

NATIONAL ASSEMBLY FOR WALES
REPORT FROM THE FINANCE COMMITTEE

GEN-LD6847 - Draft Budget Proposals - 2008-09

Introduction

1. The Welsh Assembly Government laid GEN-LD6847 - Draft Budget Proposals - 2008-09 on Monday 5 November 2007. Further detail of the draft budget was given in the document which accompanied it: Main Expenditure Group Allocations for Welsh Ministers 2008-09 to 2010-11 Allocations to Budget Expenditure Line.
2. The draft budget was laid much later than originally envisaged due to the late completion of the UK Government's 2007 Comprehensive Spending Review. The Finance Committee is grateful that the Assembly maintained the full 4 weeks provided for in Standing Orders for the scrutiny of the draft budget but, nonetheless, and as a consequence of the tightness of the timetable generally, the Finance Committee had to call witnesses at short notice. Members are grateful for the co-operation and understanding from all concerned.
3. Standing Orders lay a number of specific responsibilities on the Finance Committee, in particular:
 - 27.2 *No motion may be moved in plenary in respect of the draft budget for the government until the Finance Committee has made its report on the draft budget under Standing Order 27.4.*
 - 27.3 *The Finance Committee must consider and report to the Assembly on the draft budget no later than four weeks after it has been laid before the Assembly. The Finance Committee's report must append any recommendations which the Finance Committee has received from other committees.*
 - 27.4 *The Finance Committee's report may recommend changes to the amounts proposed in the draft budget provided that the net effect of those changes would not increase or decrease the aggregate amounts of resources or cash proposed in the draft budget for the government.*
4. SO 27.4 sets the deadline for the Finance Committee's report to the Assembly as 3 December. This is a very short period in which to report and, in the limited time available to it, the Finance Committee of necessity undertook a focused scrutiny of the budget. The Finance Committee's consideration of the draft budget consisted of taking evidence from the Finance Minister and his officials on 8 November; from the Welsh Local Government Association and representatives of NHS finance directors and Local Health Boards on 13 November. The Finance Committee also considered representations made by other Assembly Committees at its meeting on 22 November and, in accordance with SO 27.4, these are appended in the Annex to this report. The Finance Committee received further written evidence from the Minister, just prior to its second meeting with

him on 27 November, further information was offered in the discussions but at the time of drafting, this was still awaited.

Main Report

5. The Finance Committee does not intend to propose an alternative budget but wishes to draw attention to a number of issues where it has concerns, and trusts that the Minister will take these into account in formulating his final budget.
6. This is the first year in which the Assembly has had a Finance Committee to scrutinise the budget and it coincides with new procedures necessitated by the Government of Wales Act 2006 and the revised Standing Orders. The process of scrutinising the budget has proved difficult because of concerns about the information provided and some (understandable) uncertainty about the roles of the different committees involved in the process. The situation was complicated by the limited time available to consider the budget and the difficulties faced by some of the scrutiny committees in finding a time in Ministers' diaries when they were to give evidence. **The Finance Committee will, in the light of its experience, be considering how these procedures have operated in practice with a view to producing a separate report on the budget process after the present round has been completed. The Finance Committee strongly recommends that, in future, the budget process is prioritised in the diaries of both Ministers and committees to ensure sufficient time is made available for adequate scrutiny.**
7. **The Finance Committee welcomes the Minister's willingness to agree a protocol ¹ for the budget process that will supplement the broad requirements laid down in the Standing Orders. This should help address some of the difficulties experienced with the present budget round.**
8. The Finance Committee considers that budgeting should not be seen as a one off annual event and that it is important for the Finance Committee to keep an overview of changes made during the year, and to understand the factors that underlie these and their effect on programmes. **The Finance Committee therefore welcomes the Minister's agreement to provide it with progress reports at key points ² during the year so that it can keep abreast of the changing pattern of expenditure.**
9. Generally the Finance Committee has focused on the Government's strategic approach to planning and managing the budget. The task of scrutinising the budgets for individual portfolios falls primarily to other Committees and their findings are annexed to this report.

2007 Comprehensive Spending Review

10. The 2007 Comprehensive Spending Review published on 9 October has resulted in additional Departmental Expenditure Limit (DEL) allocations being made to the Welsh block budget of £684 million in 2008-09 (excluding depreciation) rising to £1,376 million in 2009-10 and £2,184 million in 2011-12. These increases have been set against a revised 2007-08 baseline of £13,588 million which is some £200 million lower than the actual amount allocated for that year. This reduction results from the Treasury's application of the Barnett Formula to an underspend, and resulting cut, in the 2007-08 allocation made to the Department of Health.

11. The Finance Minister's Statement ³ issued on the same day stated that the published figures show that Wales is to receive an average real terms increase in its DEL of 2.4% per annum in the period 2008-09 but that this percentage was based on the adjusted baseline. Based on the actual 2007-08 allocation of £13,813 million ⁴ the real terms percentage increase is 1.8% per annum. For 2008-09, the DEL increase based on the actual 2007-08 allocation is £329 million. Of this, some £200 million ⁵ will be taken up with increases to public sector pay leaving only £129 million plus any efficiency savings made in the year to cover the effects of inflation on other revenue and capital expenditure as well as any planned new spending.
12. The Minister's statement of 9 October ⁶ also said that he "needed to have further discussions with Treasury to clarify the baseline issue where we still have serious concerns about the adjustments". However, on 8 November, the Minister told the Finance Committee that "if the baseline reductions had not happened, we would still be getting a 1.8 per cent increase. The Treasury and the Assembly Government would agree that it would be a 1.8 per cent increase. The baseline reductions do not affect our spending plans in any way". Whilst understanding that the Treasury has based its "Barnett Formula" allocation to Wales on the actual amounts allocated to the Department of Health and other departments over the three years covered by the spending review, the Finance Committee is troubled by the Minister's apparent change of view between 9 October where he had "serious concerns about the adjustments" ⁷ and 8 November when he defended the Treasury's approach. ⁸
The Finance Committee would like to have an explanation for this.
13. The 2007 Comprehensive Spending Review also allocated £3.623 billion of funding over the next three years to three government departments in respect of the development of the 2012 Olympic and Paralympic Games. The Treasury has treated this as non-devolved expenditure and no corresponding Barnett Formula allocation has been made to Wales. This approach is inconsistent with Treasury funding for other infrastructure projects such as the Jubilee Line and the proposed "Cross rail" project where Wales received or will receive its full Barnett formula allocation. The Minister told the Finance Committee that he disagrees with the Treasury's stance on this issue. ⁹ Members fully agree with the Minister and would like to know the reasons for the approach taken by the Treasury which means that Wales has lost out on much needed additional funding. **The Finance Committee would like the Minister to provide further information on this matter.**

Capital Investment

14. In publishing his budget the Finance Minister announced a more strategic approach to capital investment focusing on key priorities and backed by more than £400 million over three years. This approach would be supported by the creation of a "Strategic Capital Investment Board (SCIB)". ¹⁰ The Finance Committee was disappointed that the Minister could not give any information about how this might work and could say only that the "structure, membership and processes of the SCIB" are still under development. ¹¹ **The Finance Committee calls for more detail of the arrangements including a timetable, the proposed composition of this Board and the criteria for decision making. The Finance Committee also notes the Minister's view that the new regime will be flexible and will not create delays whilst departments compete against each other for resources. It intends to monitor closely the Board's operation in the years ahead.**

