

National Assembly for Wales
Finance Committee

Report on the Welsh Assembly Government
Draft Budget 2010-11

November 2009



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Summary of Recommendations and Conclusions

Paragraph	Recommendation
16	The Finance Committee finds it difficult to understand how the same expenditure patterns will deliver the same One Wales objectives in these changed economic circumstances.
17	The Finance Committee would have liked to have seen a positive rationale for the current allocations rather than a continuation of the same formulae as that does not convey the agility needed to respond to the current economic situation. Where there have been any changes the Finance Committee would like to have seen evidence of the work undertaken by the Government to ensure that the multiplier effects of its different programme spends was maximised.
19	In the time available the Finance Committee has not been able to examine this fully and plans to make this the subject of an urgent Committee inquiry.
21	The Finance Committee asks the Government for a clear statement of expenditure on economic development. The Committee would also welcome a clear understanding of how the Government itself monitors the performance of the economy in light of such a diverse range of programmes
25	The Finance Committee did not examine these in detail, but considers that an outcome agreement should be in place before any special grant is transferred into Revenue Support Grant.
26	The Finance Committee did not examine these in detail, but considers that an outcome agreement should be in place before any special grant is transferred into Revenue Support Grant.
30	The Finance Committee acknowledges the various factors pertaining to the reorganisation of the Health Service and would welcome a note from the Minister for Health and Social Services setting out the financial arguments, and anticipated savings that the Minister expects the reorganisation to deliver.
31	The Finance Committee acknowledges that this will provide a much needed boost to the economy but needs assurance about the availability of the capacity within the building industry that will be required to deliver it.
38	The Finance Committee intends to consider the Strategic Capital

Investment Framework in more depth in the near future. The Finance Committee also asks the Minister for Finance and Public Service Delivery to note that all Ministers might find it useful to be aware of the success of their capital bids prior to the budget so they are able to incorporate those sums, and the revenue to support them, within their budget forecasts. It will also ensure that Committees are enabled to conduct a more thorough scrutiny.

- 44 The Finance Committee reiterates the call in its report on the budget for 2009-10 [para 35] that, when presenting its budget proposals each year, the Welsh Assembly Government should include reports on efficiency savings that have been delivered and a breakdown of achievement by NHS, local government and other public sector organisations.
- 45 The Finance Committee notes the robust and comprehensive rebuttal the Minister for Finance and Public Services Delivery delivered on the Auditor General's view.¹ Additionally the Finance Committee would be interested to understand the evidence behind the Auditor General's assertion however the Finance Committee is not in a position to come to a view at present. It notes that it is too early to judge whether the savings of £600m have been achieved. It looks forward to receiving the evidence in support of both sets of conclusions from the Minister for Finance and Public Services Delivery and the Auditor General.
- 49 The Finance Committee urges all Ministers to take an overarching strategic view for cross-portfolio issues such as these.
- 58 The Finance Committee asks the Government to note that, while it welcomes the efforts to develop a clearer system of presenting the Government's budget, it is important that the Assembly is still able to scrutinise year on year changes as we move to the new system.
- 59 The Finance Committee asks the Minister for Finance and Public Service Delivery to have discussions with Cabinet colleagues to agree a Government-wide approach to complying with requests for information from scrutiny committees during the budget round, and the level of information to be provided. The aim should be to ensure that scrutiny committees have a sufficient level of information and time to analyse performance within individual Ministerial policy areas.
- 61 The Finance Committee requests that the Minister keeps us informed of developments on this important project.

¹ Paper FIN(3)-19-09(p3), 2 November 2009

- 67 The Finance Committee, whilst appreciating the massive strides forward in budget presentation and subsequent scrutiny will be seeking further discussion with the Government and requesting finalisation of its draft budget before the beginning of October as the Finance Committee is keen to ensure that proper scrutiny is enabled in order to ensure transparency and openness in the democratic process.
- 69 The Finance Committee would like to receive greater detail on the additional funds available to the Government and which have been deployed in enhancing and strengthening the funds available within the Economy & Transport portfolio.
- 70 The Finance Committee would also have liked to see a positive rationale for the allocations and evidence that the multiplier effects of its different programmes was maximised.

NATIONAL ASSEMBLY FOR WALES
REPORT FROM THE FINANCE COMMITTEE

GEN-LD7726 - Draft Budget Proposals 2010-11

Introduction

1. The Welsh Assembly Government laid **GEN-LD7726 - Draft Budget Proposals 2010-11** on 5 October 2009. The draft budget motion was accompanied by a supporting document Draft Budget 2010-2011 October 2009 which explained the different elements of the amounts to be authorised in the budget motion and gave the detail of the allocations to individual departments and central administration. Further documentation providing detailed analyses of the figures accompanied these.

2. Standing Order 27.4 provides for the Finance Committee to report on the Government's draft budget within five weeks of its being laid. The Finance Committee regrets that for reasons that are explained elsewhere in this report, it was unable to report within this timescale. This report is therefore presented under Standing Order 14.1

14.1 There is to be a Finance Committee to consider and report on:

- (i) any report or other document laid before the Assembly by Welsh Ministers or the Commission containing proposals for the use of resources, including budget motions and supplementary budget motions prepared under sections 125 and 126 of the Act;

3. The Finance Committee took evidence in connection with the draft Assembly Government budget as shown below:

8 October	The Minister for Finance and Public Service Delivery and officials presented the draft budget to The Finance Committee.
12 October	The Leader of the House gave evidence in relation to financial commitments in Wales which arise from UK legislation.
	Evidence from the Wales Council for Voluntary Action.

22 October	Evidence from the Welsh Local Government Association. Representatives of NHS Finance Directors and Local Health Boards.
2 November	Further evidence from the Minister for Finance and Public Service Delivery and officials.
5 November	Further evidence from the Minister for Finance and Public Service Delivery and officials.

4. The Finance Committee also considered recommendations and representations made by other Assembly Committees and, in accordance with SO 27.4, these are included at Annex 2 to this report.

5. The Finance Committee is grateful to all those who provided evidence or assisted with its deliberations. It is particularly grateful to the Minister for Finance and Public Service Delivery, and his officials, who made themselves available on three occasions, and sometimes at short notice, to give evidence to the Finance Committee. Full details of the individuals giving evidence are included on The Finance Committee's web site.

Budget Context

6. The Finance Committee's report on the Welsh Government's 2009-10 draft budget was published in November 2008 following a period of rapid price inflation – particularly in the energy sector – and the onset of the crisis in the financial sector and the onset of the current economic downturn.

7. Since last year's budget was agreed, the outlook for most economies has seen a dramatic change. For the UK the recent dramatic rise in public sector borrowing will have a major impact on public spending for the foreseeable future. The 2010-11 financial year is likely to be a turning point and the future public spending environment is likely to be difficult.

8. The depth of the recession has affected, and will continue to affect, the UK Government's future ability to raise taxes. This and the additional public expenditure needed to rescue the banking sector have had a significant effect on UK Government borrowing which, in turn will result in much higher interest charges (2.7 % of GDP in 2010 according to OECD

forecasts) placing a significant burden on the public finances for many years to come. This will have a significant impact on UK fiscal policy for years to come.

9. Whilst the UK Government will largely bear the brunt of reduced tax revenues, increased spending on benefit payments, and the increased cost of the realignment of the financial sector, the Welsh Government can expect to bear its share of any decreases in public spending. Although the 2010-11 draft budget is tight by recent standards, subsequent budgets are likely to be much more restricted. However, as there has been no Comprehensive Spending Review since 2007, it is difficult to predict the extent of the cutbacks until further information on the UK Government's plans is made available.

10. What is clear is that the Welsh Government will have to take a longer term strategic view of how to deliver public services with fewer resources in the next few years. The overwhelming body of evidence was that tough decisions will be needed in order to determine priorities.

Budget Overview

11. The Finance Committee has considered the 2010-11 draft budget in the light of all of these factors and recognises the increasing difficulties faced by the Welsh Government in matching competing demands on its finances. The Finance Committee was agreed that the budget should be one to meet the changed economic situation facing Wales in the light of the downturn in the global and Welsh economies. The Finance Committee also noted that the Wales Block DEL, as stated in Schedule 6 of the draft budget 2010-11, was £300m below the indicative figures stated for 2010-11 in the equivalent table in the Final Budget 2008.

12. The Finance Committee examined the way in which the draft budget reflects changes compared with the past couple of years. The Table at Annex 1 shows the expenditure, and shares of expenditure, for each Main Expenditure Group and the shares are summarised below:

Per cent of total DEL accounted for by each main expenditure group

Main Expenditure Group Departmental Expenditure Limits	2010-11 Draft Budget	2009-10 Final Budget	<i>Per cent</i>
			2008-09 Final Budget ¹
Health and Social Services	40.3	40.0	39.6
Social Justice and Local Government	29.8	29.4	29.7
Economy and Transport	7.6	7.9	8.1
Children, Education, Lifelong Learning and Skills	12.4	12.5	12.4
Environment, Sustainability and Housing	4.7	5.1	5.1
Rural Affairs	1.0	1.0	1.0
Heritage	1.1	1.1	1.1
Public Services and Performance	0.4	0.4	0.4
Central Services and Administration	2.6	2.6	2.6
Total Welsh Government DEL Allocations	100.0	100.0	100.0

Source: MRS calculations from Welsh Government Budgets

1. Note that the Central Services and Administration (CSA) MEG did not exist in the 2008-09 budget. The figure shown consists of the Central Administration, Match Funding and Other Ministerial Services MEGs which were later incorporated into the CSA MEG.

Care must be taken when making comparisons between years as MEGs have not been adjusted for other inter-departmental transfers, expenditure brought forward during the year or allocated from the Strategic Capital Investment Framework post-budget will not be included.

13. The figures show that over the last three years, in terms of the relative shares of each Main Expenditure Group, that there has been no substantial change. Some growth can be seen in Health and Social Services while there has been a decline for Economy and Transport, and Environment, Sustainability and Housing.

14. The Finance Committee noted that in cash terms, not only has there been no growth in the last three years in the Economy and Transport MEG, the figures for 2010-11 shows a small reduction.

15. The Finance Committee discussed priorities with the Minister for Finance and Public Service Delivery who told the Finance Committee² that the major strategic priority for the Government was delivery of the 'One

² RoP, 30, 5 November 2009, Finance Committee

Wales' agreement. He said the strategic allocations for delivering this were made back in the 2007 budget and the current budget was fine-tuning rather than making significant changes to the decisions made two years ago.

16. The Finance Committee considers the Government's budget as the single most important expression of the Government's priorities. While not underestimating the benefits to come from additional measures referred to, the Finance Committee cannot avoid the conclusion that the Government has not made any significant change to its baseline budget in response to the recession. **The Finance Committee finds it difficult to understand how the same expenditure patterns will deliver the same One Wales objectives in these changed economic circumstances.**

17. **The Finance Committee would have liked to have seen a positive rationale for the current allocations rather than a continuation of the same formulae as that does not convey the agility needed to respond to the current economic situation. Where there have been any changes the Finance Committee would like to have seen evidence of the work undertaken by the Government to ensure that the multiplier effects of its different programme spends was maximised.**

Particular Issues

18. The Finance Committee wishes to highlight particular issues in the Government's draft budget to which it wishes to draw attention.

Education

19. The Finance Committee considers that investment in education is one of the most important priorities for the Government in the current economic circumstances. However, it has found it difficult to scrutinise the levels of expenditure that the Government is proposing for this sector due to a lack of clarity in the figures presented. It is concerned about levels of revenue funding for schools, colleges and higher education in the coming year. It is also concerned that the Further and Higher Education sector will be required to make a 5% efficiency saving in 2010-11 whereas for all other MEGs the savings will be 1.6%. **In the time available the Finance Committee has not been able to examine this**

fully and plans to make this the subject of an urgent Committee inquiry.

