) Martin Jennings (Researcher)



	Owen Holzinger (Researcher) Helen Jones (Researcher) Gareth Howells (Legal Adviser)
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1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.

2 Paper(s) to note

2.1 The papers were noted.

3 Welsh Government First Supplementary Budget 2017–18: Evidence session

3.1 The Committee took evidence from Mark Drakeford AM, Cabinet Secretary for Finance and Local Government; and Matthew Denham–Jones – Deputy Director – Financial Controls, Welsh Government.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the following items: 5, 6 and 8

4.1 The motion was agreed.

5 Welsh Government First Supplementary Budget 2017–18: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Inquiry scoping paper: The cost of caring for an ageing population

6.1 The Committee considered a scoping paper on the cost of caring for an ageing population and agreed to undertake an inquiry.

7 Inquiry into the financial estimates accompanying legislation: Evidence session 7 (Future Generations Commissioner for Wales)

7.1 The Committee took evidence from Sophie Howe, Future Generations Commissioner for Wales; and Michael Palmer – Director for Implementation and Performance, Office of the Future Generations Commissioner for Wales.

8 Consideration of the Draft Public Services Ombudsman (Wales) Bill

8.1 The Committee considered the draft Public Services Ombudsman (Wales) Bill and agreed to make some minor changes to the Bill and return to the issue.

Agenda Item 2.1



HM Revenue
& Customs

Jon Thompson
Chief Executive and Permanent Secretary

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Nick Ramsay AM
Chair, Public Accounts Committee,
National Assembly for Wales
Cardiff Bay
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13 June 2017

Dear Mr Ramsay AM,

I am writing to inform you that I have appointed Jim Harra, Director General for Customer Strategy & Tax Design as Additional Accounting Officer (AAO) with responsibility for the Welsh Rate of Income Tax (WRIT).

As you'll be aware, the Command Paper, "Powers For A Purpose: Towards A Lasting Devolution Settlement For Wales"¹, announced that an Additional Accounting Officer (AAO) would be appointed who would be specifically accountable for the implementation and collection of WRIT, including the associated assets, liabilities and cash flows. The AAO will have responsibility for all matters of governance, decision making and financial management in relation to WRIT.

The AAO will provide an annual WRIT extract from the audited HMRC accounts to the Welsh Assembly. Welsh Assembly Committees will be able to request HMRC Accounting Officers to give evidence. Full details of the responsibilities of Accounting Officers are shown at Chapter 3 of the HM Treasury document, Managing Public Money. This may be found at: http://www.hm-treasury.gov.uk/d/mpm_ch3.pdf.

I am pleased to hear that a good start has been made with a successful first Welsh Income Tax Project Board meeting, and look forward to further collaborative working between our officials. If you have any further questions about this appointment, please do not hesitate to contact my office (Chief.executive@hmrc.gsi.gov.uk), or HMRC's devolution team (Catherine.Dampier@hmrc.gsi.gov.uk)

¹ <https://www.gov.uk/government/publications/powers-for-a-purpose-towards-a-lasting-devolution-settlement-for-wales>

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Jon Thompson'.

**JON THOMPSON
CHIEF EXECUTIVE AND PERMANENT SECRETARY**



ADSS Cymru
Leading Social Services in Wales
Yn arwain Gwasanaethau
Cymdeithasol yng Nghymru