15. In the draft budget, £400 million has been added to the reserves and, as a result, capital allocations allocated to departments have been suppressed over the three year period. **The Finance Committee seeks an assurance that the outcome of the Board's deliberations will be made public and clearly linked to the resulting allocations to departments and projects in the papers supporting the budget and supplementary budget motions.**
16. Notwithstanding the mechanisms by which capital expenditure is allocated, the Finance Committee is concerned that the overall demands on the Assembly's capital budgets seem likely to outstrip the available resources by a significant margin. The Finance Committee recognises that funding for capital can come from a range of sources including European structural funds. It also acknowledges that the Minister is proceeding prudently and cannot rely on the latter until they are approved by the European Commission. On the other hand, in the absence of an estimated level of income from such sources, the draft budget appears to show a major shortfall.
17. The Finance Committee recognises the difficulties the Minister faces in this regard but this is a vital area of Assembly expenditure and would welcome further information from the Minister on how the Government's capital programme will be financed. In particular, it believes that the figures presented show a significant shortfall in available capital funding when account is taken of the backlog of maintenance in key areas of Government policy. **The Finance Committee intends to consider capital programmes in further detail as part of its forthcoming work programme.**

Contingency reserve

18. The following table is based on figures from the draft budget and estimates of capital allocations included in the reserves provided by Assembly Government officials. The total capital allocation amounts to £338 million which is less than the £400 million over the three year period mentioned by the Minister that has been allocated to the Strategic Capital Investment Board.¹² **This suggests that the remainder has already been allocated to Ministerial portfolios and the Finance Committee would welcome an explanation as to how this has been done.**

Percentages of unallocated reserves

	<i>£000</i>		
	2008-09	2009-10	2010-11
Departmental Expenditure Limits (DEL) (excl Wales Office)	14,551,929	15,243,610	16,056,389
Total unallocated reserves (from Draft Budget Proposals)	135,986	426,798	845,909
of which - Capital	0	92,486	245,521
Remaining unallocated reserves	135,986	334,312	600,388
Remaining unallocated reserves as percentage of DEL ¹	0.9	2.2	3.7

Source: Members' Research Service from Welsh Assembly Government figures

¹ Assembly Government officials explained that these percentages differ from those given by the Minister in oral evidence to the committee as his calculations excluded any non-cash elements

19. The 2007-08 budget motion passed in December 2006 set a contingency reserve of £149 million or 1% of the DEL allocated by the Treasury. The equivalent figure in the draft 2008-09 budget is £136 million. The 2009-10 and 2010-11 contingency reserves rise to £427 million and £846 million

respectively but these are masked by the inclusion of capital expenditure to be allocated by the Strategic Capital Investment Board. The purpose of a contingency reserve is to set aside an amount for emergencies and other unforeseen events affecting the budget that might arise during the year and should not be confused with planned capital spend. **The Finance Committee therefore welcomes the Minister's promise¹³ to show the strategic capital expenditure set aside for that Board in a separate line in the final budget in order to reveal the actual amounts set aside for contingencies.**

20. The Finance Committee is also keen to ensure that future levels of the contingency reserve are based on financial prudence. The previous Finance Minister took the view that "reserves are maintained as part of our prudent approach to financial management"¹⁴ and had a "target of maintaining a reserve of one percent of the budget as a necessary precaution to meet the risks on the budget in the coming year".¹⁵
21. In this context Members were concerned at the £13 million reduction in the reserve for 2008-09 although they accept that the unspent amounts carried over from 2007-08 under the Treasury's End of Year Flexibility (EYF) regime need to be taken into account. However, the Minister said to the Finance Committee that the Welsh Assembly Government has been extremely efficient in its management of the Assembly block grant and that, almost without exception, for the first eight years, it had spent around 99 per cent or more of our allocations.¹⁶ **The Finance Committee notes that in the past the level of reserves has been set at 1% and would welcome a statement from the Minister on the ideal level of contingency reserve that he feels should be maintained from year to year and his plans for getting to that level. The Finance Committee also calls on the Minister to confirm separately the amounts held in reserve for revenue and capital (excluding the amounts set aside for planned expenditure by the Strategic Capital Investment Board).**

One Wales

22. In response to the Finance Committee's questioning on the cost of the Government's 'One Wales' Programme, the Finance Minister was at pains to point out that there is not Assembly Government expenditure and separate expenditure for 'One Wales'.¹⁷ The entire budget will be invested in the delivery of the 'One Wales' Programme. It is likely that many of the 'One Wales' programme commitments will be delivered by joint working between various Assembly Government departments and other public bodies including local government. So, in some areas, the Government may be able to be explicit about expenditure on single or specific commitments, but that will not be true for all of them. In particular, the One Wales document contains a commitment to the development of local service boards and agreements including a commitment to the pooling of budgets.
23. The Finance Committee takes the view that it should be possible to present a budget that is capable of being clearly aligned to the Government's strategic objectives. This would not mean a change in the format of the formal budget documents but might necessitate some further analysis of the budget (to show the cost of delivering against each strategic objective) by way of explanation.
24. The Finance Committee has yet to see evidence to demonstrate that the "One Wales" commitments can be met financially and expects to receive

further information on which policies will be prioritised and which will be only pilot projects, together with broad financial costings for each policy. **The Minister did accept that, in the future, it would assist the Finance Committee and the Government to be able to audit progress by making a clear link between the strategic policy objectives and particular budget lines.**¹⁸ **The Finance Committee expects this to be done well before the next budget round.**

Efficiency Savings

25. The "Making the Connections" document committed the Government to achieving £600 million of value for money savings across the Welsh public service by 2010.¹⁹ This would necessitate public sector organisations identifying at least 1% recurrent value for money gains in each of the five years starting in 2005-06. The Minister told the Finance Committee that the Government considered that there is even greater scope for more efficiencies, and would be working with colleagues on how to achieve them. That work is ongoing. **The Finance Committee is unclear as to the Finance Minister's expected level of efficiency saving and calls on him to provide detailed forecasts with evidence to demonstrate their achievability.**
26. In the light of the tight Comprehensive Spending Review the Finance Committee agrees with the Minister that we must deliver more for the Welsh pound²⁰ and that the issue is not how much we spend but how we spend it and the results we achieve. In this context, it is important to place even greater focus on inefficiencies and getting all public sector bodies to "raise their game". **The Finance Committee considers that the time is now right to review progress on 'Making the Connections' with a view to establishing revised auditable efficiency targets and we look forward to learning the outcome of the ongoing work in this area.**

Accounting for inflation

27. The Finance Committee felt that the budget's presentation caused confusion. **In the pursuit of clarity, the Government should provide at least percentage increases to Main Expenditure Group figures both in real and absolute terms. This would enable a more informed discussion around the real changes to ministerial portfolios. The Finance Committee calls for explicit notes and figures reconciling the baselines the Government is using, as they do not appear to correspond with other data available.**