Economic Development

20. This report referred previously to the lack of growth in the Economy and Transport Main Expenditure Group. The Finance Committee was keen to understand how this was consistent with the Government's stated priorities to boost the economy. In discussion the Minister said³ that the Government had undertaken a range of measures to deal with the recession and its effects. He referred to the ProAct and ReAct schemes, the use of capital reserves to consider how they can work with the construction industry and policies on procurement and increasing the level of spend across the public sector. The Minister said that of the £4.5 bn spent annually the level won by Welsh-based companies has risen from one third in 2004 to well over a half. The Government had been working with the UK Government on the Future Jobs fund, administered by the Department for Work and Pensions. One of the very significant increases in funding for DCELLS was the £20m to deal specifically with youth unemployment. The Finance Committee welcomes these measures.

21. The Finance Committee is also aware that other programmes such as European Funding contribute to this and, naturally welcomes these too. It is however concerned about the lack of clarity in the programmes that support economic development. **The Finance Committee asks the Government for a clear statement of expenditure on economic development. The Committee would also welcome a clear understanding of how the Government itself monitors the performance of the economy in light of such a diverse range of programmes**

Social Justice and Local Government

22. The Social Justice and Local Government portfolio has received an increase of 2.2% although, in real terms, this amounts to 0.7%. It is one of the few portfolios that has seen a real-terms increase in the draft budget and the Finance Committee acknowledges the challenges facing local government.

³ RoP, p40, 5 November 2009, Finance Committee

23. The Finance Committee notes the view of the Welsh Local Government Association that in the current economic climate it is probably a reasonable settlement in the context of what they described⁴ as an ‘equal-pain approach.’ It notes also that the Health Wellbeing and Local Government Committee expressed concern⁵ regarding the overall level of the settlement.

24. The Finance Committee has noted the Government’s proposals to move away from the use of hypothecated specific grants and to a system based on outcomes and can see some advantages to this. It is also consistent with the Finance Committee’s conclusions in its recent report on hypothecated education grants which expressed concerns about the level of bureaucracy that often accompany small grants of this kind. The Finance Committee understands that discussions with the WLGA, on the way in which an ‘outcomes’ based system will operate have yet to be concluded and decisions have still to be taken on how such a system might be introduced – and whether it would apply to all authorities at the same time and whether there would need to be some test of their ability to provide satisfactory information on outcomes achieved.

25. The Finance Committee noted that the Deprivation Grant (£22m) had been transferred in to Revenue Support Grant. The Finance Committee did not examine the requirements on local authorities under the existing arrangement but was concerned that the transfer of the grant into the Revenue Support Grant reduced the transparency of the budget line. The Equal Pay Grant (£54m) has also been transferred into Revenue Support Grant in recent years. **The Finance Committee did not examine these in detail, but considers that an outcome agreement should be in place before any special grant is transferred into Revenue Support Grant.**

26. The Finance Committee noted that in many cases it was difficult to make an informed assessment of the likely impact of the draft budget in relation to local government because of a lack of information about allocations of specific grants for 2010-11. The WLGA told the Finance Committee⁶ that one key area of detail missing from the Draft Budget and

⁴ RoP, p16, 22 October 2009, Finance Committee

⁵ Paper FIN(3)-19-09(p1), Annex 1E, Report by Health, Wellbeing and Local Government Committee

⁶ Paper FIN(3)-19-09(p1), para 10, 2 November 2009

Provisional Settlement was that of the levels of specific grants for 2010-11. This made it difficult for local government to plan their service provision particularly if there is a need to reduce or withdraw services due to grant levels decreasing. The Minister for Finance and Public Service Delivery told the Finance Committee⁷ that he would be announcing decisions on the allocation of specific grants at the time of the final budget. While the Finance Committee acknowledges that this reflects timings in past years, it notes that providing this information at different times does significantly reduce the level of transparency in the draft budget and makes scrutiny a much more complex process. **The Finance Committee urges the Government to align the timetables for these different elements and is grateful to the Finance Minister for agreeing to take the point back⁸ to the Minister for Social Justice and Local Government.**

Health and Social Services

27. The Finance Committee noted that the NHS Finance Directors acknowledged that the proposed 2.6% increase in funding for 2010-11 was more than they anticipated⁹ – but that due to the underlying increase in NHS costs they still considered they would need to make savings of 5-6%.¹⁰

28. The Finance Committee also noted that the recent reorganisation of the NHS which reduced the number of LHBs from 22 to 7 was now well underway. In her letter¹¹ to the Finance Committee the Minister for Health and Social Services said that a no redundancy policy had been negotiated and agreed with staff organisations to ensure fair and consistent treatment of staff affected by the organisational change. The Minister noted that natural wastage would assist with reducing management costs and that there was a need for the NHS to retain skills, experience and expertise. The Finance Committee were unable to ascertain the level and scope of savings that the reorganisation seeks to achieve throughout the NHS.

⁷ RoP, page 9, 2 November 2009, Finance Committee

⁸ RoP, page 9, 2 November 2009, Finance Committee

⁹ RoP, p129, 22 October 2009, Finance Committee

¹⁰ Paper FIN(3)-18-09(p2), 22 October 2009

¹¹ Letter from Minister for Health & Social Services to Chair Finance Committee, 6 November 2009

29. The Finance Committee noted that £50,000,000 has not been allocated within the Health and Social Services budget and expressed a desire to know what the intended purpose is for this sum and rationale behind it being currently unallocated

30. The Finance Committee was greatly concerned by the view expressed by the NHS Finance Directors¹² that 20 % of the total health budget, some £1bn per year, was not being used appropriately. The causes were complex and should not¹³ be seen as all waste and poor management. There were opportunities¹⁴ in relation to procurement and clinical practice and also questions¹⁵ about whether care was being undertaken in the right way and in the right place. The Finance Committee accepts that this is a headline figure and that the more effective redeployment of £1bn could not simply be achieved overnight, but would require significant transformational change. On the other hand, the Finance Committee is surprised that addressing this issue is not the number one priority facing the NHS and, indeed for the Minister for Finance and Public Service Delivery, as releasing even a small proportion of these monies could be of significant benefit. The need to do this is even greater given the present economic climate. **The Finance Committee acknowledges the various factors pertaining to the reorganisation of the Health Service and would welcome a note from the Minister for Health and Social Services setting out the financial arguments, and anticipated savings, that the Minister expects the reorganisation to deliver.**

Capital reprofiling

31. The Finance Committee notes that as one part of its programme to boost the economy of Wales, the Government has brought forward capital expenditure from 2010-11 into 2008-09 and 2009-10. **The Finance Committee acknowledges that this will provide a much needed boost to the economy but needs assurance about the availability of the capacity within the building industry that will be required to deliver it.**

¹² RoP, p167 & 171, 22 October 2009, Finance Committee

¹³ RoP, p180, 22 October 2009, Finance Committee

¹⁴ RoP, p175, 22 October 2009, Finance Committee

¹⁵ RoP, p123, 22 October 2009, Finance Committee

32. The Finance Committee also notes that bringing expenditure forward in this way inevitably means a reduction in capital expenditure in 2010-11 which in turn could have a negative economic impact. The Minister for Finance and Public Service Delivery has told the Finance Committee¹⁶ that they have had discussions with the UK Government about bringing forward capital budgets from 2011-12 into 2010-11 but as yet there have been no decisions. Clearly this would be welcome, but the Finance Committee notes that there are uncertainties around this.

33. The additional drawdown of capital from future years may further compound the problem, bearing in mind that the Minister for Finance and Public Service Delivery has himself stated that it is expected that there will be '*a significant reduction in gross capital investment between 2009-10 and 2013-14 at the UK level*' (letter 4 Nov).¹⁷

34. The Finance Committee welcomes the bringing forward of capital expenditure but notes that capital and revenue are inextricably linked and must be considered in parallel. **The Finance Committee is concerned that the revenue funds are not in place to support and maximise some of the capital projects that are to be brought forward.**

35. The Finance Committee notes that this is an excellent opportunity to consider alternative approaches to funding capital investment as the Finance Committee has previously reported.

Strategic Capital Investment Framework

36. The Finance Committee has commented before on the Strategic Capital Investment Framework (SCIF) and the lack of clarity in its method of working. In the Finance Committee's report last year, it noted the apparent reliance of Ministers to use it as a source of funding for what might be considered important mainstream initiatives within their portfolios. This led to questions about main policy initiatives depending on decisions outside of the control of the appropriate Minister and consequent delays and uncertainties about whether they would be approved.

¹⁶ Letter from the Minister for Finance and Public Service Delivery to Chair Finance Committee, 4 November 2009, p9

¹⁷ Letter from the Minister for Finance and Public Service Delivery to the Chair Finance Committee 4 November 2009, p11

37. The Enterprise and Learning Committee commented this year that £340m has been placed in the Strategic Capital Investment Framework and the effect of this is¹⁸ to reduce the capital in Department's capital budgets in 2010-11. It notes the increasing trend of encouraging departments to bid for funding from SCIF and that this takes this expenditure out of the scrutiny area of Assembly Committees. The Sustainability Committee also expressed concern about the reliance of the Minister¹⁹ on 'bids' for SCIF and EU Funding and echoed the Finance Committee's concerns about what happens to these if the bid to SCIF is not successful. The Rural Development Sub Committee expressed concern²⁰ about the lack of capital investment in the rural development plan.

38. Capital investment does not stand in isolation from the policies and programmes to which it is contributing. The Finance Committee takes the view that capital investment must be considered in tandem with the corresponding revenue streams and will be considering the extent to which this has been done as part of a separate committee inquiry. **The Finance Committee intends to consider the Strategic Capital Investment Framework in more depth in the near future. The Finance Committee also asks the Minister for Finance and Public Service Delivery to note that all Ministers might find it useful to be aware of the success of their capital bids prior to the budget so they are able to incorporate those sums, and the revenue to support them, within their budget forecasts. It will also ensure that Committees are enabled to conduct a more thorough scrutiny.**

Efficiency Savings

39. As a result of the annual Resource Allocation Exercise, efficiencies and savings have been required across all the portfolios within the draft budget for 2010-11. All departments have been required to identify savings of 1.6 % of revenue and 4.6 % capital on the indicative plans for 2010-11. These would result in a total of £287.7m - £212.6m revenue and £75m capital. The Finance Committee has previously discussed with the Minister for Finance and Public Service Delivery the recurrent savings of £600m that in 2004 the Welsh Government committed to in *Making the Connections*. In his evidence to the Finance Committee this year, the

¹⁸ Paper FIN(3)-19-09(p1), Annex 1C, Report by the Enterprise & Learning Committee

¹⁹ Paper FIN(3)-19-09(p1), Annex 1F, Report by the Sustainability Committee

²⁰ Paper FIN(3)-19-09(p1), Annex 1G, Report by the Rural Development Sub-Committee,

Finance Minister said that they were making good progress to meet this target by 31 March 2010²¹.

40. The Auditor General for Wales (AGW) has recently written to the Finance Committee²² regarding efficiency savings and in his letter he says that he analysed efficiency savings declared by local authorities for 2005-06, and other public bodies for 2005-06 and 2006-07, and concluded that: the overall level of declared efficiency savings was significantly overstated and that, at the rates of progress exhibited at the time of his reviews, the overall national efficiency target of £600m savings by 2010 would not be met. His letter identifies a number of barriers: the wide definition of efficiency savings; the inclusion of subjective factors, unclear and incomplete guidance from the Welsh Government; and an inconsistent approach to target setting and reporting between different sectors. Overall the Auditor General stated that he '*identified one of the key barriers to success as being the efficiency framework itself*'.

41. The Finance Committee discussed the view of the Auditor General with the Finance Minister who said he did not agree with this²³. The Finance Minister stated that the definition of efficiency used by the Government was one commonly used across the UK public sector in 2004 and one that had been drawn up with the full engagement of the Audit Office. The Finance Committee has no basis on which to question whether the Government has properly assessed the savings achieved against the rules that applied at the time, but the issue raised by the Auditor General is wider than this. The factors that he has identified as stated above, mean the reality will be that savings of the order indicated have not been achieved and that the level of resources actually released will be much lower. Given the current economic situation this could be critical to the Government delivering its objectives.