National Assembly Finance Committee

Financial estimates accompanying legislation

Introduction

1. The Association of Directors of Social Services Cymru (ADSS Cymru) is the professional and strategic leadership organisation for social services in Wales and is composed of statutory Directors of Social Services, and the Heads of Service who support them in delivering social services responsibilities and accountabilities; a group of 80 or so social services leaders across the 22 local authorities in Wales.
2. The challenges faced by the health and social care economy are often of such scale that no one single agency, can manage them alone.
3. A wide range of agencies, and organisations statutory, non-statutory, local, regional and national have capacities to respond to various aspects of these complex challenges. However, lack of coherence among diverse national, regional and local Stakeholders has resulted in, the potential for working at cross-purposes, competition for funding, duplication of effort and sub-optimal economies of scale.
4. Experience suggests that promising national initiatives have had limited success because of failure to achieve/deliver through investment, strong national vision and ownership at local and regional levels.
5. Regions have endeavoured to develop explicit approaches aimed at fostering greater coherence, the extent to which this has been accomplished, to date, is unclear. However, if there is to be the sustainable improvement, envisaged by the Social Services & Wellbeing (Wales) Act our model of planning and coordination must be better integrated into a single country-wide approach
6. Underpinning the provisions of the Act is an implicit understanding that local authorities alone cannot fulfil the Act's strategic intent or indeed many of the duties

that fall on them without working jointly with statutory, independent or voluntary sector partner.

7. The main issue for social care is that change is happening at a time of financial constraint, combined with unprecedented demographic change. Austerity is affecting the population at large, but most importantly, in respect of social care, it is particularly damaging to the most vulnerable people, families and individuals in our communities across Wales , leading to increased demand on health and social care.
8. Local Authorities are expected to deliver Personal Social Services within an increasingly tight budget. Local government funding is facing a shortfall as government continues to restrict budgets because of the national deficit.
9. Whilst funding is being cut there are growing pressures on Social Services to change. These include increasing demand for complex services, demographic and social change, plus workforce fragility in the provider sector (recruitment, retention, reward, recognition)

Social Services & Wellbeing (SSWB) Act

10. The Social Services and Wellbeing (Wales) Act 2014 (SSWB) and the Well-being of Future Generations (Wales) Act 2015 provide a direction of travel for all public services in Wales and a framework for delivering the aspirations in the legislation. Both are as relevant to the Social Services and local government as they are to other public bodies, providing an opportunity for local government and the NHS to be equal partners in making a difference to the people and communities they serve.
11. SSWB came in to force in April 2016. The Act changed the way people's needs are assessed and the way services are delivered with people and their carers at the centre of care plans and more of a say in the care and support they receive. The Act therefore expects Social Services to be delivered differently. This is a new way of working, and authorities, with partners are intimately involved in delivering a critical shift in culture and service configuration. We are at the beginning of a long journey and the change envisaged will take time and effort to deliver.
12. ADSS Cymru and the Welsh Local Government Association (WLGA) are very supportive of the principles and ambitions of the Act, but believed the costs were understated. In evidence to the Health and Social Care Committee, during scrutiny of the SSWB Bill, serious concerns were expressed about resource impacts of the Bill. The enabling

nature of the legislation meant that it was difficult to analyse, with any degree of accuracy, true costs involved.

13. We highlighted concerns over the limited scope of the RIA in that it underestimated the financial impact of the proposed changes. The costs identified in the Bill's RIA were limited to analysis around additional training costs and cost benefits in relation to reduced administration, complaints and litigation. This led to the RIA to conclude that, "the additional benefits of implementing the Act will outweigh the additional costs of implementation over the long term." Though it was recognised that this was "a simple comparison based upon the intent of the primary legislation".
14. We have seen recent examples of policy changes being implemented which have required amendments to Regulations under the SSWB Act. These include changes to the increase in the maximum weekly charge and increases in the capital limit for residential care. Welsh Government have commissioned independent research to try to identify the cost implications for these changes and continue to work and engage with local government to monitor the impact of these changes against anticipated costs.
15. For change to be effective, it needs to be implemented at all levels; embedded in the culture of each organisation. Colleagues at all levels need to be motivated, and need to understand what motivates them.
16. Staff will usually respond well to challenges (that they feel they can meet!). Getting staff motivated to support the changes that are to be implemented is therefore crucial for success. At a time of austerity there needs to be significant investment in modern processes and practises if culture and behaviour is to change