Spending departments

28. The Finance Minister made the point on a number of occasions that spending decisions within individual departments are a matter for the responsible Ministers.²¹ Those Ministers have given or will be giving evidence to the respective scrutiny committees and their findings as regards the draft budget have been annexed to this report. The paragraphs below therefore concentrate only on matters of general application or concern. A number of the committees have commented on the budgetary process and, in particular, the time available for their input. **These will be considered by the Finance Committee as part of its forthcoming review of the budgetary process.**

Local government and the National Health Service

29. The time provided for the scrutiny of the draft budget did not allow for any significant level of evidence to be taken from Local Government or from the National Health Service. Similarly there was little time either for the Health, Wellbeing and Local Government Committee to examine these two major budgets. The Finance Committee notes that this Committee came to similar conclusions to itself in a number of areas²² - particularly the difficulty in aligning the budget's objectives to those in the One Wales document. The need for a clear linkage is even more important given the tight CSR settlement and the Minister's spending plans – particularly the level of funding for local government which has caused much concern across Wales.
30. This concern is increased by the evidence received from the WLGA that, given the proposed level of funding, there would be difficulty in delivering core services²³ let alone the new targets that would be expected under the One Wales programme without unacceptable increases in council tax levels. The WLGA concluded its evidence by making a special plea on behalf of local authorities expecting to receive settlements of less than 1.5%.²⁴ **The Finance Committee has grave concerns that the current local government settlement is inadequate to safeguard core services and asks the Minister to review the total funding.**
31. The Finance Committee looks forward to the work being undertaken by the Government to show the links between the budget and One Wales and the more detailed analysis this will provide of the achievability of the One Wales targets. Furthermore, the Finance Committee welcomes the Minister's commitment to abide by the spirit of the December 2003 agreement that new initiatives and responsibilities must be fully funded before being passed on to local government.²⁵ **The Committee therefore looks to the Minister to ensure that there is clarity between any new requirements placed on local government, – including those to be conferred by One Wales - and resulting increased funding.**
32. The Finance Committee shares the concerns made by the Health and Higher Education Community about the funding for medical research and development and is pleased to note the recent financial commitments given by the First Minister and Minister for Health and Social Services in this regard.
33. Representatives of the health service raised the issue of the "Grogan judgement"²⁶ and the resulting additional financial responsibilities being placed on NHS bodies. **The Finance Committee wishes to know how the Finance Minister has addressed the issue of striking the appropriate balance between health and social care funding in making financial allocations between the NHS and local authority budgets.**
34. The representatives also expressed concern about the ability of NHS bodies to meet the costs of some of the new high-profile drugs therapies being approved by the National Institute for Clinical Excellence (NICE).²⁷ As an example they referred to the new drug Lucentis which, if approved by NICE, will lead to costs running to tens of millions of pounds across the NHS in Wales
35. The Finance Committee was also alarmed by the comments from the NHS representatives that it would not be possible to deliver the Welsh Assembly Government commitment to reducing waiting lists without the 'second offer'

scheme'.²⁸ **The Finance Committee seeks assurances from the Finance Minister that the budget for the NHS has been appropriately planned to deliver the Government's policies to deliver.**

Heritage

36. The Finance Committee notes the Communities and Culture Committee's comments on the Heritage Minister's spending plans.²⁹ In respect of the agreement to increase the annual funding provided to the Wales Millennium Centre and pay off its debts the Finance Committee agrees that Minister had no option but to support the Centre in that way on this occasion. **However, the Finance Committee wishes to make it absolutely clear to organisations supported by taxpayers' money that they should plan realistically and that there should be no automatic expectation that the Assembly will be willing to fund future deficits. The Finance Committee also wishes to know what arrangements have been put in place to monitor the financial position of the Wales Millennium Centre.**

Equality Issues

37. The Finance Committee has tried to avoid getting drawn into discussions about the funding merits of one programme relative to another as others and other Committees are better placed to assess the merits of these. It has however had its attention drawn to the Statement of Opinion OPIN-2007-0082 - Mae Plant Anabl yn Bwysig/Disabled Children Matter which has been signed by 31 Assembly members. This calls for the Welsh Assembly Government to guarantee that the £21m consequential from "Aiming High for Disabled Children: Better Support for Families" is ring fenced to support disabled children and their families in Wales. In a lengthy note to the Finance Committee,³⁰ the Minister set out the basis on which Barnett 'consequentials' are handled by the Assembly and that the nature of the devolution settlement means that there is no requirement for them to be put to the services which in England generated the monies. The Finance Committee notes this point but is surprised that the Minister does not feel that a view expressed in a statement of opinion supported by so many Assembly members should have greater weight than this. **The Committee recommends that the Minister reconsiders this matter with a view to making at least the £21 million available for expenditure on disabled children's services over the next three years.**
38. Alongside this particular issue, concern was expressed in the Finance Committee about the difficulty in identifying the action being taken by the Welsh Assembly Government to address problems of child poverty. The Minister indicated that this was because the various elements of the programme were shared between a number of Departments and that it was very often difficult to identify the parts of these, and the funding that focused on child poverty.³¹ **The Finance Committee welcomes the Ministers agreement to produce an auditable analysis of the information that can be provided on these programmes and calls for this by the end of the current financial year.**

Community Safety

39. Concern was expressed in the Finance Committee about the static funding for community safety in both capital and revenue budget lines over the next three years, in particular in the context of the promised anti-social behaviour units for each local authority area.³² **The Minister agreed to provide a note on this point. The Finance Committee would like further clarification on the budget lines and on how the proposed units will be delivered in the light of static budgets.**

Conclusion

40. This has been a difficult budget to formulate and scrutinise given that it has been set against a backdrop of the tightest CSR settlement since the advent of devolved government. The Finance Committee has concerns about the fairness of that settlement and, in particular, the Treasury's interpretation of the applicability of the Barnett Formula to certain allocations made to English government departments. These concerns are compounded by a lack of clarity over a number of aspects of the Finance Minister's budget including the operation of the Strategic Capital Investment Board, the desirable level of contingency reserve to maintain financial prudence and the expected level of efficiency savings.
41. The Finance Committee also shares the concerns of the local government community over the ability to maintain core services, and the ability of the NHS community to meet the cost of high profile drugs therapies and the Welsh Assembly Government commitment to reduce waiting times.
42. Finally, the Finance Committee calls for clarity on the level of funding within the budget to address the serious concerns that have been expressed about support for disabled children, community safety and child poverty.
43. **The Finance Committee urges the Government to consider the recommendations made in this report and to act on them accordingly.**