42. A further issue that has previously also concerned the Finance Committee is the difference between efficiency savings that achieve no diminution in service or service quality and 'one-off' cash savings and savings which amount simply to cuts. The Welsh Local Government Association commented on this saying²⁴ that there is a need to address this issue more strategically, looking at distinctive programmes and

²¹ Paper FIN(3)-16-09(p1b), 8 October 2009

²² Paper FIN(3)-19-09(p3)

²³ RoP, p106 2 November 2009, Finance Committee

²⁴ RoP, p33, 22 October 2009, Finance Committee

asking what their value is and whether they are delivering the goods, and if they are not delivering the goods, shut them down.'

43. The Finance Committee accepts these views and agrees that achieving efficiency savings is not simply about eliminating waste but about examining services and delivery critically. It has stressed the need for efficiency savings in the past and notes that the sums that could potentially be released are considerable. It has already commented (above) on this in relation to the Health and Social Services budget.

44. The Finance Committee reiterates the call in its report on the budget for 2009-10 [para 35] that, when presenting its budget proposals each year, the Welsh Assembly Government should include reports on efficiency savings that have been delivered and a breakdown of achievement by NHS, local government and other public sector organisations.

45. The Finance Committee notes the robust and comprehensive rebuttal the Minister for Finance and Public Services Delivery delivered on the Auditor General's view.²⁵ Additionally the Finance Committee would be interested to understand the evidence behind the Auditor General's assertion however the Finance Committee is not in a position to come to a view at present. It notes that it is too early to judge whether the savings of £600m have been achieved. It looks forward to receiving the evidence in support of both sets of conclusions from the Minister for Finance and Public Services Delivery and the Auditor General.

Mainstreaming of equality, child poverty and sustainability

46. In its report on the 2009-10 budget the Finance Committee urged (para 44) the Welsh Assembly Government to continue its work on the mainstreaming of child poverty and equality and to provide clear information on how spending commitments act on specific groups of individuals. The Finance Committee noted that the report from the Children and Young People's Committee commented²⁶ that, while additional information from the Minister clarified some of the planned

²⁵ Paper FIN(3)-19-09(p3), 2 November 2009

²⁶ Paper FIN(3)-19-09(p1), Annex 1A, Report by the Children and Young People Committee

spending on children and young people across other Ministerial portfolios there was still a lack of transparency on relevant planned spending. That Committee also noted²⁷ that this had been raised in 2008. It added that the work to date in progressing analysis of spending was not in a form which would significantly assist Members in their scrutiny role.

47. The Equality of Opportunity Committee also expressed concerns in 2008 that the Welsh Assembly Government's commitment to mainstreaming equality was not as transparent as hoped. In this year's report that Committee said it was disappointed that the draft budget for 2010-11 had not improved on the situation last year and is no clearer about how equality of opportunity has been considered²⁸ during its development. The Finance Committee was further concerned that the Minister for Social Justice and Local Government, despite being responsible for the mainstreaming of equality of opportunity across government, was again unable to answer questions²⁹ relating to equality of opportunity in other portfolios.

48. The Finance Committee has noted that, while the Sustainability Committee did not make similar observations in its report on the draft budget, it has previously raised it in its report *Mainstreaming sustainability in Ministerial portfolios – 10 years of the statutory duty*. It has also discussed similar issues with officials in the Finance Department and was told³⁰ that it would be for individual Ministers to look at their performance against the indicators, to reduce carbon outputs and to promote sustainable development.

49. While the Minister for Finance and Public Service Delivery emphasised to the Finance Committee³¹ the way in which the Government works collaboratively on cross-cutting issues, the Finance Committee is disappointed that the draft budget appears to show so little improvement in respect of tracing expenditure across portfolios on services for these groups. The Welsh Assembly Government has made a clear commitment to mainstreaming such issues and yet still seems to be operating on the

²⁷ Paper FIN(3)-19-09(p1), Annex 1A, Report by the Children and Young People Committee

²⁸ Paper FIN(3)-19-09(p1), Annex 1D, Report by the Equality of Opportunity Committee

²⁹ Paper FIN(3)-19-09(p1), Annex 1D, Report by the Equality of Opportunity Committee

³⁰ RoP, p190-191, 19 March 2009, Sustainability Committee

³¹ RoP, 5 November 2009, Finance Committee

basis of Ministerial and Departmental silos. **The Finance Committee urges all Ministers to take an overarching strategic view for cross-portfolio issues such as these.**

Budget Presentation

Restructuring of the Welsh Government's budget

50. The Welsh Government budgets are being restructured as part of a new planning and reporting system which aims to ensure that '*the link between outcomes and budgets is visible and transparent*'. [Welsh Government, [Explanatory Note Restatement of 2009-10 Final Budget Figures](#), (October 2009)] This restructuring means that the documentation for the Draft Budget 2010-11 is not directly comparable with that for the Final Budget 2009-10.

51. The revised structure retains the high level main expenditure group (MEG) level allocations, which are then still analysed by spending programme area (SPA), although the SPAs have been restructured in some cases. SPAs are now principally split into 'actions' rather than budget expenditure lines (BELs). An action is a discrete area of work undertaken by a department.

52. Two MEGs have not undergone such restructuring: Health and Social Services and Central Services and Administration. It is anticipated that the structure of the Health and Social Services MEG will be reviewed once the re-organisation of the Health Service has been completed in 2010-11. There are no immediate plans to restructure Central Services and Administration MEG.

53. Further information on the restructuring is available in the Welsh Government's [Explanatory Note Restatement of 2009-10 Final Budget Figures](#).

54. Reports from other Committees have highlighted some problems that have arisen as a result of this restructuring in terms of making year-on-year comparisons. Although the draft budget presented comparative figures at SPA level for 2009-10, it was impossible to identify the previous BELs within the new Actions, and therefore identify specific areas where changes were proposed. Many of the Ministers provided

reconciliations of the old BELs to new Actions. However some of these were difficult to follow and did not aid transparency and scrutiny.

55. The Enterprise and Learning Committee particularly encountered problems in this regard, with 97 BELs being incorporated into 50 Actions. It states in its report:

We take on board the Government's argument that the new planning and reporting system will be more flexible and will link budgets with 'outcomes' as opposed to inputs, but in the interests of openness and transparency, we believe the people of Wales should be able to track how and where public money is being spent. People are as interested in the detail as they are in the big picture.³²

56. The Enterprise and Learning Committee goes on to recommend that:

...next year Welsh Government officials should make themselves available to work with staff of the National Assembly for Wales between the publication of the draft budget and committee scrutiny sessions to ensure budget figures provided to committee members are clear, consistent and comprehensible. We further recommend that next year's draft budget figures be made sufficiently plain to enable the outside world to clearly identify allocation for major initiatives and policy priorities.³³

57. In its report last year the Finance Committee made various recommendations about the presentation of the draft budget in its efforts to make the links between spending plans to policy objectives. The Finance Committee acknowledges the efforts being made by the Minister for Finance and Public Service Delivery and officials to improve the presentation of the budget and acknowledges that the restructuring of the budgets and the revised SPAs are part of a fundamental review of the process which should make the links between expenditure and performance much clearer. However, the process is not yet complete and it is possible to attribute some of the difficulties in understanding the figures to this.

³² Paper FIN-19-09(p1), Annex 1C, Report by the Enterprise and Learning Committee

³³ Paper FIN-19-09(p1), Annex 1C, Report by the Enterprise and Learning Committee

58. The problem is particularly acute for scrutiny committees who are looking for information at a lower level of detail and in a way that allows them to analyse performance within individual Ministerial policy areas. **The Finance Committee asks the Government to note that, while it welcomes the efforts to develop a clearer system of presenting the Government's budget, it is important that the Assembly is still able to scrutinise year on year changes as we move to the new system.**

59. Scrutiny Committees told the Finance Committee of difficulties in examining the Government's draft budget proposals and their need to be able to compare expenditure on programmes from one year to the next. **The Finance Committee asks the Minister for Finance and Public Service Delivery to have discussions with Cabinet colleagues to agree a Government-wide approach to complying with requests for information from scrutiny committees during the budget round, and the level of information to be provided. The aim should be to ensure that scrutiny committees have a sufficient level of information and time to analyse performance within individual Ministerial policy areas.**

Alignment Project

60. In our report on the Welsh Government's 2009-10 draft budget, we encouraged the Welsh Government to "move towards a position where statutory authorisation by Assembly budget motion is required for the use of all resources allocated within the Welsh Block except for those that are authorised elsewhere." This was because the budget motion can authorise only resources used by Welsh Ministers and this currently excludes resources that are used by other bodies within the Treasury's boundary for the Welsh Block budget. This anomaly necessitates complex reconciliations within the budget motion to explain the differences.

61. We are pleased to note that the Welsh Government has been successful in securing a provision in the Constitutional Reform and Governance Bill which, if enacted, would enable the boundaries between the Welsh Block budget and the budget motion to be aligned thereby enabling a situation where the use of all resources provided by the Treasury are subject to statutory authorisation as well as a more straightforward form of budget motion. **The Finance Committee**

requests that the Minister keeps us informed of developments on this important project.

Budget Scrutiny Process

62. In previous years the Finance Committee, and other Committees, have expressed concerns about the time available within the deadlines set by Standing Orders for the scrutiny of the draft budget. In its report on the 2009-10 budget, published last year, the Finance Committee said it considered that if the Assembly is to subject the budget to proper scrutiny it is essential that six working weeks are provided for this process. It also considered it essential that Committee meetings in this period are carefully scheduled so as to enable this scrutiny to take place.

63. This year there has been some recognition of these difficulties and the Finance Committee was grateful that Business Committee (and the Assembly) agreed a temporary change to Standing Orders which gave the Finance Committee five weeks in which to scrutinise the budget and other Committees three weeks in which to make recommendations to the Finance Committee.

64. While the additional week has been most helpful the advantage of being offered these additional meetings was to some extent dissipated by the fact that while they were programmed into the Finance Committee business, they had to be 'squeezed' in around other committees which had been given priority for core business slots. This meant these additional times did not allow a smooth running of the Finance Committee's scrutiny programme. The Finance Committee requires only a small number of additional meeting in order to scrutinise the draft budget but the timing of these is critical to the level of scrutiny it is able to give. Given that the Business Committee is aware of the annual scrutiny due to the Government's budget the Finance Committee cannot understand why the scrutiny of a budget of £16bn, which should surely be one of the most important Committee scrutiny functions in the National Assembly, does not get greater priority in the Assembly's committee programme.

65. In its report last year the Finance Committee called for six working weeks to scrutinise the Government's draft budget. While the five weeks it was given this year was an improvement there was a need to obtain

further information from the Government on some key issues and as a consequence the Finance Committee was unable to report within the period.

66. The Finance Committee remains of the view that six working weeks and a properly scheduled timetable are essential for proper scrutiny of the Government's draft budget.

67. The Finance Committee recognises the need for the final budget to be agreed before the end of the Assembly's autumn term to allow external organisations sufficient notice of their allocations to enable proper planning. **Therefore the Finance Committee, whilst appreciating the massive strides forward in budget presentation and subsequent scrutiny will be seeking further discussion with the Government and requesting finalisation of its draft budget before the beginning of October as the Finance Committee is keen to ensure that proper scrutiny is enabled in order to ensure transparency and openness in the democratic process.**

Conclusions

68. The Finance Committee has examined the Government's draft budget and taken evidence from the key stakeholders. It has also taken evidence from the Finance Minister and officials and the Committee acknowledges the helpful and constructive approach they have taken to the Finance Committee's scrutiny of the draft budget

69. The Finance Committee's main comment is to observe that the budget should be the single most important expression of the Government's priorities. Whilst not underestimating the actions that have been taken, the Finance Committee cannot avoid the conclusion that the Government has not made any significant change to its baseline budget in response to the recession. While, the Committee accepts that the Government has a commitment to the objectives in the One Wales agreement it finds it difficult to understand how these will be deliverable unless a much greater priority is given to driving the economy forward out of the recession. **To this end the Finance Committee would like to receive greater detail on the additional funds available to the Government and which have been deployed in enhancing and**

strengthening the funds available within the Economy & Transport portfolio.