Changing the Culture

17. Changing culture in social and health care means moving from reacting to prevention which means:
 - Greater alignment of vision, actions and behaviours (national, regional, local and agency)
 - Anticipating the medium-term future
 - Acting quickly
 - Ensuring sufficient well trained, compassionate and motivated staff doing the right job

- Ensuring robust accountability

Bringing about the change in practice envisaged in the Act does require significant additional short-term investment. There has been some investment, which has helped to keep pace with demand through the front door. However additional support is required to equip the workforce with the knowledge and skills necessary to meet the need associated with the increased levels of complexity and demand from an aging and discerning population.

Designing, developing and introducing modern systems and processes requires creativity, capacity and leadership. Economies associated with deficit reduction has had an impact on capacity in this respect.

Financial Challenges

18. Each year ADSS Cymru conducts a budget survey to provide information to support and inform national discussions on Local Authority Personal Social Services finances.
19. Survey data is collected, from Local Authorities, on the understanding that information provided is used publically to provide an all-Wales picture. Individual Local Authority information is not presented unless available from publically available information.
20. From 2015-16 to 2016-17 All Wales Council budgets (gross) decreased by 2% from £7,153m to £7,013m. Social Services budgets remained unchanged over the same period (gross) at £1,667m. This suggests that whilst Council budgets are decreasing Social Services budgets are being protected to some degree.
21. It is roughly estimated that £45m of savings were made in Social Services in 2016-17. Most of these were in Adult Services, contributing significantly to overall Council savings. As this estimate is extrapolated from information provided by 19 of the 22 Local Authorities it should be treated with a degree of caution.
22. From the information provided in the budget survey it appears that Authorities are putting the needs of the service user first as they try to make savings in areas that impact less directly on the service user. It seems likely that the impact of savings to date and future anticipated savings are judged to fall more on the Local Authority and care providers than individual service user.

23. Whilst Authorities were reasonably confident in making savings during 2016/17 that confidence reduces as each look to the future. There is a limit to the extent of which savings can be made before essential core services are affected. There is a sense that this limit is very close to being reached. If deficit reduction continues achieving savings cannot be accomplished without directly on the quality and reliability of support for the most vulnerable service users.
24. Spend on prevention services in 2016/17, across social services, were very cautiously estimated at £100m, or less than 10% of the social service budget. It is in this area of expenditure that future savings are likely to be sought to ensure core statutory duties are met. This can only be at a cost to prevention and promotion of wellbeing in our communities.
25. At 31 March 2016, there were 19000 children in need in Wales being supported by Social Services and 72000 adults aged 18 and over receiving services. Whilst numbers appear relatively stable over the past few years there is a wealth of evidence suggesting the burden on Social Services will increase as the population is predicted to age.
26. At 31 March 2016, there were on average 29 adults per Social Worker and 6 children per Social Worker in Wales.
27. In 2016/17 Welsh Government grants provided significant contribution to the money coming to a Local Authority at around 40%. That grant level has remained stable since Welsh Government data was reported in 2015-16. However, past unpredictability of grant value, year on year has made it difficult for Authorities to plan, with certainty into the future.
28. Despite the challenges, risk and issues identified Local Authorities feel that they were in 2016/17 providing social care at the same or an improved level. This is a huge credit to the thousands of people across Wales who work in social care. However, in the longer term, we are reaching the limit of savings that can be made in the face of issues, challenges and risks that continue long into the future.

D.M. Street

Dave Street

President ADSS Cymru
5 July 2017

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National Assembly Finance Committee's Inquiry into financial estimates accompanying legislation.