Alun Cairns AM
Chair, Finance Committee

References

- ¹ Committee paper: FIN(3) 03-07 (p1) paragraph 7
- ² Record of Proceedings: The Finance Committee 27 November 2007
- ³ Minister's Statement 9 October 2007
- ⁴ Taken from the Wales Office Annual Report May 2007 (Annex 3)
- ⁵ In response to questioning, officials made the point that this figure was a broad estimate and subject to many variables given that most public sector pay settlements are far from being completed.
- ⁶ Minister's Statement 9 October 2007
- ⁷ Minister's Statement 9 October 2007
- ⁸ Record of Proceedings: The Finance Committee 8 November 2007 [52] [54]
- ⁹ Record of Proceedings: The Finance Committee 8 November 2007 [77]
- ¹⁰ Record of Proceedings: The Finance Committee 8 November 2007 [100]
- ¹¹ Committee Paper: FIN(3) 08-07 (p1a) paragraph 3.4
- ¹² Record of Proceedings: The Finance Committee 8 November 2007 [107]
- ¹³ Record of Proceedings: The Finance Committee 8 November 2007 [108] [112]
- ¹⁴ Record of Proceedings: 13 December 2006
- ¹⁵ Record of Proceedings: 7 February 2007
- ¹⁶ Record of Proceedings: The Finance Committee 8 November 2007 [25]
- ¹⁷ Record of Proceedings: The Finance Committee 8 November 2007 [144]
- ¹⁸ Record of Proceedings: The Finance Committee 8 November 2007 [145-146]
- ¹⁹ Record of Proceedings: The Finance Committee 8 November 2007 [173]
- ²⁰ Record of Proceedings: The Finance Committee 8 November 2007 [173]
- ²¹ For example, Record of Proceedings: The Finance Committee 8 November 2007 [209] [211] [223]; Record of Proceedings: The Finance Committee 27 November 2007
- ²² Committee paper: FIN(3) 06-07 (p5)
- ²³ Record of Proceedings: The Finance Committee 13 November 2007 [133-135] [139]
- ²⁴ Record of Proceedings: The Finance Committee 13 November 2007 [185]
- ²⁵ Record of Proceedings: The Finance Committee 27 November 2007
- ²⁶ Committee paper: FIN(3) 06-07 (p6); Record of Proceedings: The Finance Committee 13 November 2007 [194] [214] [216]
- ²⁷ Record of Proceedings: The Finance Committee 13 November 2007 [196] [201] [295]
- ²⁸ Record of Proceedings: The Finance Committee 13 November 2007 [241]
- ²⁹ Committee paper: FIN(3) 07-07 (p5)
- ³⁰ Committee Paper: FIN(3) 08-07 (p1a)
- ³¹ Record of Proceedings: The Finance Committee 27 November 2007
- ³² Record of Proceedings: The Finance Committee 27 November 2007

Annex: Representations and recommendations made by other Assembly Committees

Equality of Opportunity Committee

Pwyllgor Cyfle Cyfartal

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16 November 2007

Dear Alun

At its meeting on 8 November, the Equality of Opportunity Committee considered the draft budget proposals 2008-09 and would wish to make the following recommendations:

- The draft budget should reflect the Welsh Assembly Government's commitment to deliver improvements to services for disabled young people. The Committee highlighted the additional £21m received from HM Treasury and would urge the Government to ensure this additional resource is used to implement the recommendations of the previous Committee's review of service provision for disabled young people.
- The Welsh Assembly Government should be tracking its resources to make sure that its commitment to mainstreaming equality is delivered and the findings of the gender budgeting pilots to assess the level of equity in financial allocations could provide a mechanism for doing this.
- The Welsh Assembly Government should monitor local authorities to ensure that the additional 1.5% being provided to them every year to meet their equal pay commitments is being used for that purpose.

Whilst Members accepted the constraints of the budget process this year concern was expressed at the short timescales. Members agreed that in future years they would want to have the opportunity to put forward their priorities in order to influence the Government's thinking before the detail of the budget is agreed.

The Committee also raised a number of issues relating to the detail of the budget, which I will be writing separately to the Minister for Social Justice and Local Government about.

Ann Jones
Chair, Equality of Opportunity Committee

**Communities and Culture
Committee**

**Pwyllgor Cymunedau a
Diwylliant**

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19 November 2007

Dear Alun,

Report on Draft Budget

In accord with Standing Order 27.3, I attach a report on the scrutiny of the Minister for Heritage concerning the draft budget.

My Committee will carry out similar scrutiny of the Minister for Social Justice and Local Government and the Deputy Minister for Housing before the end of the month. A report will be laid before the Assembly and I will send you a copy.

Yours sincerely,

**Janice Gregory AM
Chair, Communities and Culture Committee**

Communities and Culture Committee

Report to Finance Committee on the Draft Budget

Background

Standing Order 27.3 states that:

“Committees other than the Finance Committee may consider and make recommendations to the Finance Committee on the draft budget for the government no later than two weeks after it has been laid before the Assembly.”

On 14 November 2007, the Committee scrutinised the Minister for Heritage, Rhodri Glyn Thomas AM, on that part of the draft budget falling within his portfolio. Other relevant Ministers were unavailable at that time but the Committee intends to scrutinise the Minister for Social Justice and Local Government, Dr Brian Gibbons AM, and the Deputy Minister for Housing, Jocelyn Davies AM, on 28 November and to lay a report before the Assembly.

This report is in accord with Standing Order 27.3 and focuses on the Heritage (Culture, Welsh Language and Sport) sections of the draft budget.

Key Points

The Committee:

- Welcomes the extra £36 million for culture, Welsh language and sport over the next three years.
- Notes that the £13.5 million to pay off the debts of the Wales Millennium Centre as announced in the Minister's statement of 7 November, is not additional money in the budget but comes from under spending in previous years.
- Welcomes the £2.5 million per annum to cover revenue expenditure on the Millennium Centre.
- Welcomes the £2.5 million for activities outside Cardiff and noted that this is made up of £1.5 million to implement the recommendations of the Stephens Review and an additional £1.0 million for English-language national theatre – but notes that this latter component only applies to years 2 and 3. In year 1 there will be only £250,000 for the English-language theatre; to reflect the fact that the organisation will not be in a position to draw down the full amount, as key members of staff are yet to be recruited.
- Notes that the Minister is awaiting the outcome of a review into the Welsh-language print industry and looked forward to discussing the

recommendations of this review with the Minister.

- Welcomes funding allocated for the refurbishment of libraries, to be distributed through CyMAL.
- Notes the Minister's assurance that, over the course of the next four years, there would be sufficient money in the budget to fund the cultural and heritage commitments in the 'One Wales' document.
- Notes that the Minister was not yet in a position to say how much money would be available for the National Botanic Garden and looks forward to an announcement on this matter in the near future.
- Notes the commitment to establish an all-Wales collection of people's history and that CyMAL is awaiting responses to a consultation on this matter. The Committee looks forward to an announcement on this matter in due course.
- Welcomes the £13.5 million to encourage elite sport in Wales and also the intention to host the UK schools games in Wales in 2009.
- Notes the importance of providing sufficient funding, some £12 million in the budget of the Welsh Language Board, for translation and fostering bilingualism outside the Assembly (for example, in the various institutions of the European Union) and intends to explore this matter further with the Minister at a subsequent meeting.

Conclusion

The Committee is broadly content with the funding allocated in the draft budget for activities within the portfolio of the Minister for Heritage.