70. The Finance Committee would also have liked to see a positive rationale for the allocations and evidence that the multiplier effects of its different programmes was maximised.

71. The Finance Committee was particularly worried about the lack of clarity with regard to the funds available in relation to Education and the savings being sought and therefore the Committee plans to undertake an urgent inquiry into this matter.

72. The Finance Committee has raised a number of questions about capital and particularly the Strategic Capital Investment Framework and proposes undertaking an inquiry into these. It has also identified some issues in relation to the difficulties in measuring efficiency savings and noted that, in due course, they will need to examine the differing views on these.

73. The Finance Committee has noted an apparent lack of coherence between individual Ministerial portfolios, the difficulty of tracing the effectiveness of cross cutting policies such as child poverty and seeks a greater understanding of how the Government's strategic financial overview is developed and implemented.

74. Finally, the Finance Committee remains concerned about the amount of time available for the scrutiny of the budget. It regrets that the need for further evidence has meant it just missed the five week deadline set by Standing Orders but considered that for a budget of £16bn it was better to issue a robust and agreed Committee report. This report identifies a number of issues: including key matters such as expenditure on education, economic development, and capital investment on which it plans to undertake further work in order to understand the Government's plans. This, if nothing else, underlines the need for more time to be available for the scrutiny of the draft budget.

Angela Burns AM
Chair, Finance Committee

Annex 1:

Amount and per cent of total DEL accounted for by each main expenditure group

Main Expenditure Group Departmental Expenditure Limits	2010-11 Draft Budget		2009-10 Final Budget		2008-09 Final Budget ¹	
	£ millions	<i>per cent of total DEL</i>	£ millions	<i>per cent of total DEL</i>	£ millions	<i>per cent of total DEL</i>
Health and Social Services	6,094	40.3	5,995	40.0	5,692	39.6
Social Justice and Local Government	4,502	29.8	4,403	29.4	4,268	29.7
Economy and Transport	1,154	7.6	1,186	7.9	1,161	8.1
Children, Education, Lifelong Learning and Skills	1,876	12.4	1,876	12.5	1,778	12.4
Environment, Sustainability and Housing	718	4.7	758	5.1	735	5.1
Rural Affairs	153	1.0	152	1.0	147	1.0
Heritage	162	1.1	161	1.1	156	1.1
Public Services and Performance	55	0.4	60	0.4	59	0.4
Central Services and Administration	397	2.6	395	2.6	370	2.6
Total Welsh Government DEL Allocations	15,112	100.0	14,987	100.0	14,367	100.0

Source: MRS calculations from Welsh Government Budgets

1. Note that the Central Services and Administration (CSA) MEG did not exist in the 2008-09 budget. The figure shown consists of the Central Administration, Match Funding and Other Ministerial Services MEGs which were later incorporated into the CSA MEG.

Care must be taken when making comparisons between years as MEGs have not been adjusted for other inter-departmental transfers, expenditure brought forward during the year or allocated from the Strategic Capital Investment Framework post-budget will not be included.

Annex 2: Representations and recommendations made by other Assembly committees

The Finance Committee has received reports on scrutiny of the draft budget from the following scrutiny committees:

Children and Young People (Annex 2A)
 Communities and Culture Committee (Annex 2B)
 Enterprise and Learning Committee (Annex 2C)
 Equality of Opportunity Committee (Annex 2D)
 Health, Wellbeing and Local Government Committee (Annex 2E)
 Sustainability Committee (Annex 2F)
 Rural Development Sub-Committee (Annex 2G)

The representations and recommendations made by the other committees are summarised in the table below, and the reports are attached in full as annexes to this document.

Summary of Recommendations from other committees:

Recommendation	Action by
<i>From the Children and Young People Committee</i>	
Members recommended that: The Welsh Government publish an audit of child poverty spending, to assist it and others, to better prioritise funding.	Welsh Assembly Government
As a result of additional funding for Flying Start, the Welsh Government ensure that there is increased local flexibility for Flying Start co-ordinators to target marginalised families who fall on the boundaries of the current Flying Start catchment areas.	Welsh Assembly Government
The Welsh Government ring fence funding for child and adolescent mental health services, within the overall funding for mental health services.	Welsh Assembly Government
The Welsh Government ensure that the draft budget provides adequate core funding for key services for children and young people affected by domestic abuse, including children and young people workers in refuges and outreach workers for children and young people who have moved on from refuge accommodation.	Welsh Assembly Government
<i>From the Communities and Culture Committee</i>	
Members recommend that: 1. The Welsh Government provide a note detailing timescales for the process of promoting	Welsh Assembly Government

the principles of 'Supporting People' as being a strategic priority for different local authorities.	
2. The Welsh Government provide a breakdown on anticipated budgetary allocations within the Culture Fund for the financial year 2011-2012, when presenting its draft budget next year.	Welsh Assembly Government
<i>From the Enterprise and Learning Committee</i>	
We recommend that next year, Welsh Government officials should make themselves available to work with staff of the National Assembly of Wales between the publication of the draft budget and committee scrutiny sessions to ensure that the budget figures provided to committee Members are clear, consistent and comprehensible. We further recommend that next year's draft budget figures be made sufficiently plain to enable the outside world to clearly identify allocations for major initiatives and policy priorities, such as the balance of funding for public and private transport and to allow year-on-year comparisons to be made with the previous year's budget agreed by the National Assembly.	Welsh Assembly Government
In this time of recession, we recommend that the Welsh Government should invest more in areas, such as further and higher education, where public funding can lead to sustainable wealth creation that can contribute to Wales's social and economic regeneration. We also recommend that the Government should more routinely measure the multiplier effects of its different programme spends.	Welsh Assembly Government
We recommend that the Welsh Government reconsider the budget for key policy areas such as its Green Jobs and Manufacturing Strategies and ensure they are properly funded.	Welsh Assembly Government
We recommend that the Finance Committee consider how best to scrutinise the distribution of the Strategic Capital Investment Framework.	Finance Committee
We recommend that key stakeholders should be involved in discussions regarding more detailed spending decisions, in the interests of making those decisions more informed and therefore better targeted at achieving optimum benefits.	Welsh Assembly Government
<i>From the Equality of Opportunity Committee</i>	
Future draft budgets show clearly how the principle of equality of opportunity has influenced the formulation of the draft budget as a whole, and how this is reflected across each	Welsh Assembly Government

Departmental Expenditure Line;	
The Welsh Assembly Government ensures that in future draft budgets it is clear how allocations will impact on different groups of people;	Welsh Assembly Government
The Minister for Social Justice and Local Government, as the Minister with lead responsibility, is able to answer questions relating to equality of opportunity that may relate to different Welsh Assembly Government portfolios.	Welsh Assembly Government
<i>From the Health, Wellbeing and Local Government Committee</i>	
Members asked the Minister for Social Justice & Local Government to re-instate the deprivation grant as a stand alone grant.	Welsh Assembly Government
The Committee called on the Minister for Social Justice and Local Government to clarify his position regarding funding for children's services in refuges.	Welsh Assembly Government
The Committee recommends that the Minister for Health & Social Services monitors progress of the new transplant co-ordinators carefully and re-considers levels of funding if necessary.	Welsh Assembly Government
We would urge the Minister for Health & Social Services to ensure that funds are made available to implement any recommendations on stroke services the Committee may make that require additional resources.	Welsh Assembly Government
The Committee would urge the Minister for Health & Social Services to use part of the unallocated funding to address the recommendations made by the Committee in our report [on Community Mental Health Services] and to address the more general concern about funding of these services.	Welsh Assembly Government
The Committee recommends that the Minister for Health & Social Services provides additional funding for Child Contact Centres, as recommended in our report on CAFCASS, which was published in July this year.	Welsh Assembly Government
<i>From the Sustainability Committee</i>	
Recommendation 1: That the Minister identifies key outcomes for Local Government from within her portfolio that could be achieved through the allocation of DESH funding and monitors actions in each authority against these targets.	Welsh Assembly Government
Recommendation 2: That the Minister, in addition to the above action, works with the Minister for	Welsh Assembly Government

Social Justice and Local Government to ensure that sustainability and environmental objectives are fulfilled by local authorities' capital spending programmes.	
Recommendation 3: That the Minister for Social Justice and Local Government provides explicit information to the Minister for Environment, Sustainability and Housing about how the sum of £18 million which is taken from her capital budget is calculated.	Welsh Assembly Government
Recommendation 4: That the current administration works to ensure that there will be sufficient capital funding to implement the terms of the proposed Flood and Water Management Bill after the potential withdrawal of Convergence Funding in 2013.	Welsh Assembly Government
Recommendation 5: That the true costs associated with the devolution of Building Regulations is calculated and the timescale for those costs is made explicit.	Welsh Assembly Government
<i>From the Rural Development Committee</i>	
That the Minister for Rural Affairs reviews the funding for bovine TB compensation payments and prepares a plan of where additional money can initially be found in the Rural Affairs budget.	Welsh Assembly Government

Annex 2A

Children and Young People Committee: Scrutiny of the Welsh Government's draft budget, 2010-2011

Background

1. In accordance with Standing Order 27.3, the Committee considered the draft budget 2010-11 at its meeting on 13 October 2009, scrutinising Jane Hutt AM, Minister for Children, Education, Lifelong Learning and Skills.
2. The Minister also provided written evidence, which can be found on the Committee's website at: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-cyp-home/bus-committees-third-cyp-agendas.htm>
3. A short report of the Committee's considerations and recommendations follows.

Issues raised with Minister for Children, Education, Lifelong Learning and Skills

4. The Minister welcomed the opportunity to present her budget to Members.
5. In scrutinising the Minister, the Committee sought clarification and further details on the following issues:
 - a) What tough decisions have been taken in preparing the draft budget in relation to children and young people.
 - b) How the draft budget reflects Commitment 110 of the *One Wales Delivery Plan* document which aims to 'Progress provision of universal childcare with additional support, including extended free full time high quality childcare for 2 year olds in greatest need.'
 - c) Whether the draft budget is transparent, and open for analysis and scrutiny, in terms of spend on children and young people.
 - d) Whether the introduction of a new planning and reporting system, which had resulted in the Government's budgets being restructured, had been a missed opportunity to take forward its commitment to children's budgeting.
 - e) Whether the Minister was confident that the draft Budget contained sufficient funding, across all Main Expenditure Groups, to make progress on the *One Wales* commitments to tackling Child Poverty.

- f) Whether the Minister was confident that the draft Budget contained sufficient funding to address the financial implications associated with the Child Poverty ambitions of the proposed Children and Families (Wales) Measure.
- g) Clarification on the meaning of the Minister's comments that the draft Budget contained sufficient funding for 'promoting inclusion, reducing disadvantage and tackling poverty of educational opportunity.'
- h) Clarification on how services for children with additional learning needs and disabilities, which had been provided with additional funding in the draft budget, would be assessed in terms of impacting on the wide range of services which are relevant to disabled children and young people.
- i) Whether there would, in the 2010-11 budgetary allocations, be ring fenced money for child and adolescent mental health services, separate from adult mental health funding.
- j) Whether the Minister considered the additional £1.5 million allocated 'Support for Learners' budget to be sufficient for delivering DCELLS stated objective of providing a counselling service available to all children and young people.
- k) Clarification on how the Draft budget reflected the Children and Young People Committee's recommendations in its report on 'Parenting in Wales, and the Delivery of the Parenting Action Plan.'
- l) Clarification on what progress the Minister expected the National Advocacy Unit to achieve in 2010-11, in terms of delivering the aims of the National Advocacy Project.
- m) Whether the Minister considered the draft budget for the Inclusion Grant, of £1 million in 2010-2011, was sufficient to adequately promote the inclusion of all children living in Wales, including refugees and asylum seeking children.
- n) How the findings of the SpREE exercise had impacted on children and young people focussed actions in the draft budget.

Issues of concern to Members:

Transparency of planned spending

6. Following the restructuring of the budget structure and the change from Budget Expenditure Lines (BELs) to "Actions", Members were concerned that the evidence as presented did not make clear which individual initiatives would be most affected by the overall decrease in

the budget available to the Children, Young People and School Effectiveness Spending Programme Area.