1. The Society of Local Authority Chief Executives (Wales) (SOLACE) is the organisation which represents the Chief Executives of all 22 Local Authorities in Wales.
2. We have been invited by the Welsh Assembly Government's Finance Committee to give oral evidence to them relating to their inquiry into the financial aspects of Regulatory Impact Assessments.
3. This paper outlines the nature of that oral evidence.
4. We note that the Welsh Local Government Association (WLGA) has already provided written evidence to the Committee on this issue, and would state that SOLACE's views fully support the analysis given in that paper.
5. There would be little point in providing a paper which merely reiterates the points made in that paper but we would commend its conclusions to them.
6. **In particular however we would emphasise the particular points made in its conclusions (paragraph 44) relating to the need to ensure that financial impacts are continually reviewed and updated and that there should be a commitment to fully fund any new obligations.**
7. The Welsh Local Government Association paper highlights evidence to show that this has not always been the case.
8. In some respects of course primary legislation is largely enabling in that it outlines principles and outcomes which it will enable. The Well-being of Future Generations (Wales) Act 2014 is a classic example as is the Social Services and Well-being (Wales) Act 2014 both fall into this category, with the latter containing rather more in the form of how the outcome is to be achieved than the former.
9. In that respect it must be accepted that it is extremely difficult to identify what the actual costs of implementing the aims of the legislation are going to be at the outset, and one has sympathy with anyone who is asked to undertake such a task.
10. The point made in the WLGA submission (para 25) that many of the costs arise from the detail of the secondary legislation and statutory guidance results in a creeping onset of costs which have not been previously identified.

11. Bearing in mind that detailed financial analysis at the outset is extremely difficult, there is a tendency in our view for financial consequences often to err on the side of optimism. In some respects this is understandable for any organisation which wants to emphasise the benefits of any course of action over the possible barriers.
12. Paragraphs 19 and 22-24 of the WLGA paper highlight this issue in relation to the Social Services and Well-being Act in particular.
13. Nevertheless this should not preclude the Government from recognising any additional cost thereafter and making appropriate provision.
14. In order to supplement the WLGA paper we have commissioned a piece of work at one authority which has looked back at the budget additions it has had to make over the past 8 years in order to recognise additional costs which have arisen from legislation and which were not recognised in the form of appropriate funding. This appears in Appendix 1.
15. It can be seen that during the period in question, the authority received a total of £15.1m to pay for additional budgetary pressures created by the Westminster Government / Welsh Government, but these pressures in turn created actual budgetary pressures of £24.2m.
16. There is also the fact that it is likely that the full implications of recent pieces of legislation are far from having reached their peak.
17. This is merely the additional budgetary provision which has had to be made in order to meet the direct additional costs of additional pieces of legislation. It does not include the indirect costs.
18. Certainly in relation to the Social Services and Wellbeing Act in North Wales, due to the large footprint covered (that of the Betsi Cadwaladr University Health Board) spanning 6 extremely diverse local authority areas, the opportunity cost involved on the co-ordination of joint working in trying to fulfil the aims of the act and the particular working methods which have been defined is never mentioned, despite the authority in question reporting that it is significant.
19. In conclusion therefore whilst we would accept that obtaining accurate financial assessments at the outset is always going to be difficult, it needs to be a live and ongoing process, rather than a one-off assessment, and there should be a commitment to try and firm up that cost analysis as the implementation develops with a further commitment to fully fund that implication once it is defined.

Dilwyn Williams

**Chief Executive Gwynedd Council
SOLACE Lead on Finance Matters**

New legislation and central government decisions: financial impact on Gwynedd Council

1. Introduction

- 1.1 The recent WLGA submission to the National Assembly Finance Committee, “Financial estimates accompanying legislation”, showed the impact of legislative changes on the costs faced by local government in Wales over recent years, and in particular the fact that many of these costs have not been funded through the local government settlement.
- 1.2 This paper further illustrates this issue by reference to the financial impact on Gwynedd Council over the last eight financial years.