Rural Development Sub-committee

Report on the Rural Affairs Draft Budget for 2008/09

The Sub-committee reports to the Finance Committee as follows—

Introduction

1. The Sub-committee has considered the spending plans in the Welsh Assembly Government Rural Affairs portfolio as set out in the *Draft Budget Proposals 2008/09* and associated documents.
2. The Sub-committee's scrutiny of the *Draft Budget Proposals 2008/09* was limited to one committee meeting, due to tight deadlines within the budget process and the requirement for sub-committee reports to be agreed by the parent committee before publication. The scrutiny session took place on 8 November 2007, when the Sub-committee took evidence from Elin Jones AM, Minister for Rural Affairs, Huw Brodie, Director of the Department of Rural Affairs, Rory O'Sullivan, Head of the Countryside Policy Division, Norma Barry, Head of Food and Market Development Division, and Sian Andrews, Rural Affairs and Heritage Unit.

Issues raised in evidence

3. In taking evidence from the Minister, the Sub-committee sought clarification and further details on the following issues:
 - The future of the *Welsh Ewe Genotyping Scheme*;
 - Sufficiency of the level of expenditure identified in the *TB Slaughter, Payments, Costs and Receipts* budget expenditure line, details of any contributions made by the UK Government and availability of funding from reserves for an expected increase in demand;
 - Potential adequacy of the level of expenditure allocated for *TB eradication*, given the Assembly Government's TB eradication programme is still being developed;
 - Reductions in the budget expenditure line for *Sheep Compensation Revenue*;
 - The source of the monies from the current compensation packages relating to the *Foot and Mouth Disease* outbreak and any provision for similar compensation measures in 2008/09;
 - Evaluation of how the extra £1 million for marketing and promotion of Welsh products was spent;
 - Status of the Draft Rural Development Plan for Wales and likely approval date;

- Activities included in the budget expenditure line for *Research and Evaluation*, including those activities that are to benefit from the increase in funding planned for 2008/09;
- Lack of transparency and clarity of presentation within and across the budget expenditure lines relating to *Tir Cymru*;
- The unspent balance on accumulated *Voluntary Modulation*, the timescale in which to spend it and on what it is to be spent;
- Use of the increased expenditure of £6.9 million on *Single Payment Administration Revenue* on an upgraded Information Technology system to ensure timely and accurate payments to farmers;
- Implementation, funding and development of the *Young Entrant Scheme* in 2010/11;
- Projects funded under the Rural Communities budget expenditure line and issues surrounding Farming Connect;
- Schemes funded under the *Promoting Welsh Food Budget*, arrangements between the Department of Economy and Transport and Department of Rural Affairs in relation to *Food Industry and Support* ; and
- Increases in the budget expenditure line for the Forestry Commission Wales.

4. In addition, the Minister highlighted the budget implications of the rural affairs priorities contained in the One Wales agreement.

Written clarification requested

5. During the evidence session, the Minister agreed to provide the following further information, however, due to tight timescales was unable to provide it in time for the preparation of this report:

- A detailed breakdown of the spending provided by DEFRA on animal health in Wales;
- Clarification as to whether the current gamma-interferon testing was included within the Welsh Assembly Government or DEFRA budget;
- Details of the types of projects funded through the research and evaluation budget expenditure line; and
- An explanation and breakdown of the figures in the Tir Cymru budget.

Recommendations

6. Whilst the Sub-committee is generally satisfied with the content and allocation of expenditure within the Rural Affairs Draft Budget 2008/09, it is disappointed in the lack of clarity and transparency within some of the budget expenditure lines. **In order to assist in effective scrutiny in future, the Sub-committee recommends that future draft budget proposals are more clearly presented and appropriate notes of explanation of the content of budget lines are provided.**

7. The Sub-committee highlighted that a large proportion of the rural affairs budget stems from the Rural Development Plan (RDP) which is currently awaiting approval by the European Commission. **The Sub-committee therefore recommends that contingency plans are put into place to ensure that any shortfall is covered should the EC decide not to approve the RDP in its entirety.**

8. The Sub-committee expresses concern as to the basis on which levels of expenditure were allocated to the TB eradication programme, a commitment in the *One Wales* agreement, because of the lack of a TB eradication strategy. **The Sub-committee therefore recommends that the final strategy should contain detailed costings and that the budget allocation should be revisited if the amounts allocated prove to be inadequate.**

9. The Sub-committee notes that spending provided by DEFRA is not contained within the Draft Budget Proposals 2008/09 or associated documents. **The Sub-committee therefore recommends that, for ease of scrutiny, a note detailing DEFRA spending within the rural affairs portfolio is provided with future draft budget proposals.**

**Y Pwyllgor Iechyd, Lles a
Llywodraeth Leol**

**Health, Wellbeing and Local
Government Committee**



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

Alun Cairns AM
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
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Our ref: HWLG(3)08-07

19 November 2007

Dear Alun

**DRAFT BUDGET - RECOMMENDATIONS FROM THE HEALTH, WELLBEING
AND LOCAL GOVERNMENT COMMITTEE**

The Health, Wellbeing and Local Government (HWLG) Committee considered the draft budget at its meeting on 14 November. I am now writing with the Committee's recommendations to the Finance Committee under Standing Order 27.3.

General Observations

Timescale

Standing Order 27.3 allows only 2 weeks for Committees to consider the draft budget from the date on which it was laid. This gives very little scope for Committees to look at the budget in any detail.

The Committee appreciates that the establishment of the Finance Committee suggests a somewhat different approach to budget scrutiny in the third Assembly. The Committee recognises the particular difficulties caused by the timing of the Comprehensive Spending Review announcement this year.

The Committee was grateful that the Minister for Health and Social Services was able to attend its meeting on 14 November to answer questions from Committee Members. The Minister for Social Justice and Local Government was also able to answer some questions when he came to the Committee on 7 November for a general scrutiny session.

However, total proposed expenditure on Health and Social Services and on Social Justice and Local Government amounts to £9.9 billion out of a total

Assembly budget of £14.4 billion 2008-09. The bulk of this expenditure falls within the Committee's remit. Despite this, the Committee has had only two limited opportunities to question Ministers on the proposals.

The Committee believes that the time allowed for it to consider the draft budget on this occasion was inadequate to allow anything other than the most cursory consideration of the proposals. In the light of our concerns, the Committee *recommends* that the Finance Committee looks at the timescale for scrutiny Committees to consider the budget in future years. You may be interested to know that the Committee also agreed that I should write to the Leader of the House drawing these concerns to his attention.

Alignment of Budget with *One Wales* Agreement

It is not always evident how the objectives in the *One Wales* agreement align with the expenditure provision made in the draft budget. The Committee appreciates that time constraints may have made it difficult this year to fully align the *One Wales* agenda with the presentation of the draft budget. The Committee *recommends* that, to ensure transparency and facilitate proper scrutiny of the budget, budgets are presented in a way that makes it as clear as possible how *One Wales* policies are to be funded.

Strategic Capital Board

Committee Members were unclear on how the proposed Strategic Capital Board would operate and expressed concern that smaller projects, or other worthwhile projects that were not fully developed at the start of the period, could be squeezed out of consideration for funding. The Committee *recommends* that the Finance Committee consider this issue in the round.