7. Whilst Members welcomed stated budget increases, such as the additional £1.5 million to provide a counselling service to all children and young people, and the additional £0.5million for the National Advocacy Unit, there was concern that there was a lack of clarity as to where budget decreases would have an impact on provision to children and young people.

Clarity on sources of efficiency savings

8. In respect of efficiency savings, Members wanted further detail of how such savings were being achieved as they could affect children and young people.

9. For example, Members questioned whether the SpREE exercise had enabled £600 million worth of “true efficiency savings and not simply either the retraction of under-spends because policies have not been able to be carried through for which sums have been allocated due to either time frame, lack of staff or trying to get so many projects off the ground.”³⁴

10. In response, the Minister asserted that “we have looked to our own delivery. We have taken money off promotion, publicity and budgets. I have said everything must go that we can do without. It has to go to the front line.”³⁵

Transparency of spending on children and young people

11. Members noted that while the additional evidence provided by the Minister was helpful in clarifying some of the planned spending on children and young people across other Ministerial portfolios, they remained concerned at the lack of overall transparency on relevant planned spending.

12. Members also noted that the issue of transparency was raised with the Minister in the previous Budget Scrutiny 2008. Members welcomed the Minister’s evidence on the work of the Welsh Statistical Directorate in progressing analysis of the proportion of the Welsh Government budget spent on children. However, to date, work in progressing analysis of spending was not in a form which would significantly assist Members in their scrutiny role, and as such Members were concerned at the potential for disconnect between retrospective analysis of Children’s Budgeting, and forward budget planning.

Co-ordination of planned spending on children and young people

³⁴ Record of Proceedings, Children and Young People Committee, 13 October 2009.

³⁵ Record of Proceedings, Children and Young People Committee, 13 October 2009.

13. In her evidence the Minister referred to the Cabinet Sub-Committee on Children and Young People as an arena in which spending on children and young people across Welsh Government portfolios is discussed, commenting that through her “chairing of that committee... [I have been able]... to steer the prioritisation of our policies across the Welsh Government.”³⁶

14. Members were concerned that given the time constraints on such meetings, this could potentially make it unsatisfactory as a formal budget planning mechanism and could inhibit the Minister in meaningfully engaging with, and influencing, spending in other relevant portfolios such as the Department for Health and Social Services spending on Child and Adolescent Mental Health Services.

15. However, the Minister argued that the Cabinet Sub-Committee had enabled the prioritisation of Childcare and Child Poverty, demonstrated through the increased funding for Flying Start, for example.

Coherent spending on Child Poverty

16. Members welcomed the overarching Welsh Government commitment to support the aim of halving child poverty by 2010, and eradicating it by 2020, and also welcomed the range of child poverty related commitments within the One Wales Delivery Plan.

17. Whilst also supportive of the range of funding initiatives across the Major Expenditure Groups, Members noted that a perceived lack of coherent spending on child poverty could be problematic in achieving such ambitious targets, when set against the recent increase in child poverty figures in Wales to 32% in 2009³⁷. Members also recognised that a wide range of policies were necessary for tackling Child Poverty, with the Minister noting that a wide range of work, such as youth unemployment, could help address Child Poverty.

18. However, Members considered that a published audit of child poverty spending could assist the Government and others to better prioritise funding, as tough financial decisions would need to be made.

Flying Start and Cymorth

19. Members welcomed the draft budget’s increased £7 million for the Flying Start Programme. Members recognised the positive impact of Flying Start, while also noting concerns that the geographic limitations of the programme could potentially prevent people, who were in need of its services, but who lived outside a particular Flying Start area, from accessing them.

20. Members were, however, concerned that the Minister’s evidence also detailed a £7.5 million decrease in the Cymorth Programme, with Angela Burns AM questioning whether “you have merely shifted funds from one

³⁶ Record of Proceedings, Children and Young People Committee, 13 October 2009.

³⁷ Annual HBAI figures (2007/08) released May 2009, indicate that after housing costs are taken into account, 32% of children in Wales were in poverty in 2008, defined as living in households with less than 60% of the UK median income.

pot to another.”³⁸ The Minister argued that the transfer of funding from Cymorth to Flying Start was “in line with the theme of Cymorth, which is about family support, ensuring that families have access to that, and that Flying Start can be supported adequately to meet the catchment areas we have identified.”³⁹

21. Members requested that the Minister provide a note on the number of free Childcare places currently being provided in Wales, and detail on the number of childcare places that the draft budget would allow.

22. Members noted that it would be useful if additional funding for Flying Start areas might allow increased local flexibility to target marginalised families who fell on the boundaries of the current Flying Start catchment areas.

Clear information on ring-fenced monies for Child and Adolescent Mental Health Services (CAHMS)

23. Members sought clarification from the Minister on whether mental health allocations from the NHS Allocations SPA would be protected as separate ring-fenced monies for children and adolescents to that funding provided for adults.

24. Whilst the Minister provided evidence of an indicative budget allocation of £2.184 million within the Health and Social Services Budget for mental health services, Members were concerned that without ring-fencing for the indicative 2010-11 allocations, insufficient money could be spent on CAHMS to fulfil the Welsh Government’s priorities for children and young people. The Minister also committed to clarify whether with the Health Minister whether funding for Child and Adolescent Mental Health Services would be ring fenced.

Information on the impact on children of the reduction in the Inclusion Grant

25. In considering issues of equality of opportunity for all children in Wales, Members sought evidence from the Minister on the £300,000 decrease in the generic Inclusion Grant⁴⁰ to £1 million in 2010-11.

26. The Minister and her officials stated that they could not speak about the specifics of this particular Grant, but committed to provide detail in writing. They noted, however that “on the broader issue of grants one of the activities we are looking at on behalf of the Minister is how we strategically review our specific grants and it would be better to look at bigger bundlings of grants to take a much more strategic view.” Members

³⁸ Record of Proceedings, Children and Young People Committee, 13 October 2009.

³⁹ Record of Proceedings, Children and Young People Committee, 13 October 2009.

⁴⁰ The Grant was originally established in 2002 to fund Refugee and Asylum Seeking voluntary sector organisations. Since that time the Inclusion Grant remit has expanded and now covers Refugees, Asylum Seekers, Migrants, Gypsies and Travellers.

welcomed this wider issue in principle, as it could create less of a bureaucratic burden in applying for multiple grants.

27. However, within the context of the Inclusion Grant being a generic fund which targets all ages, and covers Refugees, Asylum Seekers, Migrants, Gypsies and Travellers, Members were concerned that such funding could be inadequate for promoting the inclusion of all children and young people in Wales.

Funding for key services for children and young people affected by domestic abuse, including children and young people workers in refuges

28. Members expressed concern that the draft budget needed to provide adequate core funding for key services for children and young people affected by domestic abuse, including children and young people workers in refuges and outreach workers for children and young people who have moved on from refuge accommodation. Members expressed concern that funding currently provided through Welsh Women's Aid is not intended to be used to meet this specific purpose, and would therefore not be a substitute for funding provided in previous financial years by voluntary sector organisations.

Further Information

29. The Minister undertook to provide the Committee with:

- Detail on the number of additional childcare places which will be provided as a result of the increase of £7 million in the funding for the Flying Start Programme.
- The Minister, after clarifying with the Minister for Health and Social Services will write to the Committee with further details on whether in the 2010-11 allocations there will be ring-fenced money for children and adolescents separate from adult mental health funding.
- The Minister will write to the Committee with more details on the anticipated impact on children of the reduction in the Inclusion Grant, compared to the supplementary budget 2009-10, within the Social Justice and Local Government Spending Programme Area.

Recommendations

Members recommended that:

1. The Welsh Government publish an audit of child poverty spending, to assist it and others, to better prioritise funding.
2. As a result of additional funding for Flying Start, the Welsh Government ensure that there is increased local flexibility for Flying Start co-

ordinators to target marginalised families who fall on the boundaries of the current Flying Start catchment areas.

3. The Welsh Government ring fence funding for child and adolescent mental health services, within the overall funding for mental health services.

4. The Welsh Government ensure that the draft budget provides adequate core funding for key services for children and young people affected by domestic abuse, including children and young people workers in refuges and outreach workers for children and young people who have moved on from refuge accommodation.

Annex 2B

Communities and Culture Committee: Scrutiny of the Welsh Government's draft budget, 2010-2011

Background

1. In accordance with Standing Order 27.3, the Committee considered the draft budget 2010-11 at its meeting on 14 October 2009, scrutinising:

- Jocelyn Davies AM, Deputy Minister for Housing.
- Dr. Brian Gibbons AM, Minister for Social Justice and Local Government
- Alun Ffred Jones AM, Minister for Heritage

2. The Ministers also provided written evidence, which can be found on the Committee's website at: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-ccc-home/bus-committees-third-ccc-agendas.htm>

3. A short report of the Committee's considerations and recommendations follows.

Issues raised with the Deputy Minister for Housing

4. The Deputy Minister welcomed the opportunity to present her budget to Members, and immediately clarified that an apparent reduction of £91 million in the budget for tackling homelessness for 2010-11 was a typographical error. The Minister explained that "of that apparent loss of £91 million, only £13 million is an actual reduction in the three-year budget."⁴¹

5. In scrutinising the Minister, the Committee sought clarification and further details on the following issues:

- a) What implications there would be for the housing Spending Programme Area should responsibility for building regulations be passed to Welsh Ministers.
- b) How the cut in the budget for supporting stock transfer and Community Housing Mutuels would affect the stock transfers that are expected during 2010.
- c) What the budgetary implications of the Welsh Government's proposed housing Legislative Competence Order were likely to be, and how this was reflected in the draft budget.
- d) How the Essex Review had shaped the draft housing Budget this year.

⁴¹ Record of Proceedings, Communities and Culture Committee, 14 October.

- e) What support the draft budget provided towards developing a Welsh housing bond.
- f) How the development of the new National Housing Strategy had influenced spending decisions within the draft budget.
- g) How the small increase in Supporting People funding would allow the new Supporting People Strategy to meet its objectives.
- h) Whether the Deputy Minister made any further bids for SCIF funding.
- i) How the housing budget would meet the needs of the new ten year Homelessness Plan.
- j) Why no specific provision had been made for the Mortgage Rescue Scheme in the draft budget.
- k) How funds were expected to be spent in 2010-11 that were allocated for Not for Profit Nursing Homes.
- l) Whether there was sufficient Social Housing Grant available in the budget to meet the *One Wales* affordable housing commitment
- m) What impact the slight cut in the 'black minority ethnic housing budget BEL' would have on Welsh Ministers' ability to meet their statutory duty to promote equality under the *Government of Wales Act 2006* and other legislation.
- n) Where commitments to sustainability were reflected within the housing Spending Programme Area.

Further Information to be provided by the Deputy Minister for Housing

6. The Minister undertook to provide the Committee with a general note of information on the Welsh Housing Bond.

Issues of particular concern to Members, arising from their scrutiny of the Deputy Minister for Housing:

- **Development of the Housing Bond**

7. Members welcomed progress in the Welsh Government's development of the Housing Bond, noting that "this could be used towards stock transfer, but also to supplement social housing grants in leveraging in private sector finance to the housing associations."⁴² Members also

⁴² Record of Proceedings, Communities and Culture Committee, 14 October.

sought clarification on the Minister's comments that "Housing associations have expressed the concern that, when refinancing, it is becoming more expensive,"⁴³ which the Minister agreed to provide in writing.

8. The Minister also noted that the Housing Bond would be "a pretty safe, low-interest income stream because there is never enough social housing to meet the demand for it; there will always be people waiting for it to become available, so you never have enough social housing. You are therefore guaranteed an income stream from it; it seems to be low risk, for example, like investing in a pension fund over a long time."⁴⁴

▪ Supporting People

9. Supporting People is the Welsh Government's policy and funding framework for delivering housing related support to vulnerable people.