2. Estimating the financial impact

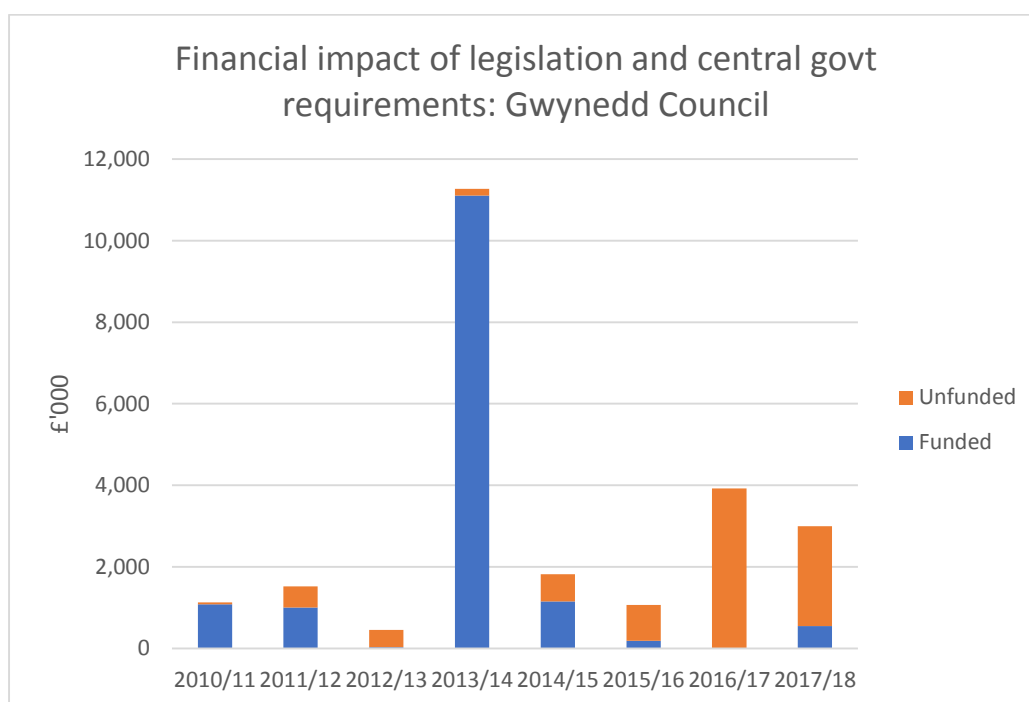
- 2.1 We have looked at year-on-year changes to Gwynedd’s revenue budget over the financial years 2010/11 to 2017/18, and which of those changes had been specifically identified as resulting from new legislation (at Wales or UK level), or new functions / responsibilities conferred on local government.
- 2.2 In some cases it proved difficult to isolate the financial effects of new legislation as opposed to other changes impacting on a service area at around the same time (such as local policy decisions, or changes in the demand for services). It was also difficult to pick up any changes financed from temporary one-off funding (rather than the permanent revenue budget) and any cases where services had absorbed the extra requirements from existing budgets rather than submitting a bid for additional resources.
- 2.3 As such the amounts we have been able to identify are probably a conservative estimate of the true costs incurred over the eight-year time period.

3. Total financial impact on Gwynedd

- 3.1 Between 2010/11 and 2017/18 a total of around **£24.2 million** had to be added to Gwynedd’s annual revenue budget as a result of new legislative requirements and central government decisions. This corresponds to about 10.4% of the Council’s net total annual budget.
- 3.2 Some **£15.1 million** of this amount was funded in the local government settlement, leaving a shortfall of around **£9.1 million**.
- 3.3 It is also important to note that over this eight-year time period, local government has experienced severe financial pressure with Gwynedd Council implementing about £58 million of savings, including some cuts to services, during this time. It can be seen therefore that the unfunded shortfall of £9.1m referred to above has contributed to the situation and has led to more severe cuts to other services (and / or higher council taxes to be borne by local residents) than would otherwise have been the case.
- 3.4 The table and chart below show the estimated financial impact (and whether funded / unfunded) by financial year:

Financial impact of legislation and central gov requirements on Gwynedd Council

	Total financial impact £'000	Funded £'000	Unfunded £'000
2010/11	1,125	1,079	46
2011/12	1,521	1,001	520
2012/13	453	27	426
2013/14	11,269	11,108	161
2014/15	1,821	1,149	672
2015/16	1,066	184	882
2016/17	3,920	0	3,920
2017/18	2,994	547	2,447
Total	24,169	15,095	9,074



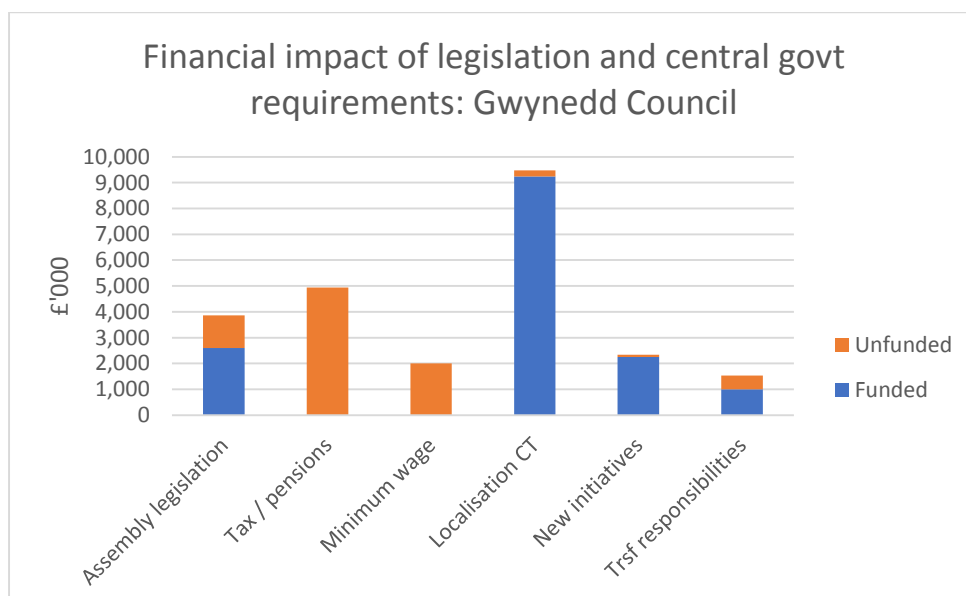
3.5 The large amounts for financial year 2013/14 are mainly due to the localisation of Council Tax Support, which was (almost) fully funded in the first year whilst an element of funding shortfall was transferred to local government in the following year.

4. Breakdown by type of cost pressure

4.1 The table and chart below show the nature of the additional cost pressures over the eight-year period (and whether funded / unfunded):

Gwynedd Council cost pressures 2010/11 to 2017/18, by source of cost pressure

	Total financial impact £'000	Funded £'000	Unfunded £'000
National Assembly legislation	3,864	2,599	1,265
Taxation / pensions changes	4,946	0	4,946
Minimum wage legislation	2,000	0	2,000
Localisation of C Tax support	9,479	9,236	243
New initiatives	2,341	2,254	87
Transfer of responsibilities	1,539	1,006	533
Total	24,169	15,095	9,074



4.2 The main unfunded elements over the eight-year period were:

- Living Wage legislation: £2.0m
- National Insurance / Pensions changes (including Apprenticeship Levy): £4.9m
- Loss of income due to new limits for Social Care fees: £0.8m
- New initiatives (including some which were initially grant funded, but funding then gradually reduced or ceased): £0.5m (*e.g. Sustainable Waste strategy, Free Breakfasts*)
- Other statutory requirements: £0.5m (*e.g. Social Care & Well-being Act; Health & Social Services strategy; Members Allowances*)
- Council Tax Reduction Scheme / Housing Benefit changes: £0.4m

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

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Agenda Item 6

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

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