Areas of Expenditure

Set out below are the areas where Committee Members have expressed concerns about budget provision or are unclear on the precise nature of particular spending proposals. These need to be read in the context of our general comments about the limited time available for the Committee to consider the budget.

I should also make it clear that the issues highlighted are not necessarily of concern or of equal concern to all Members of the Committee but it *recommends* that the Finance Committee draw these issues to the attention of the Assembly in its report on the draft budget.

Portfolio of the Minister for Social Justice and Local Government

Council Tax Reduction Scheme for Pensioners

Committee Members expressed concern that the funding proposed, £4m in 2009-10, would not offer significant additional help to pensioners to help with Council Tax.

Local Government Funding

The Committee was unable to consider the Local Government Settlement as it was not announced until after the Committee's consideration of the draft budget. (The detailed Local Government settlement was not published until 14 November, thereby not allowing an opportunity for the Minister to answer questions on the settlement.)

Portfolio of the Minister for Health and Social Services

Research and Development

Committee Members expressed concern that the funding line for Research and Development is not planned to grow in real terms over the 3 year period covered by the draft budget. The Committee was also aware of concerns expressed by a number of senior clinicians in a letter to the First Minister about the proposed level of funding.

The Minister was able to explain that funding issues cut across a number of portfolios and that discussions between ministers on further allocations for medical research and development are continuing in the context of the proposed strategic capital fund. However, this in itself also gave rise to concerns about the transparency of the draft budget in this respect and the adequacy of the funding available.

Local Health Board (LHB) and NHS Trust Budgets

Detailed budget allocations for LHBs and Trusts will not be available until later in the year. However Members expressed concern at the implications of the draft budget line for Local Health Boards and NHS Trusts. Members suggested that the proposed budget provision for these bodies meant at best a funding standstill in real terms. The Minister explained that efficiency savings should also be taken into account when considering the funding available. Detailed budget allocations had not been finalised nor had the level of efficiency savings that would be required.

Cost of Drugs

Concern was expressed that the cost of drugs was not separately identified in the draft budget and that the relatively high cost of providing new drug treatments, together with planned new initiatives such as the immunisation programme for the human papilloma virus (HPV), would put further pressure on LHB and NHS Trust budgets. On the proposed HPV immunisation programme, the Minister was confident that sufficient money was available to deliver the proposed programme at a sufficiently high take up rate to ensure the programme was successful.

Cancer

Committee Members questioned the rationale, which they were told was to allow time to develop the policy, for a cut in expenditure in this area in 2008-09 and 2009-10 followed by a significant increase in 2010-11.

Mental Health

The proposed increases for Mental Health were welcomed although some reassurance was sought that the proposed level of funding was sufficient to meet needs. Child and Adolescent Mental Health Services (CAMHS) were mentioned as a particular area of concern although the Minister was able to point out that the draft budget contained proposals for an additional £5m for CAMHS.

Health Inequalities & Prevention

The continuation of the Inequalities in Health Fund for the next three years was welcomed although the balance between additional projects and the continuation of existing projects was questioned. The Minister was able to confirm that the budget proposals would allow for the funding of new projects.

Further information was also requested on how the *One Wales* commitment to invest £190 million in Public Health and health Improvement would be met.

Tobacco Control

It was noted that the proposed budget for Tobacco Control had been reduced.

School Nurses/Not for Profit Nursing Homes

The *One Wales* agenda supports the expansion of the school nursing service. It was not clear whether the money for this expansion will be found in the Health and Social Services budget or elsewhere. The Minister was able to confirm that funding in this area would come from the Health and Social Services, Education and Training BEL.

Social Services Capital

Concern was expressed that although £13.34 million had been made available for Social Services Capital Funding in 2007-08 no allocations have been made for subsequent years. The Minister explained that there was a very limited capital budget for her portfolio and that there would be a need to re-visit some areas before the final budget was laid.

However, the Government would be able to honour all its commitments in this area.

National Strategy for Carers

The importance of adequate funding being provided for the strategy was noted.

Pooled Budgets

Concern was expressed at continuing slow progress in the pooling of budgets between Health and Social Services. The Minister shared this concern and felt that ultimately some form of ring-fencing might need to be considered if progress was to be made.

Cross-Border Services North Wales

Concern was expressed that the amount of funding available for cross-border services, particularly in North Wales, was adequate. The Minister indicated that funding was in place for these services

Social Services

An assessment of the implications of the proposed budget for Social Services was difficult without more detailed information on the funding available to local authorities through the local government settlement.

Palliative care

Clarification was sought on the amount of funding available over the course of the budget for palliative care.

Conclusion

The Health, Wellbeing and Local Government Committee has invited the Minister for Health and Social Services and the Minister for Social Justice and Local Government to give further evidence to the Committee at its meeting on 28 November. This is outside the timescale allowed in Standing Order 27.3 and is unlikely to allow the Finance Committee time to give consider any conclusions before it has to report under Standing Order 27.4. The Committee may, therefore, decide to report direct to the Assembly on this part of our consideration of the draft budget.

I would be grateful if you could draw this letter to the attention of Members of the Finance Committee. A copy of this letter goes to Edwina Hart, Brian Gibbons, Carwyn Jones and the Presiding Officer for information.

Yours sincerely

EMBARGOED UNTIL 00.01 Monday 3 December 2007

Jonathan Morgan
Chair

Pwyllgor Menter a Dysgu
Enterprise and Learning Committee
Bae Caerdydd / Cardiff Bay
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Alun Cairns AM
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
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19 November 2007

Annwyl Alun

Report of consideration of the Welsh Assembly Government draft budget 2008-09

Under Standing Order 27.3, the Enterprise and Learning Committee considered the Welsh Assembly Government's draft budget for 2008-09 at its meeting on 14 November.

A copy of the Committee's report is attached at Annex 1.

Yn gywir iawn,

Gareth Jones AM
Committee Chair

Enterprise and Learning Committee

Report of consideration of the Welsh Assembly Government Draft Budget 2008-09

Background

1. In accordance with Standing Order 27.3, the Committee considered the draft budget at its meeting on 14 November. It scrutinised Jane Hutt AM, Minister for Children, Education, Lifelong Learning and Skills, and Ieuan Wyn Jones AM, the Deputy First Minister and Minister for the Economy and Transport. 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-third-assem/bus-committees-third-els-home.htm>
2. A short report of the Committee's consideration and recommendations follows.

General Comments

3. The Committee felt that the time constraints laid down in Standing Order 27.3 restricted the opportunity for Scrutiny Committees to contribute constructively to the budget process. **We recommend that the Finance Committee exploits Standing Order 14.2(ii) to report on the timetable for consideration of budget proposals and recommend changes for future budget rounds.**

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

4. The Minister welcomed the opportunity to present her budget and spending priorities to Members noting that she would consider technical changes as a result of the Committee's scrutiny.
5. In scrutinising the Minister, the Committee sought clarification and further details on the following issues:
 - 5.1 The presentation of information in her written evidence. Members were unhappy that figures did not take inflation into account and therefore did not represent real terms increases and decreases. **We recommend in future years when Ministers present budget information to Committee, that figures represent real term increases and decreases taking inflation into account and calculate changes on a year-on-year basis rather than cumulative increases from the current year's baseline.**
 - 5.2 The increases in the Cymorth BEL.
 - 5.3 The impact on the budget of the inclusion of funding for student top-up fees.
 - 5.4 The decrease in the Children Commissioner for Wales BEL of 3.7 per cent for 2008-09.