10. When questioned as to whether the principles of 'Supporting People' were a strategic priority for different local authorities, the Minister acknowledged that some local authorities were "found to be wanting"⁴⁵ but commented that "I have asked for those who are involved in this—the commissioners and the providers—to come together to talk, to see if there is a way forward."⁴⁶

11. Members considered that it would be useful to get a timeline for this process.

12. Members also expressed concern at the disparity between the sizes of different local authority applications for the Supporting People Grant. Joyce Watson AM commented that "I think that it ranges from the lowest at £16 per person to the highest at £113 per person."⁴⁷

13. However, the Minister clarified that "even though that money comes through the Assembly's budget, it is actually linked historically to how it was pursued from the UK Government pot prior to 2003... There are talks about redistribution, but you would then be taking money away from those local authorities that vigorously pursued that pot prior to 2003 to give more money to others. This is not related to the needs in those areas, of course; just how the pot was pursued originally. So, it is slightly different. We have two different but interrelated difficulties with regard to Supporting People."⁴⁸

⁴³ Ibid.

⁴⁴ Record of Proceedings, Communities and Culture Committee, 14 October.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

▪ **The new ten year Homelessness Plan**

14. Members welcomed the emphasis the Government placed on early intervention, mediation and preventing homelessness rather than purely focussing on dealing with homelessness as it happens. Members also welcomed the Minister's comments that "The work that has been done in previous years on having homelessness officers has reduced bed-and-breakfast bills enormously."⁴⁹

▪ **Black minority ethnic housing budget BEL**

15. Bearing in mind the rising costs of inflation, Members expressed some concern at the £6000 decrease in the 'Black minority ethnic housing budget' Budgetary Expenditure Line. However, the Deputy Minister stated that she would "like to give the committee assurances that this will not impact significantly on that work."⁵⁰

Issues raised with the Minister for Social Justice and Local Government

16. The Minister welcomed the opportunity to present his budget to Members.

17. In scrutinising the Minister, the Committee sought clarification and further details on the following issues:

- a) What factors influenced the Minister's decision to allocate additional funding to some areas of work and a reduction in funding to others.
- b) The reasons behind the planned efficiency savings made within the Social Justice SPAs
- c) Whether the social justice budget had been affected by the Spending Review Evaluation Exercise.
- d) What practical steps had been taken to ensure that cuts do not have a disproportionate and unfair impact on particular groups of people
- e) Whether any applications for funding under the Strategic Capital Investment Framework had been made, and if so, what are plans were in place for these monies
- f) Whether any One Wales commitments relating to social justice would not be met as a result of reductions in allocations for 2010-11.

⁴⁹ Ibid.

⁵⁰ Record of Proceedings, Communities and Culture Committee, 14 October.

- g) What the impact of reduced funding on the Communities First initiative would be
- h) What the impact of reduced funding for the voluntary sector in Wales would be
- i) What impact the lack of an increase- in real terms- for the Child Poverty SPA allocation would have on the Welsh Government's ambitions to reduce child poverty in Wales.
- j) How the £5.9 million increase in funding allocated to the Substance Misuse Action Fund would be used to deliver Welsh Government priorities.
- k) Why tackling violence against women was apparently being prioritised over other issues within the domestic abuse agenda.
- l) What the impact was anticipated to result from reductions in the Fire and Rescue Service Actions.
- m) How the Minister intend to manage the impact of flat line budgets for the Advancing Equalities Fund (formerly the Promoting Equalities Fund) and the Gypsy Traveller New Sites and Refurbishment Grant.
- n) Why the remit of the Inclusion Grant had been expanded to include Migrants, Gypsies and Travellers in addition to refugees and asylum seekers, when funding would be reduced by 23% to £1 million in 2010-11

Issues of particular concern to Members, arising from their scrutiny of the Social Justice and Local Government:

- **Transparency of planned expenditure**

18. Following the restructuring of the budget structure and the change from Budget Expenditure Lines (BELs) to "Actions", Members were concerned whether the evidence presented made clear how individual initiatives would be affected by the overall decrease in the budget available to the Minister.

19. For example, the Minister commented that at the beginning of budgetary discussions, all Minister "had to accept the 1.6 per cent efficiency saving."⁵¹ However, when scrutinising efficiencies in specific funding lines, Alun Cairns AM commented that "efficiency" is a bit of a generous word; you have just cut the advertising budget. We are not

⁵¹ Record of Proceedings, Communities and Culture Committee, 14 October.

getting the same outcome for less money.”⁵² The Minister acknowledged that efficiencies sometimes involved managed cuts in funding, observing that- in relation to the ‘Give a Little, Gain a Lot’ media campaign, “we are cutting training, but we did so in the knowledge that the Wales Council for Voluntary Action and community voluntary councils are providing training, so we are not going from a situation in which there is no training provision.”⁵³

- **Fire Services**

20. Members commented that they were reassured by the Minister’s explanation that despite a significant reduction in some of the funding for fire service actions, this was due to the slow progress being made on the Fire Link digital radio communication system, rather than being anticipated to have impact on front line services. The Minister commented that for “front-line fire services—fire brigades and so on—there is no change.”⁵⁴

Issues raised with the Minister for Heritage

21. The Minister welcomed the opportunity to present his draft budget to Members.

22. In scrutinising the Minister, the Committee sought clarification and further details on the following issues:

- a) The main reasons for the relative differences in changes of funding between the Spending Programme Areas.
- b) Specifics on the intended use of an investment of £670,000 towards restructuring costs in the ‘Assembly Government Sponsored Bodies’ (AGSBs)
- c) Examples of the kinds of projects expected to be operated as a result of £640,000 being targeted at modernising working arrangements within the heritage sector and at promoting more partnership working.
- d) An explanation of the discrepancy between the Minister’s supporting document to the draft budget- which stated that the overall revenue budget included additional allocations of £3 million- and the breakdown of planned allocations, also provided by the Minister, which came to a sum of £2.225 million.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Record of Proceedings, Communities and Culture Committee, 14 October.

- e) An explanation of where efficiencies and savings in the Heritage DEL had been identified and how they would be realised
- f) Which, if any, capital spending plans in the Heritage portfolio had been shelved or postponed due to the changes made to the Welsh Government's capital spending priorities
- g) Past and future bids relating to the Strategic Capital Investment Framework
- h) Whether, given the financial constraints, the Minister was confident in the delivery of all of the *One Wales* Heritage commitments
- i) Which specific programme areas would be used to address the Minister's stated aim of maximising the contribution which the Heritage MEG can make to counteracting the effect of the economic recession.
- j) Examples of short term projects on which funding would be targeted.
- k) How an efficiency strategy would be applied to the Heritage portfolio
- l) The Dormant Accounts Scheme
- m) What the Welsh Government would be doing to alleviate the impact of the £70 million decrease in Lottery funding to Wales
- n) What concerns the Minister had in relation to the impact that short-term funding falls might have on longer-term objectives.
- o) What assessment had been made of the impact of the economic downturn on revenue streams and future funding needs of organisations and events already reliant on Welsh Government funding.
- p) Whether the Minister considered that the new presentation of the 'culture fund' budget was an improvement on the previous year's, and whether it provided sufficient detail for effective scrutiny
- q) Whether the availability of recreational facilities had been reassessed in a wider context, following the Chief Medical Officer taking a lead on physical activity.
- r) Whether the budget had taken into account any possible financial requirements coming out of planned Measures relating to the Welsh language LCO

- s) Whether a clear picture had emerged of the impact on the CADW budget of free access to CADW sites for children and pensioners
- t) How opportunities for EU funding were being maximised, and whether changing funding criteria were impacting on Wales' ability to access such funds

Further Information to be provided by the Minister for Heritage

23. The Minister agreed to share with the Committee a detailed distribution and breakdown of budgetary allocations within the Culture Fund for the next financial year.

Issues of particular concern to Members, arising from their scrutiny of the Minister for Heritage:

- **Dormant accounts scheme for Wales**

24. Members welcomed the Minister's comment that a paper on the proposed dormant accounts scheme for Wales would be submitted to the Cabinet on 19 October. However, Members noted that while the "original estimate of how much money we would get was around £15 million"⁵⁵ this had now fallen to £8-10million. The Minister acknowledged this fall in estimates.

- **Transparency of planned expenditure**

25. Following the restructuring of the budget structure and the change from Budget Expenditure Lines (BELs) to "Actions", Members were concerned whether the evidence presented made clear how individual initiatives would be affected by the overall decrease in the budget available to the Minister.

26. Members noted that of the £670 000 increased revenue funding towards restructuring costs in the AGSBs, it was difficult to determine whether this would necessarily contribute to improved efficiencies or better front line services in future, with the Minister observing that this "additional money has been targeted specifically to allow them (AGSBs) to prepare plans for the future."⁵⁶

27. Members also noted that while over £2 million of efficiency savings had been identified, there was limited detail on what shape these savings would take. The Minister acknowledged that some efficiency savings were being expected to be found by Assembly Government Sponsored

⁵⁵ Record of Proceedings, Communities and Culture Committee, 14 October.

⁵⁶ Ibid.

Bodies and “we expect to see detailed plans of how they will deal with the money that is allocated to them, including efficiency savings.”⁵⁷

28. However, Members welcomed the Minister’s efforts to set out how the culture fund was broken down during the current year financial year, following comments in the previous year’s budget scrutiny that the culture fund had represented a significant ‘catch-all’ amount of money, with limited opportunity to scrutinise its planned expenditure. Nevertheless, Members were concerned that in addition to being able to scrutinise the current financial year’s expenditure of the Culture Fund , they also needed “to see where the changes in spending are for the next financial year and the proposals thereafter.”⁵⁸ Members therefore welcomed the Minister’s commitment to share with the Committee a detailed distribution and breakdown of budgetary allocations within the Culture Fund for the next financial year.

Recommendations

Members recommend that:

1. The Welsh Government provide a note detailing timescales for the process of promoting the principles of ‘Supporting People’ as being a strategic priority for different local authorities.
2. The Welsh Government provide a breakdown on anticipated budgetary allocations within the Culture Fund for the financial year 2011-2012, when presenting its draft budget next year.

⁵⁷ Ibid.

⁵⁸ Ibid.

Annex 2C

Enterprise and Learning Committee 2010-11 Draft Budget Proposals Report

Introduction

1. The draft budget was laid before the Assembly on 5 October 2009.⁵⁹ The Draft Budget proposals 2010-11 were accompanied by a Draft Budget Report which provides additional information on plans at the level of Spending Programme Areas (SPAs).
2. This report for the Finance Committee summarises the Enterprise and Learning Committee's scrutiny of the three areas of the budget that fall within our portfolio – Economy; Transport; and Children, Education, Lifelong Learning and Skills. We urge the Finance Committee to consider in particular our general concerns (paragraphs 4 to 9 below) and our conclusions and recommendations (paragraphs 17 to 21).

Background

3. This Committee is only too aware of the depressing context of our scrutiny of the Welsh Government's budget proposals. In this time of global economic downturn, tight financial settlement from the UK Government⁶⁰ and an increase in the UK's unemployment figures we appreciate the difficulties Welsh Ministers face in having to make tough decisions about where funding should be directed. We acknowledge Ministers' efforts to secure efficiency savings to protect front-line services for people in Wales, and the Government's Spending Review Evaluation Exercise (SpREE) to identify redundant or inefficient public sector programmes. At the same time, however, we also recognise the need for a "reform and perform"⁶¹ budget that can lead Wales out of the current recession.

General concerns

4. **Lack of transparency:** It is now very difficult to work out direct year-on year comparisons in spending compared with last year and previous years. This is because of a number of factors: the First Supplementary Budget for 2009-10 that was laid before the Assembly in July 2009 has not yet been formally approved; the 2009-10 budget was reprioritised as part of the annual internal business planning review; the presentation of the budget has been significantly restructured from last year, with the 97 Budget Expenditure Lines

⁵⁹ Welsh Assembly Government, Draft Budget 2010-11, October 2009

⁶⁰ For example, as a result of UK fiscal decisions there has been a reduction in capital of £75 million from across Welsh departments

⁶¹ Record of Proceedings column 133, Annex C

(BELs) from last year's budget being replaced with 50 "Actions"; and because of the omission of European and Strategic Capital Investment funding from Departments' spending figures. This is neither transparent governance nor fair on the Welsh public. We take on board the Government's argument that the new planning and reporting system will be more flexible and will link budgets with "outcomes" as opposed to inputs, but in the interests of openness and transparency, we believe the people of Wales should be able to track how and where public money is being spent. People are as interested in detail as they are in the big picture.