- 5.5 Funding allocated to mainstreaming equality within the portfolio (See below – Cross-cutting issues).
- 5.6 Whether the youth strategy would be fully funded and how funding would be spent.
- 5.7 The decrease in RAISE funding to less than £2 million by 2010-11. **We recommend that the Finance Committee closely monitors allocation to the successor school effectiveness stream in future years.**
- 5.8 The allocation of capital funding for schools – including funding the backlog of school repairs - further education and higher education and whether funding for the youth service was included. **We recommend that the Minister's efforts to secure unclaimed assets funding for the youth service are monitored and evaluated.**
- 5.9 The provision of funding to Welsh-medium higher education.
- 5.10 Whether the indicator-based assessments were targets or notional spend.
- 5.11 Whether capital spend would be sufficient to build two new university campuses in south-east Wales.
- 5.12 Whether funding for work-based learning would be sufficiently robust to deliver the skills agenda, especially in light of the imminent publication of the Webb review.
- 5.13 Given the overall decrease in additional learning needs funding, whether Measures pursuant to legislative competence would be fully funded. **We recommend that, in light of the decrease in additional learning needs provision, the Finance Committee, under Standing Order 14.2(i), reports in due course on the funding implications of Measures pursuant to additional learning need legislative competence.**

School Funding

6. Members had a number of concerns relating to school funding, including RAISE and indicator-based assessments. These would be pursued further at a future scrutiny session, when the Committee would monitor the Government's progress in implementing the recommendations of the former Committee on School Funding. (The meeting is scheduled for 21 November). **The Committee undertakes to draw any concerns it may have on school funding to the attention of the Finance Committee.**

Further information

7. The Minister undertook to provide the Committee with the following additional information, which due to time constraints laid down in Standing Orders is not included:

- A breakdown of the budget available for Training Regulation Qualifications for Further Education tutors.
- Details on the support provided for teachers with regard to employer pension contributions.

Issues raised with the Deputy First Minister and Minister for the Economy and Transport

8. In scrutinising the Minister, the Committee sought clarification and further details on the following issues:
 - 8.1 Whether a 3.4 per cent increase in the economy and transport budget was a disappointing outcome, given the increase of 5.6 per cent in the overall Assembly budget.
 - 8.2 Given the high inflation pressures on the construction industry, whether the Minister's infrastructure priorities were robust and whether convergence funds would be sufficient to help deliver the programmes.
 - 8.3 The flat line of expenditure on walking and cycling, given the *One Wales* commitment to sustainable transport. **We recommend that the Finance Committee assesses whether the funding for sustainable transport for walking and cycling in both the Minister for the Economy and Transport and the Minister for Sustainability budgets is sufficient to deliver the *One Wales* commitment.**
 - 8.4 Whether there had been a decrease in the provision for match funding. **We recommend that when convergence funding becomes operational, that the Finance Committee and the soon to be elected Structural Funds Subcommittee closely monitors the use of match funding to 2013 from the Welsh Assembly Government and other sources and the use of the pot of last resource that has been transferred to the Finance Minister's portfolio.**
 - 8.5 Funding for improvements to rail infrastructure, and in particular the upgrade of Queen Street Station, Cardiff. The Committee were reassured that the rail capital budget would be sufficient to fund this scheme. **We recommend that the Finance Committee monitors provision of supplementary funding provided, if needed, by the Welsh Assembly Government to upgrade Queen Street Station.**
 - 8.6 Whether the new Single Investment Fund for business support will deliver for small and medium-sized enterprises as well as larger projects. **We recommend that the Finance Committee consider the evaluation of the pilot currently under way.**
 - 8.7 Whether there was sufficient funding to deliver the Heads of the Valleys trunk road improvement and the road improvements required for future investment at DARA, St Athan, given the Minister's priorities for roads. **We recommend that the Finance Committee examines further which trunk road schemes are**

included in the trunk road capital budget and which will require successful bids to the Strategic Capital Investment Board.

- 8.8 Whether provision for the promotion and deliver of road safety schemes was adequate.
- 8.9 Whether the *One Wales* commitment on employment rates would be met and whether there was additional funding for the Labour market strategy. **We recommend that the Finance Committee further explores the costing of commitments in *One Wales* on employment and the labour market.**
- 8.10 Whether the Minister's department is delivering on the efficiency savings as set out in *Making the Connections*. **We recommend that the Finance Committee monitors the ongoing impact of the *Making the Connections* programme.**

Further information

9. The Minister undertook to provide the Committee with the following additional information, which due to time constraints laid down in Standing Orders is not included:

- Details on the funding responsibilities of the Minister for Economy and Transport and the Minister for Sustainability and Housing with regard to sustainable transport, in particular walking and cycling.
- Clarification on how the budget addresses provisions to develop childcare and what support is available for professionals working through the medium of Welsh.

Cross-cutting issues

10. Both Ministers placed considerable emphasis on future cross-departmental working in delivering the *One Wales* commitments. In particular, the Deputy First Minister referred to research and development and the potential of closer working between higher education and business in Wales. He looked forward to collaborating with the Minister for Children, Education, Lifelong Learning and Skills in delivering this cross-cutting agenda.
11. Owing to changes in portfolios for Welsh Ministers, funding for tourism is now allocated to two Main Expenditure Groups (MEGs), namely Heritage and Economy and Transport. Funding for the previous Section 4 investment grants will be dealt with under the new Single Investment Fund. The Minister assured the Committee of close co-operation between his department and that of the Minister for Heritage in overseeing tourism expenditure. **We recommend that the Finance Committee monitors the co-ordination of tourism expenditure in the two MEGs to ensure that the tourism industry in Wales is fully and appropriately funded, given its potential to create and underpin social regeneration.**
12. Members sought clarification on provision for migrant workers. The Minister for Children, Education, Lifelong Learning and Skills referred to the increase in the minority ethnic achievement grant. **We recommend that the Finance Committee asks the Equality of Opportunity Committee to monitor the impact of this funding.**

13. Both Ministers were questioned on the levels of funding to mainstream equality in their portfolios and whether they were monitoring the impact of funding. **We recommend that in future, Ministerial reports should explain how budgets will contribute to delivering Welsh Assembly Government commitments to equality.**
14. Members were informed that monitoring of equality issues is part of the EU programmes and will also be part of the new Single Investment Fund.

Summary of recommendations

- **We recommend that the Finance Committee exploits Standing Order 14.2(ii) to report on the timetable for consideration of budget proposals and recommend changes for future budget rounds.**
- **We recommend that in future years when Ministers present budget information to Committee, figures represent real term increases and decreases taking inflation into account and calculate changes on a year-on-year basis rather than cumulative increases from the current year's baseline.**
- **We recommend that the Finance Committee closely monitors allocation to the successor school effectiveness stream in future years.**
- **We recommend that the Minister's efforts to secure unclaimed assets funding for the youth service are monitored and evaluated.**
- **We recommend that, in light in the decrease in additional learning needs provision, the Finance Committee, under Standing Order 14.2(i), reports on the funding implications of Measures pursuant to additional learning needs legislative competence.**
- **The Committee undertakes to draw any concerns it may have on school funding to the attention of the Finance Committee.**
- **We recommend that the Finance Committee assesses whether the funding for sustainable transport for walking and cycling in both the Minister for Economy and Transport and the Minister for Sustainability budgets is sufficient to deliver the *One Wales* commitment.**
- **We recommend that when convergence funding becomes operational, that the Finance Committee and the soon to be elected Structural Funds Sub-Committee closely monitors the build up of match funding to 2013 and the use of the pot of last resource that has been transferred to the Finance Minister's portfolio.**
- **We recommend that the Finance Committee monitors provision for supplementary funding provided, if needed, by the Welsh Assembly Government to upgrade Queen Street Station.**
- **We recommend that the Finance Committee consider the evaluation of the pilot for the new Single Investment Fund currently under way.**
- **We recommend that the Finance Committee examines further which trunk road schemes are included in the trunk road capital budget and which will require successful bids to the Strategic Capital Investment Board.**

- **We recommend that the Finance Committee further explores the costing of commitments in *One Wales* on employment and the labour market.**
- **We recommend that the Finance Committee monitors the ongoing impact of the *Making the Connections* programme.**
- **We recommend that the Finance Committee monitors the co-ordination of tourism expenditure in the two MEGs to ensure that the tourism industry in Wales is fully and appropriately funded, given its potential to create and underpin social regeneration.**
- **We recommend that the Finance Committee asks the Equality of Opportunity Committee to monitor the impact of the minority ethnic achievement grant.**
- **We recommend that in future, Ministerial reports should explain how budgets will contribute to delivering Welsh Assembly Government commitments to equality.**

**Sustainability Committee
Report on the Sustainability Draft Budget for 2008/09**

The Committee reports to the Finance Committee as follows—

Introduction

1. The Committee has considered the spending plans for sustainability priorities of the Welsh Assembly Government as set out in the *Draft Budget Proposals 2008/09* and associated documents.
2. The Committee's scrutiny of the *Draft Budget Proposals 2008/09* took place on 15 November 2007, when it took evidence from Jane Davidson AM, Minister for Environment, Sustainability and Housing, Matthew Quinn, Director, Department for Environment, Sustainability and Housing (DESH), Georgina Haarhoff, Head of Corporate Strategy Unit, DESH, and Jasper Roberts, Head of Waste and Local Environment Quality Unit.

Issues raised in evidence

3. In taking evidence from the Minister, the Committee sought clarification and further details on the following issues:
 - *The proportion of committed expenditure within the sustainability Draft Budget 2008/09;*
 - *Allocation of funding to local authorities for the Tidy Town initiative and Keep Wales Tidy;*
 - *The influence of equality of opportunity considerations on the allocation of resources within the sustainability Draft Budget 2008/09;*
 - *Rationale for a reduction in the waste strategy capital budget;*
 - *Funding of large capital budgets across all portfolios through a Strategic Capital Investment Fund within the responsibility of the Finance Minister;*
 - *Proposed spending plans for the forthcoming Waste Strategy;*
 - *Allocation of funding to local authorities for investment in recycling infrastructure, rather than for supporting them to meet the significant increases in landfill tax;*
 - *Changes in the approach to the budget on flood risk management and water revenue;*
 - *The potential to access additional funding from convergence funding for flood and waste measures and the commitment of match funding for this purpose;*
 - *Increases in revenue funding for both the Planning Inspectorate and the Climate Change and Environmental Quality budget expenditure lines;*
 - *Budgetary implications of Legislative Competence Orders in relation to environmental quality;*

- *The budgetary changes in relation to the Countryside Council for Wales; and*
- *The new budgetary expenditure lines on Access Revenue and the Home Energy Efficiency Scheme.*

Written clarification requested

4. During the evidence session, the Minister agreed to provide the following further information, however, due to tight timescales was unable to provide it in time for the preparation of this report:

- *Clarification of the budget lines to be used as match funding for the purposes of accessing convergence funding;*
- *Explanation of the increase in the budget of the Planning Inspectorate;*
- *An explanatory note on differences highlighted between the figures used by officials at Committee and those used by the Committee Members; and*
- *Details of the budget of the Countryside Council for Wales (CCW), including information on the movement of funding across budget expenditure lines for CCW.*

5. In addition, the Committee is concerned about the apparent reliance on convergence funding of £51 million to supplement the budget on flood and waste. It is also concerned about the apparent confusion regarding how much of the match funding which is required for convergence bids is committed within the budget and where it lies. **The Committee would like to seek reassurance that the projects contained in the bid for convergence funding will go ahead if all or part of the funding is not approved.**

6. Prior to the Committee meeting, there was some concern as to whether the Minister would answer questions on the Housing section of her portfolio, as the Deputy Minister for Housing was going to be scrutinised by a different committee. **The Committee feels strongly that any scrutiny committee should be able to scrutinise any Minister on issues they consider relevant to their remit.**

Recommendations

7. The Committee is disappointed in the lack of clarity and transparency within some of the budget expenditure lines relating to sustainability. **In order to assist in effective scrutiny in future, the Committee recommends that future budget proposals are clearly presented and/or appropriate notes of explanation are provided.**

8. The Committee is concerned that large capital projects across all portfolios are now to be funded through bids to the Strategic Capital Investment Fund, administered by the Finance Minister. **The Committee recommends to the Finance Committee that it explores further with the Finance Minister how the Strategic Capital Investment Fund will be allocated and whether there are sufficient monies in the Fund to meet the needs of all the departments who will be bidding for capital funding.**

9. Whilst the Committee notes that reductions in the budgets of some bodies, such as the National Parks, local authorities and the Countryside Council for Wales could in part be offset by efficiency savings, it is concerned as to the potential impact on delivering policy commitments. **The Committee recommends that the Welsh Assembly Government monitors closely the impact of these budget reductions to ensure there is no equivalent reduction in the quality of services of provided.**

10. Whilst the Committee recognises that those local authorities that are performing poorly against waste targets should not be rewarded, it expresses concern that there is no provision within the budget to assist local authorities in meeting significant rises in landfill tax. **The Committee therefore recommends that the proposed investment in infrastructure for recycling is implemented promptly to ensure that local authorities are not disadvantaged by landfill tax increases.**

11. There was some confusion at the meeting between the figures being used by officials and those being used by the Members. **In order to avoid further confusion, the Committee recommends that, when presenting the draft budget in future, it would aid the scrutiny process if the year on year changes are identified as well as the changes in planned expenditure.**

12. The Committee expressed its disappointment in the length of time it had to question the Minister due to the time constraints of the budget process. **The Committee therefore recommends that the timetable for the budget process in future years be reviewed to allow Scrutiny Committees sufficient time to conduct meaningful scrutiny of the relevant sections of the draft budget.**