5. **Creating longer-term problems:** Ministers' decision to bring forward capital spending in order to give the economy a boost during the recession (£120 million capital intended for 2010-11 was spent or earmarked for spend in 2008-09 and 2009-10) will lead to considerable shortfalls next year. There will be a similar impact from the Government's digging into its scarce reserves.
6. **Economic stagnation:** Funding is not necessarily being directed to the areas where it could be of greatest effect in helping Wales out of the economic downturn. It is surprising to us that financial support to business is being cut at a time when it is most needed. Similarly, innovation and Research and Development should, at this time, be areas for greater, not less, public investment.
7. **Effect on policy delivery:** The Deputy First Minister assured us that he was, "completely confident that the budget contains nothing that would prevent us from achieving the 'One Wales' commitments."⁶² We trust that his promise will be upheld.
8. **Lack of match funding:** We question the fall in Match Funding and the use of European Union money to mitigate problems within the core budget (such as in Education); we believe this requires closer scrutiny, especially at a time when private sector match funding might be harder to come by. Although the Match Funding Spending Programme Area (SPA) does not fall within our area of scrutiny, we nevertheless flag this up as an issue for the Finance Committee's attention."
9. **Loss of scrutiny:** In the draft budget, around £340 million of capital has been placed in the Strategic Capital Investment Framework, the effect of which has been to reduce the capital in Departments' capital budgets in 2010-11 and to increase the amount spent in 2009-10 by comparison. The growing trend of encouraging departments to bid for the Capital Investment Framework means that more areas of expenditure fall outwith the scrutiny area of Assembly Committees.

⁶² Record of Proceedings column 13, Annex C

Economy Draft Budget

10. The amount allocated to the economy aspects of the Deputy First Minister's portfolio is £31.4 million less in 2010-11 compared with 2009-10, a fall of nearly 10 per cent. In the context of the Minister's recent announcement that a "new approach" to economic development and business support is needed,⁶³ with a focus on reform and renewal, we regard it as counter-productive that the Government proposes to reduce both revenue and capital funding for the "Provide Financial Support to Business" Action and overall funding for the "Develop Wales as a focal point for Innovation, Technology and Commercialisation" Spending Programme Area (SPA). The Deputy First Minister assured us that there would be, "no reduction in the money that goes to businesses" but that those services would be provided more effectively in future.⁶⁴ We trust that the Government's policy and spending priorities will be fully aligned to deliver the preferred outcomes of a more highly skilled, knowledge rich and enterprising Wales as opposed to a lower skilled economy that attracts certain kinds of inward investors.⁶⁵

Transport Draft Budget

11. The overall size of the transport budget for 2010-11 is about £24 million less than the year before, a fall of 2.7 per cent. The restructuring exercise referred to in paragraph 4 above has led to a considerable reduction in the amount of detail that is available about the Government's transport expenditure plans.
12. For example, it is not clear from the published budget information how much money has been allocated to different modes of transport (roads, rail and buses for example). By the Deputy First Minister's own admission, the budget figures for concessionary fares are also "slightly misleading" because of in-year additions last year.⁶⁶ We were reassured, however, to be told that there will be no reduction in the level of concessionary fares available to senior citizens and the disabled.⁶⁷

Children, Education, Lifelong Learning and Skills Draft Budget

13. The revenue budget for this Main Expenditure Group (MEG) may be up slightly (an additional £15.1 million), but there is a huge decrease (£81.9 million) in the capital budget, which could have significant, adverse, long-term effects. We fear that the Children, Education,

⁶³ Economic Renewal Programme, Written Statement by Ieuan Wyn Jones, Deputy First Minister and Minister for the Economy and Transport, 13 October 2009

⁶⁴ Record of Proceedings columns 8 and 53, Annex C

⁶⁵ Record of Proceedings columns 175 to 180, Annex C

⁶⁶ Record of Proceedings column 54, Annex C

⁶⁷ Record of Proceedings column 94, Annex C

Lifelong Learning and Skills draft budget has not fared as well as other portfolios.

14. We are particularly concerned about the planned 5 per cent efficiency savings targets for the further and higher education sectors, when the target for other sectors is 1.6 per cent,⁶⁸ and when student enrolment numbers are rising. At a time of economic downturn it is even more imperative to invest in skills and the wealth creators of the future, a point we have repeatedly made in our recent reports on the Welsh economy and the economic contribution of higher education.⁶⁹

Cross-cutting issues

15. On sustainability issues, we were keen to see a continuing shift in Government expenditure from roads to public transport. However, the Deputy First Minister's account of changes in modal split did not appear consistent with the Committee's own interpretation of the figures.⁷⁰ There were confusions over allocations of "non-cash" and over capital and revenue and overall budget.
16. We were encouraged by assurances from officials from the Department of Economy and Transport that it was the responsibility of everyone in the Department as well as its partners who formulate and deliver policy to embrace cross-cutting issues (sustainability, equal opportunities and Welsh language), "at the outset and not at the end of the process."⁷¹

Conclusions and Recommendations

17. **We recommend that next year, Welsh Government officials should make themselves available to work with staff of the National Assembly of Wales between the publication of the draft budget and committee scrutiny sessions to ensure that the budget figures provided to committee Members are clear, consistent and comprehensible. We further recommend that next year's draft budget figures be made sufficiently plain to enable the outside world to clearly identify allocations for major initiatives and policy priorities, such as the balance of funding for public and private transport and to allow year-on-year comparisons to be made with the previous year's budget agreed by the National Assembly.**
18. **In this time of recession, we recommend that the Welsh Government should invest more in areas, such as further and**

⁶⁸ Record of Proceedings column 202, Annex C

⁶⁹ <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-report/bus-committees-third-el3-09-r04.htm> and <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-report/bus-committees-third-el-report-el3-08-r09.htm>

⁷⁰ Record of Proceedings columns 22 to 25, Annex C

⁷¹ Record of Proceedings column 27, Annex C

higher education, where public funding can lead to sustainable wealth creation that can contribute to Wales's social and economic regeneration. We also recommend that the Government should more routinely measure the multiplier effects of its different programme spends.

19. We recommend that the Welsh Government reconsider the budget for key policy areas such as its Green Jobs and Manufacturing Strategies and ensure they are properly funded.
20. We recommend that the Finance Committee consider how best to scrutinise the distribution of the Strategic Capital Investment Framework.
21. We recommend that key stakeholders should be involved in discussions regarding more detailed spending decisions, in the interests of making those decisions more informed and therefore better targeted at achieving optimum benefits.

**Committee Service
October 2009**

Annex – Written evidence

Department for the Economy and Transport

Paper 1: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146395&ds=10/2009>

Explanatory note: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146414&ds=10/2009>

Annex: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146788&ds=10/2009>

Table A: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146791&ds=10/2009>

Table B: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146797&ds=10/2009>

Department for Children, Education, Lifelong Learning and Skills

Paper 2: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146326&ds=10/2009>

Explanatory note: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146376&ds=10/2009>

Annex 1: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146374&ds=10/2009>

Annex 2: <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=146375&ds=10/2009>

Annex – Transcript of evidence session on 14 October 2009

<http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-els-home/bus-committees-third-els-agendas.htm?act=dis&id=148391&ds=10/2009>

Annex 2D

Equality of Opportunity Committee

Pwyllgor Cyfle Cyfartal

Angela Burns AM
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Cardiff Bay
Cardiff
CF99 1NA

23 October 2009

Dear Angela

Welsh Assembly Government Draft Budget 2010-11

At its meeting on 13 October, the Equality of Opportunity Committee considered the draft budget proposals for 2010-11.

Following last years consideration of the draft budget 2009-10, the Committee made the following recommendation:

- The Committee is concerned that the Welsh Assembly Government's commitment to mainstreaming equalities, as outlined in the One Wales document, is not as transparent as hoped. The Committee noted that the Minister for Social Justice and Local Government's was unable to answer questions relating to equalities within other Ministerial portfolios, which may indicate that equality-proofing is not as mainstreamed as expected. The Committee considers that, in the future, the Welsh Assembly Government's draft budget should provide an indication of how budget allocations will impact on different groups of people, how equality of opportunity principles have influenced the formulation of the draft budget as a whole, and how policy aims are reflected across each Departmental Expenditure Limit.

The Committee is disappointed that the draft budget for 2010-11 has not improved on the situation last year, and is no clearer about how equality of opportunity has been considered during its development. The Committee were not reassured by the evidence given by the Minister that

the impact of the budget on different groups has been considered across portfolios. Despite being responsible for the mainstreaming of equality of opportunity across government, the Minister was again unable to answer questions relating to equality of opportunity in other portfolios. In this instance the Committee has resolved to write to other Welsh Ministers regarding some of the issues that the Minister for Social Justice and Local Government was unable to discuss.

In the current economic climate, the Committee is also concerned that spending cuts may have a disproportionate impact on different groups of people. The Minister did not reassure the Committee that the impacts on different groups of people have been considered as part of the Welsh Government's Spending Review and Evaluation Exercise.

The Committee recommends that:

- Future draft budgets show clearly how the principle of equality of opportunity has influenced the formulation of the draft budget as a whole, and how this is reflected across each Departmental Expenditure Line;
- The Welsh Assembly Government ensures that in future draft budgets it is clear how allocations will impact on different groups of people;
- and,
- The Minister for Social Justice and Local Government, as the Minister with lead responsibility, is able to answer questions relating to equality of opportunity that may relate to different Welsh Assembly Government portfolios.

I hope that you will take these issues into account during the Finance Committee's consideration of the draft budget.

Ann Jones
Chair, Equality of Opportunity Committee

Annex 2E

Y Pwyllgor Iechyd, Lles a Llywodraeth Leol

Health, Wellbeing and Local Government Committee

Angela Burns,
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Bae Caerdydd / Cardiff Bay
Caerdydd / Cardiff CF99 1NA

26 October 2009

Dear Angela,

On Wednesday 14 October, the Health, Wellbeing and Local Government Committee considered the draft Welsh government budget proposals for 2010-11. The Minister for Social Justice and Local Government and the Minister for Health and Social Services gave evidence to the Committee at that time.

The Health, Wellbeing and Local Government Committee would like to draw the Finance Committee's attention to the following issues.

Local Government

Local Government Settlement

The Committee notes that the current financial climate placed constraints on the Welsh Government budget and therefore the Local Government settlement. However, concerns remain regarding the overall level of the settlement and the real terms decrease in support for six local authorities, some of which have received some of the lowest increases awarded for several years.

Sparsity / Rurality

The Minister gave assurances to the Committee that the factors taken into account when considering the level the settlement did not disadvantage rural areas. The Minister also highlighted that population numbers are one of the main drivers of the formula.

Members were concerned that rural, sparsely populated areas face higher costs in providing frontline services and for some local authorities who

have been placed close to the funding floor over a period of years, provision of those services has become a real challenge.

Cumulative Impact of Low Settlements on Local Authorities

Members were also concerned that some local authorities have received settlements that, over a period of years, have been at the lower end of the range of settlements for all local authorities in Wales. Members expressed concerns that councils in this position would find it increasingly difficult to identify and realise the efficiency savings required of them.

Deprivation Grant

In previous years, the deprivation grant has been given to local authorities with relatively high areas of social deprivation with the understanding that its use would be focused on addressing these issues. This year, the Minister has placed the grant within the RSG, a move which he felt would protect the funding in the longer term. Although the distribution formula for the grant will remain unchanged, Committee Members were concerned that the subsumation of the grant into the RSG reduced the transparency of the budget line. Members asked the Minister to re-consider this matter and to re-instate the deprivation grant as a stand alone grant.

Funding of children's services in refuges

The Committee called on the Minister for Social Justice and Local Government to clarify his position regarding funding for children's services in refuges. Confusion had arisen following his acceptance of a Communities and Culture Committee recommendation to fund such services centrally, prompting the charities currently funding the services to indicate that their support would now cease. The 2010-11 budget does not make provisions for such services and urgent clarification is needed to protect this vital work.

Business Rates

The Committee welcomed the Minister's clarification that the negative RPI in September this year would be applied to the business rate multiplier, thereby reducing the overall burden on businesses in Wales.

Capital Expenditure – Schools

The Committee is concerned at the reduction of capital funding available to schools for fire sprinkler systems. The three year funding stream of £12 million for retro fitting of sprinklers in existing schools has now ceased and any new bids for funding would be made to the mainstream schools capital budget. However, no additional funds have been made available to that budget.

The Committee was also concerned at the £10 million cut in the fire service's budget. The money was intended to fund the rolling out of 'Firelink', and although the budget line has been cut, the Minister's commitment to fully fund the roll out remains.

Council Tax Assumptions

The Committee welcomed the Minister's expectation that council tax will remain in line with 2009-10 rates for 2010-11. Although the Committee accepted that it would be difficult for the Minister to set a ceiling on rate increases at this stage, the Committee nevertheless felt that a degree of transparency was needed to ensure that local authorities were not to impose excessive increases in council tax rates.

Equal pay

The Committee has considered the issue of equal pay in local government in previous discussions with the Minister. While the Committee accepts the challenging budgetary position this year, the Committee would be concerned if this led to any slowing of progress toward ensuring that local authorities in Wales have in place pay systems that fully comply with equal pay legislation.

Health and Social Services

Ability to meet One Wales targets

The Minister assured the Committee that although the tight budget settlement for 2010-11 and future years might result in a slowing down of progress, her One Wales targets are on course to be met by the end of the third Assembly.

Funding for Workforce Development / NLIAH

The Health, Wellbeing and Local Government Committee report on workforce planning in health and social care, published in March 2008, highlighted the importance of effective training and development of staff in order to meet future service needs. The £1.6 million reduction in real terms to the workforce planning budget for 2010-11 is therefore a cause for concern to the Committee.

NHS Reorganisation

Committee Members raised with the Minister the cost of re-deployment of senior staff, following the recent reorganisation of the NHS in Wales. The Head of the Health Service told the Committee that the estimated cost of compulsory redundancy, as opposed to re-deployment of the staff concerned, was £20 million. The Committee may decide to look at this matter again in the future.

Capital Funding

A modern healthcare system requires an estate that is fit for purpose and flexible enough to cope with changing demands. Without investment in the health infrastructure, the NHS will struggle to modernise its care provision and realise the efficiency savings and improved patient care that a modernisation programme could provide. The Committee was therefore concerned to see a 29.1% reduction in capital available to the Health and Social Services DEL. The Committee was reassured by the Minister's explanation that the reduction is accounted for in part because of a 'double counting' capital funding that had previously been brought forward to the 2009-10 budget.

Although the Welsh Government now have the Strategic Capital Investment Fund in place, the Minister made it clear to the Committee that any successful bid to that fund would be used to supplement projects. It is difficult to see how the health estates can be managed strategically when there is no guarantee of funding for capital projects. The Minister told the Committee that projects such as the one at Merthyr Health Park were being re-visited to assess if they could be delivered at a lower budget than planned. The Minister assured the Committee that investments aimed at improving patient care would not be affected. However, the Committee will keep this issue under review and may revisit it in the future.

Funding for mental health services

The Committee is concerned that there is little difference between the 2009-10 and 2011-12 mental health allocations, which seems at odds with the One Wales commitment which places a priority on mental health provision. However, the Committee welcomes the fact that the Minister has hypothecated the funding for CAMHS and adult mental health services separately. We hope that this approach will enable progress in this area to be watched.

Funding for transplant Co-ordinators

Although the Minister had accepted previous Committee recommendations on organ donation and transplantation, the draft 2010-11 budget proposals offer no increase on the amount of funding available to the NHS Blood and Transplant Service. The Minister assured the Committee that as new transplant co-ordinators were now in place and smarter ways of working were being rolled out, improved outcomes could be achieved without additional funding.

The Committee recommends that the Minister monitors progress carefully and re-considers levels of funding if necessary.

Referral to treatment time targets

The Welsh government's policy is that by the end of December 2009, no patient should have to wait longer than 26 weeks for treatment in the NHS. In order to meet this target, the NHS has been 'buying in' services

from the private sector which the Director General of Health felt was a short term solution that the previous system promoted. New ways of working would create the efficiencies needed to tackle this issue. The Minister stated that the number of patients being treated in the private sector was tailing off. However, it was also recognised that swine flu could pose a threat to treatment time targets. Although NHS use of private sector services may not always be the most effective use of public money, the Committee recognises that threats such as pandemics are largely unavoidable. The Committee therefore welcomes the Ministers assurances that further funding will be made available if necessary to meet these targets.

Funding for Social Services

Funding for Social Services is provided to local authorities as part of the RSG. However, the funding formula does not provide for increased funding as a result of the Welsh Government's commitment to prevention, as set out in the *Fulfilled Lives, Supportive Communities* Social Services strategy. The Minister indicated that the shift from institutional care to home care would result in significant savings, but any savings may be off-set by the loss of care home revenue. Discussions with local government are on-going as to how to best tackle the funding challenges ahead.

Unallocated Funding

The Minister for Health and Social Services told the Committee that she has £50 million unallocated funding within her DEL. She invited the Committee to suggest what its priorities might be for the available funding.

The Committee is currently undertaking an inquiry into stroke services and although the report on the inquiry is still to be considered, it is clear that improvements to stroke services are necessary. We would urge the Minister to ensure that funds are made available to implement any recommendations on stroke services the Committee may make that require additional resources.

In addition, the Minister will already be aware that we raised a number of issues around the funding of Mental Health Services in our recent report on Community Mental Health Services. We have also raised concerns about the funding of Mental Health Services in previous budget rounds. We would, therefore, urge the Minister to use part of the unallocated funding to address the recommendations made by the Committee in our report and to address the more general concern about funding of these services.

Finally, the Committee recommends that the Minister provides additional funding for Child Contact Centres, as recommended in our report on CAF/CASS, which was published in July this year.

Yours sincerely,

Darren Millar
Chair

Sustainability Committee Report on the Draft Budget Allocation 2010 – 2011.

Background

1. The Committee has considered the spending plans for sustainability priorities of the Welsh Assembly Government as set out in the *Draft Budget Allocations 2010/11* and associated documents.

2. The Committee's scrutiny of the *Draft Budget Allocations 2010/11* took place on 14 October 2009, when it took evidence from Jane Davidson AM, Minister for Environment, Sustainability and Housing, Mathew Quinn, Director, Department for Environment, Sustainability and Housing; and Sian Way, Senior Finance Manager Department for Environment, Sustainability and Housing .

Scrutiny of the Minister

3. The Committee sought clarification and further details on the following points during their scrutiny session with the Minister:
 - The number and value of Strategic Capital Investment Fund (SCIF) bids put in by the Minister
 - The funding for Home Energy Efficiency Scheme (HEES). In particular, the methods for identifying the fuel poor and the allocation of capital investment.
 - The extent to which the Minister is able to influence the budget allocations of other Ministers to achieve the overarching sustainable development objectives.
 - The use of capital funding to local authorities from the DESH budget.
 - The use of convergence funding for the implementation of the requirements coming from the proposed Flood and Water Bill.
 - The Minister's responsibilities under the Green Jobs Strategy.
 - The budget implications of the devolution of Building Regulations.
 - Efficiency savings in the waste sector.

4. The Minister undertook to provide further information on the following points:

Details of the projects that are being funded through SCIF.

The Committee agreed to write to the Minister for Finance and Public Service Delivery requesting information about the operation of the SCIF.

5. Following the session, the committee expressed concern about the following points:

- The use by local authorities of the £18 million taken from the DESH capital budget. Although the Minister stated that the money was for local authorities to achieve sustainability and environmental objectives, the committee is concerned that, as the money is unhypothecated, it is difficult to tell how the money has been spent by local authorities.
- The reliance of the Minister's budget on bids for SCIF and EU funding. While the Committee welcomed the substantial bids made by the Minister, they expressed concern about what would happen to the proposed schemes they were due to fund if these bids were not successful. They were particularly concerned about the reliance on European Convergence Funding for the implementation of the proposed Flood and Water Management Bill and the effects of Convergence Funding ceasing in 2013.
- The costs associated with devolving Building Regulations in 2011. During the Counsel General's appearance at the Finance Committee on 12 October, he quoted a figure of £10 million as the cost for devolving Building Regulations to Assembly Ministers but that this figure was around three years old. The Minister for Environment, Sustainability and Housing stated during her evidence session to the Sustainability Committee that there would be no additional costs involved before 2011-2012.

Recommendations

Recommendation 1: That the Minister identifies key outcomes for Local Government from within her portfolio that could be achieved through the allocation of DESH funding and monitors actions in each authority against these targets.

Recommendation 2: That the Minister, in addition to the above action, works with the Minister for Social Justice and Local Government to ensure that sustainability and environmental objectives are fulfilled by local authorities' capital spending programmes.

Recommendation 3: That the Minister for Social Justice and Local Government provides explicit information to the Minister for Environment, Sustainability and Housing about how the sum of £18 million which is taken from her capital budget is calculated.

Recommendation 4: That the current administration works to ensure that there will be sufficient capital funding to implement the terms of the proposed Flood and Water Management Bill after the potential withdrawal of Convergence Funding in 2013.

Recommendation 5: That the true costs associated with the devolution of Building Regulations is calculated and the timescale for those costs is made explicit.

Annex 2G

Rural Development Sub-Committee

Report on the Draft Budget 2010-11

1. The Committee has considered the Department for Rural Affairs' spending plans as outlined within the Draft Budget 2010-11, which was published on 5th October 2009.
2. The Committee's scrutiny of the Draft Budget Allocations for 2010-11 took place on 12 October 2009, when it took evidence from Elin Jones AM, Minister for Rural Affairs; Rory O'Sullivan, Director of Rural Affairs; and Huw Davies, Head of Rural Affairs and Heritage Business Unit.
3. The Committee sought clarification and further details on the following points during their scrutiny session with the Minister:
 - The ability of the Government to meet its One Wales and Rural Development Plan commitments within the budget that had been set.
 - The extent to which the lower than anticipated budget would impact on existing schemes and programmes.
 - The way in which efficiency savings had been achieved and their implications for broader programmes, for example the promotion and marketing of Welsh food.
 - Whether there was any potential to use capital grant funding for the development of on-farm infrastructure.
 - The funding arrangements for the Wood Energy Business Scheme.
 - The implications of the introduction of Glastir, including running costs, training requirements, raising awareness and how the number of farmers participating in the scheme would be increased.
 - The anticipated expenditure on bovine TB compensation and whether contingency plans were in place to address any budget shortfall.
 - The impact on RDP expenditure resulting from the inclusion of the LEADER programme.
4. The Minister undertook to provide further information on the following points:
 - Clarification on where within the budget funding for the Wood Energy Business Scheme lay.
 - The use of funds that were previously available under the LEADER programme within the current Rural Development Scheme

5. Following the session, the committee expressed concern about the following points:

- The lack of capital funding available within the rural development plan.
- Demand for the bovine TB compensation scheme was expected to exceed its £11.6 million allocation but there was no guaranteed source to meet these payments. The initial extra funding for the compensation payments would need to come from the Rural Affairs budget, and then there would need to be a discussion with the Finance Minister to raise additional funds.
- Whilst the Committee recognised that the 2010-11 budget did not extend beyond one year, it was felt that the Minister needed to consider long term strategic plans and communicate any decisions that she may make on her future budget at the earliest possible opportunity.

Recommendations

6. The Committee therefore recommends:

- That the Minister for Rural Affairs reviews the funding for bovine TB compensation payments and prepares a plan of where additional money can initially be found in the Rural Affairs budget.